This is an edited version of the English translation of the Q1 FY2026 earnings call which was conducted in Japanese. Please note there are differences between the simultaneous English audio translation during the Q&A session and this version. The Q&A session was translated from Japanese using an AI tool and subsequently edited for clarity.

Recruit Holdings Q1 FY2026 Earnings Call
August 7, 2026

Recruit Holdings Q1 FY2026 Earnings Call

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Shen: Thank you for joining the Recruit Holdings FY2026 Q1 earnings call.

This call is a simultaneous translation of the original call in Japanese and translation is provided for the convenience of investors only.

Earlier at 3:30 PM, we disclosed the Earnings Release, Earnings Summary, and the presentation slides of this results call on our IR page. The video and transcript of this results call will be posted on our IR website after the session.

As announced in our web site two days ago, Envalith, an independent research firm, will publish a flash report on this earnings call. Please refer to it as well.

Today's presenters are;
Hisayuki Idekoba, Representative Director, President and CEO;
and Junichi Arai, Executive Vice President and Chief Financial Officer

In the first 30 minutes, Deko and Jun will provide a presentation, followed by a Q&A session.

Now I'll turn the call over to Deko.

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Deko: Hello, I'm Deko, CEO of Recruit Holdings.

Today I am pleased to share our Q1 FY2026 results and to raise our full-year consolidated guidance.
HR Technology delivered a strong Q1 performance, with US revenue increasing 30% year-over-year. Based on this momentum, as of today, we are raising our full-year HR Technology revenue outlook to up 18.7% year-over-year globally, and up 25.1% year-over-year for the US.

As you all know, AI is evolving at an incredible pace almost every single week. Many of you are probably noticing how AI agents are rapidly taking off as automation tools across so many industries.
We ourselves genuinely feel it - that we've finally entered a whole new phase where our AI automation tools are boosting productivity for HR teams worldwide—teams that have historically been bogged down by time-consuming manual work.

First, let me walk you through why our Q1 performance came in stronger than expected, even in a market environment where US hiring demand remains down year-over-year.

Continuing previous trends, our revenue from small and medium businesses was very strong in Q1. For lean SMBs, having an open role stay unfilled for too long can literally be a matter of life or death for their business. By adopting our AI products, their time-consuming manual tasks get automated, dramatically shortening their "Time to Hire." In this environment, many of these clients prioritize hiring speed over cost. As a result, growth in both the number of SMB clients and spend per client drove our overall top-line expansion.

On top of that, we're now seeing revenue growth from large enterprise clients become more pronounced.
Enterprise clients typically take longer to onboard. Decision-making for budget adjustments takes time, and legal reviews—especially when it comes to AI products—can be quite time-consuming. Even so in Q1, many larger customers were willing to trial our AI products.

For instance, one healthcare client tested how much AI automation could boost their recruiters' productivity and concluded that our AI products help them significantly reduce time spent screening candidates, delivering output equivalent to several full-time recruiters. The reality is that many large enterprises employ dozens—sometimes even hundreds—of recruiters, incurring massive costs from manual processes. By enabling clients to dramatically boost their productivity by adopting our AI products , we believe we have a major source of growth ahead of us.

So, when you look at our recent revenue growth, it's really the result of two key drivers working in tandem: higher spend per client driven by the added value our AI delivers, and a growing number of clients using our products.

Using AI automation tools to boost the productivity of HR teams around the world burdened with manual work isn't just a win for employers—it's a huge plus for job seekers, too. By automating processes that previously required time-consuming manual work, job seekers are now experiencing firsthand that using Indeed means faster responses from employers, earlier access to first interviews, and ultimately, finding a job sooner. That is precisely why more people than ever are engaging our platform. At the end of the day, getting people hired faster through AI automation creates a win for everyone—and we believe that's what matters most.

At the same time, it's also true that average spend per client has risen rapidly over a short period. To protect our sustainable, mid to long-term growth, we will continue to monitor client satisfaction very closely.
The incredible pace of AI evolution is amazing, but rapid change naturally brings wider implications. As such, we intend to carefully gauge the pace at which our customers and society are adapting, and navigate this with both caution and flexibility.

Our ability to leverage AI to raise customer productivity is advancing faster than anticipated, which, to be honest, makes precise forecasting genuinely challenging.
Today's updated guidance represents our estimate based on what we can see as of today.

As the picture becomes clearer over time, we will share our latest progress with you every quarter.
That concludes my remarks for today. I'll now turn it over to our CFO, Arai, to walk you through the detailed numbers.

Arai-san, over to you.

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Arai: I am Junichi Arai, CFO of Recruit Holdings.

