This is an edited version of the English translation of the Q2 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 Q2 FY2026 Earnings Call

November 11, 2026

[Recruit Holdings Q2 FY2026 Earnings Call]
[Q&A]
[Sell-side Analyst Follow-up]

Recruit Holdings Q2 FY2026 Earnings Call

Page 1

Takioka: Thank you for joining the Recruit Holdings FY2026 Q2 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.

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 with Deko until around 17:20.
After that, starting at 17:30, we will hold a follow-up meeting with Jun for sell-side research analysts. A transcript of this session will also be published on our IR website promptly after it concludes.

Page 2

Deko: I am Deko from Recruit Holdings. Thank you all for taking the time to join us today.

First, I'd like to walk through the Q2 highlights for our HR Technology business. Q2 delivered strong results: up 27.5% year-over-year in USD terms, and up 36.6% year-over-year in the US.

It's now been more than a year since we rolled out our new AI products. I was worried that lapping those launches might create a slight drag on our year-over-year growth, but our revenue held strong and kept climbing through Q2. Overall, the positive trajectory from Q1 continued, and by capitalizing on strong AI tailwinds, we successfully expanded both our top and bottom lines.

Our marketplace continues to steadily evolve by leveraging AI. When customers increase their budgets, they meet job seekers who are more likely to be hired, faster. As a result, we are seeing healthy momentum in customers upgrading to higher priced tiers, alongside steady revenue per job expansion within each tier.

By customer segment, in Q2, once again, small and medium-sized business clients were the primary driver of our revenue growth. Both key engines—the 'number' of clients sponsoring jobs directly on Indeed and the 'revenue per sponsored job posting'—continue to show strong, sustained growth.

As I said at our last earnings call, for small businesses, an unfilled position is a matter of life or death. When clients use our AI products, time-to-hire[1] is cut dramatically. They value this overwhelming speed, far more than simply reducing the cost to make a hire. That is the main reason they choose our higher-value, AI powered products.

While larger clients tend to take longer than small-medium businesses when adopting new AI products, revenue from these clients has continued to show solid year-over-year growth.
We are driving several key initiatives here—such as introducing annual contracts, making Premium Sponsored Jobs more accessible, and realigning our sales organization to more effectively serve this segment.
There is still plenty of work ahead for the enterprise segment and our real inflection point and growth are still ahead of us, but progress so far has been solid.

But regardless of the segment, when asked what product Indeed is offering, I always answer: it is “the hire”. Our AI tools and advertising products are simply evolving ways to monetize that core value. As AI advances, we embed it directly into our product and monetize it, allowing our entire platform to evolve alongside the technology.

Going forward, by integrating AI into every corner of our platform, job seekers can land better jobs faster, and employers can make quality hires more efficiently. As an example, compared to Q1, user numbers for our AI agent for job seekers, Career Scout, grew by 65%[2], while companies using our AI agent for employers Talent Scout, increased by 40%[3]. We're now able to deliver a faster, fresher experience for both job seekers and hiring teams.

But AI isn't just driving our product development; it is improving how we operate internally. For example, engineering productivity at Indeed is up over 65%[4] compared with 2024. That is helping us build faster.
This second quarter reaffirmed just how structurally aligned our HR Technology business is with the rapid evolution of AI.

New AI agents are emerging every day, and like many of you, I'm genuinely amazed by the sheer pace of innovation and excited by how AI is streamlining everyday tasks.

However, hiring is a fundamentally different problem. In a two-sided marketplace business model like recruitment, a single-sided AI agent hits an obvious ceiling. Unlike e-commerce—where a buyer simply picks up a product at a set price tag—hiring requires simultaneous, mutual decision-making. It only works when both sides reach a healthy compromise.

A job seeker and an employer rarely find a 100% textbook match; instead, they calibrate their expectations, meet in the middle, and shake hands. How to bridge this very human, nuanced exchange rapidly and easily through technology—that is precisely what we are tackling.

An AI agent built solely for the candidate cannot infer a recruiter’s real constraints or unspoken priorities from a job description alone. Conversely, an employer-side agent misses the behavioral signals, context, and latent potential behind a static resume. Because we sit at the intersection of both sides, we are focused on understanding the full picture and how to facilitate the most valuable match possible.
I believe this is an enduring moat that general purpose platforms cannot easily replicate.

Now, I know everyone's question is: what should we expect in terms of future growth? Based on our first-half performance and current outlook, we now expect full-year HR Technology segment revenue to reach $11.9 billion—up 23.2% year over year on a US dollar basis, outpacing the 18.7% year over year outlook we shared in August. We’re also forecasting an EBITDA+S margin of around 46.5% for the segment.

This outlook represents our estimate based on what we can see as of today. At our Q3 earnings announcement next February, we plan to share the expected full-year outlook.

While there may be short-term changes in the business environment, we remain firmly committed to taking the long view and prioritizing lasting customer relationships as we steer the business toward our goal of helping job seekers find jobs faster, automating manual tasks with AI, and improving recruiting productivity in the world.

That is my overall update. For the detailed financial figures, I will hand it over to our CFO, Arai-san.
Arai-san, please go ahead.

Page 3

Arai: I am Junichi Arai, CFO. Thank you for joining us today.

I will present our performance referring to the presentation that was released approximately an hour ago.

Page 5

Today, I would like to highlight three key points from our results announcement:

1. In HR Technology, Q2 revenue reached a new quarterly record high as strong performance from Q1 continued.

   For the full year, we now expect revenue to increase 23.2% year over year to 11.9 billion dollars, further exceeding the revised outlook from August, with an EBITDA+S margin of 46.5%.

2. While Q2 consolidated revenue reached a quarterly record high, we are leaving the full-year guidance unchanged from what was upwardly revised in August.

3. Gross cash reached 988.2 billion yen at the end of September, as first-half results significantly exceeded our initial expectations, but we expect our capital efficiency for this fiscal year to reach the highest level since our IPO.

Page 6

I will now break down each of these in a bit more detail.

Turning to HR Technology,

Q2 segment revenue maintained the trend from Q1, increasing 27.5% year over year on a US dollar basis. In the first half, segment revenue grew 24.2% year over year, significantly exceeding our expectations.

For the second half of this fiscal year, taking into account seasonal revenue declines in Q3 during the holiday season in the US and Europe, we expect segment revenue to be up 0.9%, roughly in line with the first half, and up 22.3% year over year.

For the full year, we expect segment revenue on a US dollar basis to reach 11.9 billion dollars, up 23.2% year over year, further exceeding the 11.4 billion dollars, or 18.7% increase year over year, shared in August.

We also expect a full-year segment EBITDA+S margin of 46.5%.

Page 7

Our consolidated financial results and guidance comprise the total revenues and profits of our three businesses, HR Technology, Staffing, and Marketing Matching Technologies, as well as corporate expenses.

Page 8

Regarding consolidated results,

Q2 revenue was 1 trillion 94.6 billion yen, up 19.7% year over year, driven primarily by revenue growth in HR Technology. The EBITDA+S margin was 27.2%, and basic EPS was 150.54 yen, up 68.8% year over year.

For the first half, revenue increased 19.3% year over year to 2 trillion 139.9 billion yen,

and EBITDA+S margin reached 27.6%, significantly exceeding the 22.0% recorded in the first half of the previous fiscal year.

Page 9

Regarding full-year consolidated guidance, we are leaving the guidance upwardly revised in August unchanged.

This is because, assuming an exchange rate of 156 yen to the US dollar for the second half,

the increase in revenue and profit in HR Technology mentioned earlier is expected to have an impact of only approximately 4% on EBITDA+S and approximately 5% on basic EPS, compared to the full-year consolidated guidance upwardly revised in August.

The full-year outlook for Staffing and MMT remains unchanged.

At our Q3 earnings announcement next February, we plan to share our latest outlook of full-year results for both the consolidated and each of our three segments.

As shared in August, regarding the on-site inspection by the Japan Fair Trade Commission conducted in June this year on suspicion of Antimonopoly Act violations in Staffing in Japan, we continue to cooperate with the inspection. Because it is difficult to reasonably estimate the financial impact at this time, it is not incorporated into this guidance.