Today I will focus on our upward revision to the FY2026 full-year consolidated guidance.

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First, our consolidated results for Q1 FY2026.

Revenue, EBITDA+S, and basic EPS each substantially exceeded our initial expectations and reached record highs. Revenue increased 18.9% year over year to 1.04 trillion yen.

EBITDA+S increased 56.5% year over year to 292.8 billion yen, and EBITDA+S margin was 28.0%. Basic EPS was 145.48 yen, up 73.2% year over year.

As of the end of July, we had repurchased 12.5 million shares for 120.0 billion yen under the ongoing 350.0 billion yen share repurchase program, representing 34.3% of the total program.

Gross cash and cash equivalents were 908.5 billion yen at the end of June.

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Based on these Q1 results and the latest outlook for each segment, we have revised upward the FY2026 full-year consolidated guidance disclosed in May.

This revision is mainly driven by HR Technology, where Q1 results significantly exceeded our initial expectations, and we expect this trend to continue from Q2 onward.

We assume an exchange rate of 159.0 yen per US dollar for FY2026.

We now expect consolidated revenue to increase 14.4% year over year to 4.23 trillion yen, compared with our initial guidance of 4.03 trillion yen.

We expect EBITDA+S to increase 39.1% year over year to 1.105 trillion yen, surpassing the 1 trillion yen mark for the first time, compared with our initial guidance of 949.0 billion yen.

We have revised the EBITDA+S margin from 23.5% to 26.1%.

We have also revised basic EPS upward from 447 yen to 543 yen, an increase of 55.2% year over year. This reflects the upward revision to net income from our initial guidance of 623.0 billion yen to 755.0 billion yen, an increase of 51.9% year over year, as well as the number of shares repurchased from April through the end of July 2026.

Staffing in Japan was subject to an on-site inspection by the Japan Fair Trade Commission in June 2026 in connection with suspected violations of the Antimonopoly Act. As we are currently cooperating with the inspection, it is difficult to reasonably estimate the financial impact at this time. Accordingly, this guidance does not reflect any such impact.

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Of our three business segments, HR Technology continues to drive our growth and remains the core of our consolidated financial performance.The segment will account for approximately 43% of revenue and approximately 75% of EBITDA+S.

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I will now discuss the full-year outlook for HR Technology.

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We now expect segment revenue on a US dollar basis to increase 18.7% year over year to 11.4 billion dollars, above our initial outlook of 11.0% growth.

On a Japanese yen basis, we have revised our outlook from growth of 13.4% year over year to growth of 24.9% year over year, or 1.82 trillion yen.

By continuing to focus on revenue growth and disciplined business management, we have revised the segment EBITDA+S margin outlook from 41.0% to 45.8%.

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Looking at the segment revenue outlook by region, the 615 million US dollar increase in the US was a key factor behind the substantial upward revisions to both the segment outlook and consolidated guidance.

For the US, which is expected to account for 58% of segment revenue, we have upwardly revised our year-over-year revenue growth outlook from 13.6% to 25.1%, reaching 6.6 billion US dollars.

For Europe & Others, we have revised our year-over-year revenue growth outlook from 17.1% to 23.2%, reaching 2.5 billion US dollars.

For Japan, we have revised our initial outlook up by 11.5 billion yen, from growth of 2.1% year over year to growth of 5.4% year over year, or 367.0 billion yen. On a US dollar basis, we expect revenue to be virtually flat year over year at 2.3 billion US dollars.

I will provide further details later.

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Turning to our Q1 segment results. As stated at the outset, Q1 results substantially exceeded our initial outlook.

Revenue on a US dollar basis increased 20.9% year over year to 2.8 billion US dollars.On a Japanese yen basis, revenue increased 33.2% year over year to 455.4 billion yen.

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Segment EBITDA+S margin increased significantly to 47.4% driven by strong revenue growth and continued discipline in cost management.

Employee benefit expenses, including share-based payment expenses, together with outsourcing expenses, which represent broadly defined personnel expenses, were approximately 37% of revenue down significantly from approximately 48% in Q1 FY2025.

While AI-related compute and infrastructure expenses are growing and reflect our expanded capabilities, they remain a small portion of our cost base and are not yet a material factor in our margin profile. We will continue managing them with a clear focus on return on investment.

I will next discuss the results by region, starting with the US, followed by Europe & Others and Japan.

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Before discussing the results and outlook, I will again explain the definition of the US ARPJ growth rate, which we began disclosing with our Q2 FY2025 results.