In addition, we detected unauthorized external access to systems related to “Car Sensor net”, operated by Automobile within Others in MMT, on October 17 this year, and temporarily suspended related services that evening. Services were restored by October 22. We estimate the impact on revenue in the second half of this fiscal year to be several hundred million yen, and consider the financial impact on consolidated results to be minor.

Page 10

Regarding capital allocation,

Page 11

We repurchased approximately 16.35 million shares for 177.6 billion yen during the first half.

The execution period for our ongoing share repurchase program has been extended from the initially scheduled end of November this year to the end of March next year.

Gross cash stood at 988.2 billion yen as of the end of September, reflecting first-half financial performance significantly exceeding our initial guidance, while effectively maintaining a debt-free balance sheet.

If capital is not allocated to large-scale acquisitions or other opportunities during this fiscal year, it will be difficult to achieve our initial goal of holding gross cash to around 750.0 billion yen at the end of the fiscal year.

However, based on our latest financial guidance, we believe we will achieve an ROE, a key metric of capital efficiency, significantly higher than 31.0% in FY2025.

In addition, because gross cash accounts for approximately 4% of our recent market capitalization,

we believe our cash position is well balanced with our market capitalization, preserving the soundness of our consolidated balance sheet while maintaining high capital efficiency.

Regarding dividends, the Board of Directors resolved today to pay an interim dividend of 13 yen per share.

For the year-end dividend, in line with initial expectations, we anticipate 13 yen per share, bringing the full-year dividend to 26 yen.

Next, I will review performance by business.

Page 12

First, turning to HR Technology:

Page 13

In Q2, segment revenue maintained the trend from Q1 and reached a new quarterly record high, increasing 27.5% year over year on a US dollar basis to 3.0 billion dollars.

Page 14

Segment EBITDA+S margin was 47.6%, up slightly from Q1.

Page 15

For the first half, segment revenue on a US dollar basis grew 24.2% year over year to 5.9 billion dollars.

For the second half,

based on first-half results and our latest performance outlook by region, we expect segment revenue to reach 5.9 billion dollars, up 22.3% year over year and up 0.9% compared to the first half.

In Q3, we factor in the usual seasonal tendency for activity to be lower than in Q2, as hiring slows during the holiday season in the US and Europe & Others.

For Q4, given the difficulty in gauging the strength and speed of the resumption of hiring activity in the US and Europe & Others from January onward, our assumptions are based on current conditions.

Page 16

In the first half, the segment EBITDA margin expanded significantly from 31.5% in the same period of the previous fiscal year to 43.2%.

Segment EBITDA+S margin also increased from 36.5% in the same period of the previous fiscal year to 47.5%.

The primary driver was that, while revenue grew, broadly defined personnel expenses, comprising the total of employee benefit expenses, including share-based payment expenses, and service outsourcing expenses, remained roughly flat, decreasing as a percentage of revenue from approximately 46% in the same period of the previous fiscal year to approximately 36%.

For the second half, we expect the segment EBITDA margin to be 42.0%, slightly below 43.2% in the first half, taking into account increasing AI-related compute and infrastructure expenses, which we manage with a clear focus on return on investment and which are partly offset by lower personnel expenses, as well as strategic expense increases such as advertising expenses to drive revenue growth in Japan in the next fiscal year.

The segment EBITDA+S margin is expected to move from 47.5% to 45.5%, reflecting the typical seasonal decrease in IFRS-based share-based payment expenses in the second half compared to the first half, which we estimate at approximately 45 million dollars this fiscal year.

Page 17

We now expect full-year segment revenue to reach 11.9 billion dollars, up 23.2% year over year, further exceeding the 18.7% year-over-year increase disclosed in August.

We also expect the full-year segment EBITDA+S margin to be approximately 46.5%.

Page 18

By region,

the latest full-year US revenue outlook has been increased by 320 million dollars, the largest adjustment to our segment outlook.

We expect the US to account for 58.5% of full-year segment revenue,

and have raised our outlook from a 25.1% increase year over year in the August revision to a 31.2% increase, reaching 6.9 billion dollars.

For Europe & Others, our latest outlook is for a 24.1% year-over-year increase, reaching 2.5 billion dollars, up slightly from the 23.2% projected in August.

For Japan, our latest outlook has been raised by 13.0 billion yen from the August outlook, with revenue expected to reach 2.4 billion dollars on a US dollar basis, up 4.2% year over year.