The US ARPJ growth rate is the year-over-year rate of change in average revenue per job posting on Indeed which we disclose each quarterly earnings announcement to demonstrate how our monetization progress is on track, driven by the expansion of higher-value features and packages, even as business clients' hiring demand and activity fluctuate due to macroeconomic and other factors.

US ARPJ, as average revenue per job posting on Indeed, is calculated by dividing HR Technology revenue in the US by the total number of US job postings on Indeed.

The numerator, total HR Technology US revenue, comprises revenue from Sponsored Jobs, which consists of paid job ads like Standard and Premium Sponsored Jobs, as well as other products and services, including Smart Sourcing and Smart Screening, Employer Branding, and Indeed Flex.

The denominator, the total number of US job postings, is measured by the Indeed Hiring Lab US Job Postings Index.

The Indeed Hiring Lab US Job Postings Index tracks hiring demand in the US labor market and includes Hosted Jobs, which are jobs employers post directly on Indeed, and Indexed Jobs, which are jobs Indeed receives from employers' career sites, applicant tracking systems (ATSs), and other sources across the web.
The total number of US job postings includes all job postings on Indeed in the US, whether or not they are job ads. In other words, US ARPJ is the average revenue per job posting on Indeed—not the average unit price per sponsored job ad.

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Premium Sponsored Jobs is the primary driver of US revenue growth in HR Technology in FY2026.

This slide shows the features currently included in the Premium package that support employers throughout the hiring process.

Compared to Standard Sponsored Jobs and free listings, Premium Sponsored Jobs goes well beyond basic features, offering a broader range of advanced features to deliver greater value for business clients looking to make their hiring processes faster and more efficient.

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The US ARPJ growth rate reached 35% in Q1, substantially above the quarterly levels recorded in FY2025.

Although the total number of US job postings declined approximately 4% year over year, US revenue increased 30.0% year over year to a quarterly record of 1.64 billion US dollars.

This was driven by further monetization development led by the Premium Sponsored Jobs package.

The previous record was 1.61 billion US dollars in Q1 FY2022, when revenue grew significantly up 24.9% year over year. However, the total number of US job postings was approximately 57% higher than in Q1 FY2026 and also increased approximately 24% year over year, leaving the US ARPJ growth rate at just 1%.

These results demonstrate the extent and pace of our current monetization development, as seen in the difference in US ARPJ growth rates.

Our model has evolved from one centered on a search engine and Pay Per Click, or PPC job ads to an AI powered, faster, more precise and high-value matching platform in a Two-sided Decision-making Marketplace.

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Our full-year outlook is based on the Q1 results together with our latest performance outlook for Q2 through Q4, which assumes an approximately 4% year over year decline in the total number of US job postings, consistent with our assumption at the beginning of the fiscal year.

We have substantially revised our year-over-year US revenue growth outlook from 13.6% to 25.1%, reaching 6.6 billion US dollars, which would be a record high for full-year revenue on a US dollar basis.

We expect the US ARPJ growth rate to be approximately 30% for FY2026.

For context, the previous full-year revenue record was 6.0 billion US dollars in FY2022. In that fiscal year, the total number of US job postings increased approximately 3% year over year, revenue increased by 4.9% year over year, and the US ARPJ growth rate was 2%.

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Next, Europe & Others.

Q1 revenue increased 28.5% year over year to 0.6 billion US dollars.

On a local currency basis, revenue increased approximately 34% year over year in the UK and approximately 46% year over year in Canada.

This growth was mainly driven by continued monetization development through the expanded adoption of Premium Sponsored Jobs.

For FY2026, we have revised our full-year revenue growth outlook from 17.1% to 23.2% year over year, reaching 2.5 billion US dollars.

As in previous years, approximately two-thirds of this revenue is expected to come from the UK, Canada, and Germany.

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In Japan, Q1 revenue increased 6.7% year over year to 96.3 billion yen.

In job advertising services, Indeed PLUS performed above our initial expectations, driven by an increase in the number of paid job ads and growing price per job, while placement services have recovered faster than expected.

For FY2026, we expect these trends to continue, more than offsetting certain headwinds specific to this fiscal year — namely, remaining changes in revenue recognition from gross to net and the withdrawal from or downsizing of unprofitable businesses.

Therefore, we have revised the full-year revenue outlook upward on a Japanese yen basis from growth of 2.1% year over year to growth of 5.4% year over year, or 367.0 billion yen.

On a US dollar basis, we expect revenue to be flat 0.0% year over year at 2.3 billion US dollars.

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Seeing this upward revision in our revenue and EBITDA+S margin, we believe some of you might be concerned that HR Technology has already peaked and has limited upside.

However, we firmly believe the business has significant long-term expansion ahead, as we leverage AI to build out a comprehensive suite of hiring products and services.