Next, I will review performance by region in detail,

starting with the US.

Page 19

In Q2, US revenue was 1.82 billion dollars, up 36.6% year over year, further exceeding the previous record high set in Q1, driven by further monetization development, led by our higher-value, AI-powered products, such as Premium Sponsored Jobs.

As the total number of US job postings declined approximately 2% year over year,

the US ARPJ growth rate, which indicates monetization progress, remained at a high level following Q1, reaching 39%.

Page 20

As a result, first-half revenue reached 3.46 billion dollars, up 33.4% year over year. With the total number of US job postings down approximately 3% year over year, the US ARPJ growth rate was 37%.

Revenue from Hosted Jobs, posted directly on Indeed primarily by small and medium-sized business clients, which continues to account for the majority of paid job advertising revenue, drove the growth in US revenue.

The driver of revenue growth was an increase in revenue per paid job ad resulting from upsells, exemplified by the shift to Premium Sponsored Jobs, along with an increase in the number of new clients.

Revenue from enterprise business clients and medium-sized business clients through Indexed Jobs, which are job listings gathered by Indeed from career sites, applicant tracking systems (ATS), and across the web, also increased.

However, because enterprise business clients often require more time than small and medium-sized businesses to evaluate and adopt new products, their contribution to first-half revenue growth was limited compared to that from small and medium-sized business clients.

For the second half, assuming the change in the total number of US job postings is flat year over year,

while the growth trend driven by monetization progress in the first half continues steadily,

we expect revenue to increase 1.3% compared to the first half and 29.1% year over year to 3.5 billion dollars, taking into account the seasonal decline in Q3 during the holiday season.
As a result, we expect the US ARPJ growth rate to be approximately 29%, reflecting continued strong monetization progress.

Page 21

For the full year, we expect US revenue to reach 6.97 billion dollars, up 31.2% year over year, further exceeding the 6.65 billion dollars, or 25.1% year-over-year increase upwardly revised in August.

As I mentioned earlier, this revenue growth, amidst a soft market where the total number of US job postings is expected to be down around 1% year over year, reflects business clients recognizing the value of our higher-value products, such as Premium Sponsored Jobs, and choosing to adopt them and stay with them. We believe this strength is quantitatively demonstrated by our full-year US ARPJ growth rate outlook of approximately 33%.

Looking ahead, by acquiring new clients, and delivering and further monetizing value-added products, we aim to continuously outperform the job market, including changes in the total number of US job postings, to achieve further growth.

Page 22

Turning to Europe & Others,

Q2 revenue was 650 million dollars, up 29.1% year over year.

On a local currency basis, the primary driver was continued monetization development led by expanded adoption of Premium Sponsored Jobs, including year-over-year increases of approximately 40% in the UK and approximately 59% in Canada.

For the full year, we expect revenue to reach 2.5 billion dollars, up 24.1% year over year, slightly exceeding the 23.2% year-over-year increase expected in the August outlook.

As in the past, approximately two-thirds of this revenue is generated by the UK, Canada, and Germany.

Page 23

In Japan,

Q2 revenue was 95.1 billion yen, up 13.2% year over year. This was driven by Indeed PLUS in job advertising services continuing to perform strongly above initial expectations due to an increase in paid job ads and higher unit prices,

and placement services generating revenue that already exceeds FY2024 levels as restructuring and enhancement measures bore fruit.

Assuming this trend continues in the second half, after offsetting factors such as the remaining partial impact from changing revenue recognition from gross to net as well as revenue decreases from exiting or downsizing unprofitable businesses, we expect full-year revenue on a Japanese yen basis to increase 9.1% year over year to 380.0 billion yen, an increase of approximately 13.0 billion yen from the August full-year outlook, and on a US dollar basis to reach 2.4 billion dollars, up 4.2% year over year.

Page 24

Turning to Staffing,

Page 25

Q2 segment revenue was 462.3 billion yen, up 9.7% year over year.

In Japan, revenue was 216.8 billion yen, up 3.5% year over year, driven by continued stable performance.

In Europe, US, and Australia, revenue was 245.4 billion yen, up 15.8% year over year, 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.