As Deko has been explaining since May, HR Technology is not simply aiming to expand within the 34 billion US dollar job advertising market.

We believe we can achieve greater growth over the medium to long term by converting business clients' hiring expenditures — a vast market of approximately 200 billion US dollars that includes placement services as well as an estimated 68 billion US dollars for hiring automation, and further a massive 300 billion US dollars including temporary staffing services —into our revenue.

Many companies worldwide are actively using AI to improve efficiency across all areas of SG&A, and the hiring processes, with its many manual tasks of HR teams, is no exception.

By further improving matching accuracy and speed for job seekers and business clients in a Two-sided Decision-making Marketplace, and by helping business clients' HR departments significantly improve the productivity and efficiency of the entire hiring process, from candidate attraction through subsequent stages, we can achieve sustainable growth.

The segment revenue outlook for FY2026 is only 11.4 billion US dollars. There remains substantial white space and a long runway for growth.

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Next, Staffing.

Q1 segment revenue increased 11.5% year over year to 455.2 billion yen.

In Japan, revenue increased 3.5% year over year to 220.2 billion yen, reflecting continued stable performance.

In Europe, the US, and Australia, revenue increased 20.3% year over year to 235.0 billion yen, including a positive impact from foreign exchange rate fluctuations and reflecting strong performance in the US capturing solid demand, as well as signs of recovery in staffing demand in Europe and Australia despite market conditions in both regions remaining challenging.

Segment EBITDA+S margin was 6.2%.

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We are making only minor upward revisions to our initial full-year outlook. We now expect segment revenue of 1.83 trillion yen and a segment EBITDA+S margin of 5.6%.

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Finally, Marketing Matching Technologies, or MMT.

MMT operates one of the largest matching platforms in Japan, connecting an individual user account base of approximately 99 million RECRUIT IDs with approximately 980,000 business clients across multiple verticals.

Our individual user base and our points program maintain and increase the number of actions taken on our platforms.

By providing "fulfillment functions" that efficiently complete a sequence of processes from customer acquisition through payment, we accumulate unique data on our platforms.

Leveraging this unique data, MMT uses AI to propose optimal services and pricing tailored to each business client, most of whom are small and medium-sized businesses, driving growth in their GMV.

By shifting multiple platforms, including Beauty and Custom Homebuilding & Renovation Consulting, which we discussed in February and May, from fixed monthly listing fees to a GMV-Linked Model, we believe we can achieve sustained revenue growth even as AI technology becomes more widespread and continues to evolve.

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MMT consists of Lifestyle, including Beauty, Travel, Dining, and SaaS solutions; Housing & Real Estate; and Others.

Before discussing the Q1 results and full-year outlook, I will explain the evolution of Automobile within Others, where we introduced a GMV-linked Model starting this fiscal year.

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Since 1984, Automobile has operated an automobile inventory advertising service in Japan under the Car Sensor brand, primarily covering used vehicles listed by business clients such as used car dealers.

Today, it is one of the largest matching platforms in Japan's used car market[1].

Individual users can search business clients' vehicle inventories and then make inquiries and reserve dealership visits through the mobile application or website.

Although its business model transitioned from print media to online services, it remained based on fixed monthly listing fees through FY2025. Revenue in FY2025 was 33.4 billion yen.

Starting in FY2026, in addition to the existing fixed monthly listing fees, we introduced a GMV-Linked Model under which business clients pay based on purchase-intent actions taken by individual users, such as inquiries and dealership visit reservations.

Business clients' vehicle inventory data and data such as the number of inquiries from individual users are synchronized with our platform through vertical SaaS solutions.

In addition, the use of AI has substantially reduced the workload required for business clients to upload vehicle images.

These capabilities have increased the volume of vehicles' inventory images on the platform, as well as the strategic allocation of sales promotion expenses. By driving growth in individual user actions and the number of leads delivered through these efforts, we contributed to increasing business clients' completed transactions and revenue, leading them to increasingly recognize the value provided by the platform, which is the driver behind this model's introduction.

As a result, Q1 revenue increased 15.8%[3] year over year. The introduction of the GMV-Linked Model led to an increase in the number of vehicles listed, resulting in a year-over-year increase of 12.5% in individual user actions[2], which was the main driver of the revenue increase.

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I will now discuss the results and outlook for MMT.

In Q1, revenue in Lifestyle increased 9.6% year over year, driven largely by revenue growth in Beauty resulting from the addition of the GMV-Linked Model.

Revenue in Housing & Real Estate increased 2.8% year over year, reflecting strong user action growth both in Custom Homebuilding & Renovation Consulting where the GMV-Linked Model was introduced, as well as in Residential Resale.

As a result, segment revenue increased 3.7% year over year to 141.8 billion yen.

Segment EBITDA+S margin was 36.0% as a result of revenue growth as well as our cost optimization efforts, including reducing service outsourcing expenses.

As discussed in May, starting in FY2026, MMT is smoothing out the quarterly seasonality of sales promotion and advertising expenses.

Following strategic sales promotion and advertising spending in Q2 in areas where we expect returns on investment from the GMV-Linked Model, including Beauty, Travel, and Housing & Real Estate, we expect the first-half EBITDA+S margin to be approximately 31.0%, in line with our initial outlook.

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Our full-year outlook is unchanged from May.

We expect segment revenue to increase 7.1% year over year to 605.0 billion yen, with a segment EBITDA+S margin of 30.0%.

This concludes my presentation.

1 No.1 in the number of listed dealerships based on desk research among major used car portal sites (excluding sites that only repost listings from other websites) for the period from May 27, 2026 to June 26, 2026 (based on research by Tokyo Shoko Research, Ltd.)
2 The total number of inquiries, dealership visit reservations, phone calls, and other actions regarding information such as listed vehicles directed to business clients generated on matching platforms in Automobile
3 Unaudited internal figures

Q&A

Shen: Thank you. We will now move on to the Q&A session.

If you have a question, please click the "Raise Hand" button on Zoom. When called upon, please unmute yourself before asking your question. Please limit your questions to one main question and one follow-up question per turn. Whenever you are ready, please begin.

First, we will take a question from Munakata-san from Goldman Sachs.

Munakata: This is Munakata from Goldman Sachs. Can you hear me clearly?

Arai: Yes, please go ahead.

Munakata: Thank you. US ARPJ growth rate accelerated another step to 35% YoY, from an already high 25% in Q4, this was a truly impressive performance.

In Deko-san's presentation, he mentioned that you have entered a new phase of automating manual HR tasks, and I believe Arai-san also discussed the expansion of TAM.

Could you share whether you already feel that the playing field or domain in which you compete is shifting—in other words, that TAM is expanding?

For example, is the TAM actually expanding from traditional online job ads into Recruiting Automation through the automation of manual tasks? Is that serving as a key driver, or put simply, do you feel a strong tangible sense that the addressable wallet itself is growing?

Deko: Yes. Looking at the communication data and logs with our clients, especially among SMBs (small and medium businesses)... how should I put this? Maybe this isn't the best analogy, but:

My wife once told me that using food delivery services was a waste of money, saying it's much cheaper to buy ingredients at the local supermarket and cook at home. But for me, I just wanted to eat right away. I felt that as long as the delivery fee was reasonable, it was completely fine.

When it comes to SMBs, what's happening right now is that many business owners say, "This position has been open for two months already. Paying an extra $1,000 or $2,000 is totally fine with me." We see a lot of customers like that.

When they use our services this way, given that they are SMB clients where HR staff usually handle multiple responsibilities, many of them end up saying, "I'm really glad this significantly reduced the time I had to spend on hiring."

Moving up to mid-sized and enterprise clients—those with budgets of $1 million or $2 million—they tend to focus more on evaluating ROI, similar to the case study I shared earlier. For example, they might compare AI sourcing or AI screening against their internal in-house recruiters, or more often, it results in them reducing their reliance on external placement agencies. Many adopt our solutions after trying them out for a month and assessing the ROI.

Rather than simply selling software tools, to put it very simply, we are eliminating downstream processes. Even when an employer doesn't want to interview 20 or 30 candidates they don't plan to hire anyway, they still end up having to manually review each resume, verify licenses, contact candidates, and so on.

By targeting and delivering extremely high-quality candidates right from the start, we are effectively eliminating that downstream work. My explanation might be a bit rough, but for SMBs, the result is faster hiring, freeing up their time for other tasks.

For mid-sized and large enterprises, after using it for about a month, they realize, "Hey, our manual workload has dropped dramatically." So they might start with one job posting as a trial and then expand it to a second, third, and fourth position. We see a lot of cases like that. Apologies as always for my clumsy explanation, but that's the general picture.

Munakata: I see, that makes a lot of sense. Thank you.

I understand that SMBs and large enterprises have different pain points and challenges to begin with. By accurately grasping what each group prioritizes and matching solutions to resolve those specific needs, automation naturally progresses as a result. That's how I've interpreted it.

Deko: Actually, their underlying needs are identical, they just realize it differently.

As I mentioned, why do downstream screening or sourcing happen? It's usually because they feel, "None of these 20 applicants look great; aren't there better candidates out there?" That's what triggers sourcing.