The segment EBITDA+S margin was 5.8%.

Page 26

For the first half, segment revenue was 917.5 billion yen, up 10.6% year over year, with a segment EBITDA+S margin of 6.0%.

For the second half, we expect segment revenue to increase 4.5% year over year to 913.4 billion yen, with a segment EBITDA+S margin of 5.2%.

Page 27

There is no change to the full-year outlook shared in August of segment revenue of 1 trillion 831.0 billion yen and segment EBITDA+S margin of 5.6%.

Page 28

Finally, turning to Marketing Matching Technologies:

Page 29

In Q2, segment revenue was 149.5 billion yen, up 3.5% year over year.

In Lifestyle, revenue grew 10.1% year over year, driven significantly by revenue growth in Beauty where the GMV-linked model progressed successfully.

Housing & Real Estate revenue decreased 2.9% year over year. Excluding the accounting revenue reduction impact of approximately 1.9 billion yen, revenue grew 2.0% year over year.

The accounting impact was due to the change in the allocation method for revenue recognition associated with the accounting system renewal at the beginning of this fiscal year, as explained in November last year.

Segment EBITDA+S margin was 27.0%, reflecting the smoothing out of quarterly seasonality in advertising and sales promotion expenses shared in May.

Page 30

For the first half, segment revenue was 291.4 billion yen, up 3.6% year over year, with an EBITDA+S margin of 31.4%.

For the second half, we expect segment revenue to increase 10.6% year over year to 313.5 billion yen, with an EBITDA+S margin of 28.7%.

As mentioned at the beginning, we expect the financial impact on the second half performance outlook from the temporary suspension of ”Car Sensor net” related services in Automobile within Others to be minor.

Page 31

There is no change to the full-year outlook, with segment revenue expected to increase 7.1% year over year to 605.0 billion yen and a segment EBITDA+S margin of 30.0%.

This concludes my presentation.

1 “Time to Hire” refers to the number of days from the creation of a job posting on Indeed to the reporting of the first hire for that posting.(medians)
2 Internal data. QoQ growth in the number of unique job seekers in the US who used Indeed Career Scout AI-powered features (including conversation with Career Scout, AI resume creation, AI mock interview, and application support and career advice) during the comparison period. Q2 FY2026 (Jul 1 - Sep 30, 2026) vs. Q1 FY2026 (Apr 1 - Jun 30, 2026).
3 Internal data. QoQ growth in the number of unique companies who sent at least one message to Talent Scout during the comparison period. Q2 FY2026 (Jul 2026 - Sep 2026) vs. Q1 FY2026 (Apr 2026 - Jun 2026). Talent Scout is currently available only in the US.
4 Internal data. Compares the weekly average number of merged code changes (defined as discrete, completed units of development work) per active engineer Globally who submitted at least one code change request during the week, between June 22 and September 20, 2026, and July 1 and September 29, 2024. Engineers are defined as Indeed full-time engineering individual contributors, excluding people managers and contingent workers.

Q&A

Takioka: 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 have a question from Munakata-san from Goldman Sachs. Please go ahead.
Munakata: This is Munakata from Goldman Sachs Securities. Thank you for the presentation and for the opportunity to ask a question.
I'd like to direct my question to Deko-san.
I was quite struck by the decline in Recruit's share price following Meta's announcement of Muse in early October.
As you mentioned earlier, I believe I have a reasonable understanding of Recruit's strengths as a two-sided marketplace, particularly your deep understanding of both job seekers and employers, as well as the detailed data you have on both sides of the marketplace.
However, as personal AI agents like Muse become more widely used to search for jobs on behalf of job seekers, do you think this could fundamentally change the assumptions underlying your pay-per-click monetization model?
And do you see this shift as a potential opportunity for future revenue and earnings growth?
I'd appreciate hearing your thoughts on this.
Deko: Yes, thank you.
That is an excellent question. Regarding Muse, and not just Muse, but AI agents in general, they can certainly do a lot when it comes to searching for jobs.
The act of job searching itself has already become quite commoditized, especially with platforms like Google for Jobs having emerged, but searching for jobs is definitely something AI agents can handle.
However, I think the real challenge lies on the job application side.
Right now, when it comes to applications, especially for large enterprises, job applications driven by AI agents are flooding in. A single candidate might submit 100 or even 1,000 applications using an AI agent, and many companies are really struggling to deal with this. In fact, several clients have asked if Indeed could manage their entire careers page to help filter out these AI bots, and that is something we've already begun handling in a number of instances.
And in reality, regarding our pay-per-click model, I feel that we are steadily transitioning toward pay-for-performance pricing.
For example, for job seeker applicants who are closer to being hired, meaning candidates that employers want to hire immediately, we are increasingly recommending jobs to them.
Ultimately, when it comes to evaluating supply and demand on both sides and optimizing that match, we are currently quite advanced.Given how external agents are structured, designing them purely to satisfy the job seeker makes that two-sided balance very difficult to achieve at present.