They try sourcing themselves, searching through various resumes and reaching out, but when that doesn't work out, they think, "Maybe we should hire an agency." That's a common pattern.

Rather than a typical enterprise sales narrative of "Let's track ROI upfront to cut costs," when we look at actual customer feedback, even among large clients, many cases are more like: "Oh, we actually made a hire!"—which leads them to pay us more.

So, even though they end up paying us higher amounts, we don't feel like we are competing directly with pure automation tool vendors. I see it as us having a slightly different value proposition.

Munakata: Thank you for the highly insightful explanation. I found it very interesting.

As a follow-up question, regarding the full-year outlook for US ARPJ: you mentioned that forecasting business performance has become more difficult. At this point in time, what exactly are you anticipating from Q2 onwards?

For instance, you mentioned earlier that the recent growth among enterprise clients has been remarkable. Are you viewing that as a primary driver? Could you explain the underlying methodology behind your current guidance?

Deko: That is an excellent question. I, myself have been looking very closely at what the trajectory and drivers will look like going forward.

To explain the current situation, specifically regarding SMBs, the growth in ARPJ is not solely driven by an increase in unit prices. The breakdown actually consists of three factors: an increase in the number of paying clients, an increase in the number of Sponsored Jobs they are paying for, and an increase in the unit price. For our SMB clients, based on what we are seeing right now, it feels like an evenly split mix, roughly one-third for each of those three factors.

So, as I mentioned earlier, you have some clients saying, "This is great, let's use it for this next job and other roles as well," and you also have returning clients who realize, "Oh, this is working well," as well as an influx of new clients. All of this is happening alongside the increase in unit prices.

As for large enterprise clients, on the one hand, as I noted earlier, some are adopting our solutions with the mindset of actively implementing an automation tool. On the other hand, similar to SMBs, there are cases where they simply notice, "These specific roles haven't been filled for about two months, right? The frontline teams are probably struggling, so let's give this a try."

The reason I say this, and you might see this if you think about it, if you consider how the technology is evolving, highly targeted advertising and candidate sourcing, where a recruiter manually searches resumes and reaches out, will inevitably converge over the coming years. High-precision ad targeting essentially functions as automated AI sourcing. Because the targeting accuracy of the job ads themselves has improved so dramatically, it is effectively cannibalizing the traditional sourcing process.

Therefore, the approach is more like, "Please focus and test it out on these specific, hard-to-fill jobs." As a result, the actual number of jobs posted might even decrease, but the unit price per job rises significantly. It's a combination like that.

What I am trying to say is that with AI penetrating at this velocity and driving growth so rapidly, even though we are working hard every day and the market is massive, calculating with high precision whether the growth rate will be 20%, 25%, or 30% is exceedingly difficult. That's the reality we are feeling right now.

Munakata: One thing that caught my attention from your earlier comments, Deko-san, was that since performance is so robust, including the rise in unit prices, you also mentioned the need to carefully monitor customer satisfaction concurrently.

Are you implying that you don't necessarily view this as an immediate risk right now, but rather, because the business is performing so exceptionally well, predicting 9 months out is just inherently difficult? And so, by looking at what is visible today from various angles, you landed on this forecasted level for US ARPJ you presented today, is that the correct understanding?

Deko: That is exactly right. If anything, it is actually easier to think about the long-term horizon rather than the medium-term, say, two or three quarters out. Logically, the old way of doing things, manually reviewing 20 or 30 incoming resumes, reaching out to confirm if a candidate actually holds a required license, going back and forth to schedule an interview date.

And then, when that isn't enough, combing through a resume database, sending messages, only to be told, "I'm not looking to change jobs right now". There is no way that kind of inefficient process can continue indefinitely. I am fully convinced that these manual tasks will inevitably be automated.

Therefore, my comment was meant to convey that, above all, it is crucial for us to accurately capture our clients' demands and changes in behavior, and to grow in lockstep with them.

Munakata: I see, I understand completely. Thank you for taking the time to share so many insightful comments.

Arai: We'll be meeting with Munakata-san in person again in September, so I'm sure we'll get this question from her once more.

Munakata: Thank you very much.

Shen: Thank you. We have quite a few hands raised, so I would like to keep moving briskly to the next question.

Shen: Next, we will take a question from Oum-san of Nomura Securities.

Oum: This is Oum from Nomura Securities. Thank you for taking my question.

You shared an example regarding a healthcare client, and using that as a starting point, I would like to dive deeper into the value proposition Indeed can offer to large enterprise clients.

The client evaluated that your solution delivered productivity equivalent to several recruiters. Could you elaborate a bit more on which specific tasks experienced such a dramatic productivity improvement driven by Indeed? Was it sourcing, verifying certifications or licenses, or something else? If any key terms come to mind, that would be my first question.

Deko: Yes. Many clients, particularly in the healthcare sector, face major bottlenecks with roles that require specific licenses or credentials. In those cases, many companies maintain large recruiting teams, often dozens of people, who manually search resume databases and reach out to candidates asking, "Are you interested in this position?"

For clients like this one, what they typically evaluate is how many interviews were scheduled divided by the cost incurred.

Put simply, they weigh the cost of resume database subscription fees plus recruiters' labor costs against the number of scheduled interviews. They compare that with our automated AI recruiter, which reaches out to candidates saying "How about this candidate, or this one?" and actually sets up the interviews. Many clients look at that result and say, "This equals the output of X number of human recruiters." That is why I shared this as an example.

Oum: I see. So this is a fairly versatile solution, right?

Rather than being a bespoke customization made exclusively for one specific client, it sounds like something that could be expanded beyond healthcare to other industries with just a bit of adaptation and tweaking.

Deko: I believe it is highly versatile.

However, as you know, healthcare has the tightest supply-and-demand imbalance in the U.S., and many positions require specific licenses or skill sets.

Simply put, depending on what percentage of applicants end up being high-probability candidates worth interviewing, the cost benefit will differ based on whether AI is applied to screening or to sourcing.

Screening itself is versatile and easier to scale broadly—for instance, for a night-shift healthcare receptionist position.

It's also easy to deploy for roles like construction workers, where 1,000 or 2,000 people apply. So while those differences exist, at the core, most clients are ultimately evaluating how many interviews were scheduled at what cost.

Oum: Thank you. I have one quick follow-up question.

You mentioned that this area will be the next major growth engine for Indeed. Looking at the landscape three years from now, for instance, currently most of your market cap valuation stems from the fact that 90% of Indeed's revenue comes from advertising, largely driven by SMB clients.

If non-advertising revenues grow significantly and the share of enterprise clients expands from here, it would create a fascinating dynamic. What kind of vision do you have for the landscape three years out?

Deko: Well, what we've been saying we want to do, what we call "Simplify Hiring", is ultimately about using technology to simplify manual tasks. We've been reiterating this message ever since we acquired Indeed.

So as for whether the landscape will dramatically change in three years, it completely depends on how fast AI evolves.

Put simply, what we've wanted to do for a long time is now becoming achievable at a rapid pace because technological progress has finally caught up.

And as those capabilities expand rapidly, rather than simply introducing standalone AI tools, significantly improving matching right at the applicant stage reduces the number of candidates who aren't worth interviewing in the first place. That naturally eliminates downstream tasks altogether, creating true automation, and that is what's so interesting.

Furthermore, by eliminating downstream processes entirely before other SaaS or AI companies can even enter the picture, this approach is the most efficient and extremely difficult for competitors to replicate. If we can scale this broadly, I think it will be very compelling. Does that answer your question? Of course, growing it tens of times over would be the most exciting scenario.

Oum: Understood. Thank you.

Shen: Next, we will hear from Nagao-san of BofA Securities.

Nagao: Hello, this is Nagao from BofA.

I felt that the healthcare case study Deko-san shared was quite a deep-dive example.

Specifically, it carries a structural paradox where the users of the recruitment automation tool are essentially the same people targeted for headcount reduction. So it feels like a race against speed in terms of how you will penetrate more broadly moving forward.

My question is: how do you plan to expand into the automation tool market going forward? More specifically, how do you plan to overcome potential pushback or resistance from HR departments when adopting these tools? I would appreciate your thoughts on this. That is all.

Deko: Yes. As I mentioned briefly earlier, even with large enterprise clients, rather than approaching them with a relentless pitch on "cost-cutting, cost-cutting," we often invite them to test our solutions, such as our premium offerings, because it significantly reduces downstream processes. In terms of penetration speed, that has been the most common entry point for enterprise clients so far.

Beyond that, and I suspect this pattern applies not just to us, many companies selling AI tools, a vast number of enterprise clients are launching AI automation projects involving not just HR heads, but C-suite executives like CFOs, CEOs, and CIOs.

Having conversations at that level and presenting our tools represents a new type of client touchpoint for us. Previously, we rarely had opportunities to speak directly with CFOs or CEOs, but those instances have increased dramatically over the past six months or so.

Concurrently, we have begun sponsoring various CEO-level gatherings and major events, such as the World Cup, where we invite clients to join us for dinners and networking. Rather than resisting, many HR professionals themselves are simply glad that their manual workload is reduced, especially since many of those tasks were already outsourced to begin with. So we haven't experienced as much pushback as one might expect.