In terms of the evolution of pay-per-click: while moving fully to a cost-per-hire model will take some time, from a testing perspective, we can experiment with models like cost-per-interview or cost-per-qualified-application.
For instance, we can run various tests where an employer agrees to pay a set fee when an applicant who meets specific requirements, such as holding particular licenses, submits an application.
Going forward, whether through integrations with client systems or via our Indeed AI screening feature, when an employer says, "Please only send candidates who meet these criteria," and adopts our AI screening, this can evolve into: "Understood, then we will only charge you for candidates who meet these qualifications."
Indeed has long operated on a cost-per-performance foundation, so as AI enhances visibility across these workflows, I believe this will create a model that feels much fairer to our clients.
In fact, as you suggested, I see this as an opportunity.
The reason is that traditional offline agencies, conventional recruiting agencies, operate on that exact business model. This opens up the potential for us to step directly into that space at a significantly lower cost.
In that sense, I believe this will prove to be a compelling opportunity over the medium to long term.
Munakata: Thank you very much. That was very clear.
Personally, I also believe that major changes like this can accelerate shifts in business models, as well as changes in the mindsets of both job seekers and employers. So, I'm looking forward to seeing how this develops.
Deko: Thank you.
Munakata: I'd like to ask one follow-up question from a slightly different angle, if I may. Apologies for shifting to a more short-term topic.
At the beginning of the call, you mentioned that given the already high growth rate, you had thought there might be some risk of growth moderating, but performance remained strong this quarter.
You also mentioned that more customers are becoming increasingly focused on time to hire.
With that in mind, US ARPJ is currently growing at a very strong pace. Would it be fair to understand that customers are satisfied with the value they're receiving and that we're not seeing any significant hesitation or concerns on their part regarding the evolution of your monetization model?
I just wanted to confirm that understanding.
Also, regarding new customers, are you seeing any particular concentration in certain industries or geographic regions? Or is customer acquisition progressing more broadly across industries and regions?
I'd appreciate any comments you could share on that as well. Thank you.
Deko: Thank you.
First, I believe your question was about whether we have any concerns regarding monetization.
One thing I've been thinking about recently is that we're hearing more and more about companies facing rising AI-related costs, with CFOs wanting to manage those costs more carefully.
I think what we're seeing is somewhat similar. It's not necessarily that we have concerns, but rather that we want to make sure we're moving at the right pace for our customers.

There can be a bit of a gap between HR departments and the core business operations of a company.
What I mean is that we're increasingly able to deliver qualified applicants who are ready to be hired much faster.
From an HR perspective, that's great because they can hire more people. And as hiring becomes more effective, customers spend more with us, which in turn drives our revenue growth.
But the next question is whether those additional hires actually translate into higher revenue for the customer's business.
Similarly, as I mentioned earlier, as more of the hiring process becomes automated, companies may need to reassign employees who were previously involved in those processes to other roles.
There are several things that companies need time to adjust to. AI is evolving so quickly that I think it's important for us to carefully consider how much time our customers need to catch up and when they should evaluate their ROI.
For example, we're already seeing some customers with annual contracts spending beyond their contracted annual budgets because our products are delivering such strong results.
So, over the long term, we want to work closely with our customers to make sure this creates a virtuous cycle, where our customers' businesses and revenues are growing as well, rather than simply seeing their costs increase.
Another point is that it was really in the latter half of last year, particularly during December, January, February, and March, that we introduced a number of new AI-powered products and new ways of doing things. So, when it comes to forecasting our performance, we want to carefully monitor the year-over-year comparisons as we move forward.I think there's still some uncertainty in how these trends will develop, which makes forecasting a little difficult. Those are the two main factors we're considering at this point.
As for your question about whether new customers are concentrated in particular industries or regions, I don't think we're seeing any significant concentration.
Of course, looking at the US market overall, demand remains strong for blue-collar jobs that require specialized trade skills, particularly as more baby boomers continue to retire. That underlying trend hasn't really changed.
We also get asked quite often about data centers, but roles at data centers still account for well below 1% of the overall business, so I wouldn't say they're a major driver of our revenue growth at this point.
Munakata: That was very clear. Thank you very much.
Deko: Thank you.
Takioka: Next, we have a question from Yamamura-san from J.P. Morgan. Please go ahead.