Nagao: So it's about appealing to C-suite executives rather than just HR department leads. Thank you.

As a quick follow-up: you are aligning monetization points along the hiring funnel, from candidate pooling to screening and scheduling interviews. Do you have plans or a vision to further automate and monetize the final stages of the funnel, such as managing offers, negotiating terms, and onboarding? That is all.

Deko: We certainly want to explore various possibilities. However, if we have to integrate with a multitude of client systems, it could significantly slow down execution speed. As I mentioned earlier, we believe the fastest route is to focus first on strengthening matching and monetization right at the stage where we deliver candidates to clients.

Otherwise, we would need to deploy many Forward Deployed Engineers (FDEs) to consult directly with clients. We want to take action while carefully balancing. Does that answer your question?

Nagao: Yes, absolutely. Thank you very much.

Shen: Next, we will take a question from Yamamura-san of J.P. Morgan Securities.

Yamamura: Thank you for taking my question and for the presentation. This is Yamamura.

I have one question as well.

This might be a somewhat difficult question to answer, but based on what we have heard so far, my understanding is that the value proposition you currently offer is heavily focused on speed, productivity, and quality.

While I recognize those are the most critical factors, looking a bit further into the future, from an outsider's perspective, it remains difficult to fully synchronize our imagination regarding how far the two horizons alone of US ARPJ and client acquisition can be pushed. There always seems to be an ongoing debate about where the upper limit lies.

As you expand from job advertising into a much broader market, what additional value beyond speed and quality might you enable to provide with AI?

Or, as explained earlier, is the unexplored territory so vast that these two factors alone can continue to open up growth for years to come? I realize this is a somewhat high-level question, but I would love to hear your thoughts.

Deko: When I launched online bookings for HotPepper Beauty years ago, I received many similar questions: "Whose budget are you taking?" "Is there even a market for that?" "Nobody pays for that right now," or "Salons don't have money to begin with." I remember hearing all kinds of skeptical comments.

When we operated Jalan, people said, "For you to reach that revenue scale, traditional travel agencies would all have to go out of business."

Or take Uber as an example: people said the San Francisco taxi market was only several hundred millions and couldn't grow beyond that. Yet Uber blew past that mark in about eight months.

Put simply, when calling a taxi became exceptionally easy, far more people started using the service. The market expanded unexpectedly due to a combination of pricing and extreme convenience.

What I am trying to say is that whether it was beauty salon bookings or travel reservations, when the process became frictionless, usage expanded naturally.

As someone who builds products, that is how I tend to approach things. When a product becomes so simple that people can use it effortlessly, like food delivery, it is not necessarily about disrupting an existing market; rather, people simply adopt it because it is incredibly convenient.

Looking back at past instances where markets unexpectedly grew massive: when we acquired Indeed, one of the largest job boards at the time had peak revenues of around 140 billion yen. I remember people used to frequently ask us, "If you acquire it at this valuation, where on earth will you capture that revenue?".

However, when you consider how much "ease of use" can expand a market, even with modest, older internet technology, and then weigh the disruptive power of AI.

For example, when a client posts a job ad that isn't seeing results, our AI might advise them: "Why don't you try doing it this way? In this area, you won't be able to hire candidates unless you raise the hourly wage by this much." Seeing clients optimize their ad spend based on that makes me realize there is still immense market potential to capture.

When I say things like this, finance professionals usually think, "This guy is an idiot." But as someone who has driven product innovation throughout my career, I want to place my bet on that potential. I'm probably going to get scolded again for answering like this, aren't I?

Arai: It's fine, no worries.

Deko: As I mentioned earlier, if we reach a point where we deliver the single best candidate for an immediate hire through precise matching, we can gradually capture value from cost per hire, placement agencies, and other talent acquisition services. That is how I view the trajectory.

Yamamura: Drawing from your past experience, is it fair to say you are leading the business today with the same, or even greater, excitement as during the early growth phases of MMT or Indeed?

Deko: Well, when a ¥1.5 trillion revenue business grows by 30%, the impact is tremendous. Trying to precisely calculate which specific markets we are carving out market share from would probably be an overwhelming task.

Yamamura: Understood. I look forward to seeing it unfold in the future. Thank you.

Deko: We will do our best.

Shen: Thank you very much. We still have many hands raised, but due to time constraints, we will conclude today's session here.

Arai: Apologies for the time limit.

Deko: My apologies as well.

Shen: Thank you all for joining us today. This concludes today's call. Goodbye.

Arai: Thank you very much.