Yamamura: Thank you for taking my question and for the presentation. This is Yamamura from J.P. Morgan. I have one question.

I usually ask about US ARPJ, but this time, I'd like to ask about the change in your volume outlook.

Looking at external data, it appears that the number of job postings has been recovering year over year, although it is still declining.

In fact, I believe you have also revised your volume assumption upward from -4% to -1%, although it remains negative.

My question is whether this revision is purely driven by macroeconomic factors, or whether it also reflects your strategy to broaden your customer base, including the expansion into new customers that you discussed earlier in the presentation.

I would imagine that rather than having new customers immediately adopt higher-priced products, you might first encourage them to try your services at a lower price point and then gradually deepen their engagement over time.

So, I'm wondering whether you are intentionally expanding your customer base in this way, or whether the improvement in your volume outlook is simply due to external factors.

Could you provide some insight into how we should interpret this revised assumption? Thank you.

Deko: Sorry, just to clarify, when you mentioned the number of job postings, were you referring to the number of paid jobs, or the total number of jobs in the US, including unpaid jobs, as reported in our Indeed Hiring Lab data? Which one were you referring to?

Yamamura: I was referring more to the latter.
Deko: First, regarding hiring demand in the US, I think we are starting to see some gradual improvement.
Temporary staffing is often considered a leading indicator. If you look at the data over the past 30 years or so, demand for temporary staffing tends to increase ahead of an economic recovery.
This is a fairly common pattern. Companies typically start by hiring temporary workers, who are easier to bring on board, before demand shifts toward full-time employees. So, historically, stronger demand for temporary staffing has been a leading indicator of a broader recovery in hiring demand.
Currently, hiring demand for temporary staffing in the US is growing by around 10% across the market, which is quite strong. We think there is a possibility that this could eventually translate into stronger demand for full-time hiring.
However, as for whether overall hiring demand will recover from negative growth to around flat and then continue to accelerate beyond that, we have been gathering input from more than 100 economists in the US. Based on the midpoint of their forecasts, the general consensus seems to be that hiring demand will be roughly flat. So, at this point, we are using that data as the basis for our assumption that hiring demand will be around flat.
Historically, Indeed's revenue used to move almost entirely in line with overall hiring demand in the US. The trends were nearly 100% correlated.
However, over the past two or three years, we have evolved our monetization model, particularly by incorporating supply and demand dynamics and charging more for candidates who meet higher qualifications.
As a result, we have been moving away from a model where revenue simply rises and falls in line with overall hiring demand.
Now, this is the first time we are seeing hiring demand begin to recover since we changed our monetization model. So, we are currently testing and observing how the new model performs as hiring demand improves. This is something we are experiencing for the first time.
Earlier, I believe you also asked whether we are expanding our customer base by having new customers start with lower-priced products and then gradually increase their spending.
Actually, what we are seeing is quite different. We have seen a significant increase in the number of new customers using our premium products.

My sense is that many of these customers are coming to us because they are facing urgent hiring needs and really need to fill their positions.
So, rather than simply broadening our customer base through lower-priced products, what we are seeing is something slightly different.
For example, some of our larger customers may have 1,000 or even 5,000 jobs. Let's say a customer has 1,000 jobs and a monthly budget of one million yen, which they previously spread evenly across all 1,000 jobs.
Now, because Premium Sponsored Jobs are highly effective in driving hires, these customers really want to use that product.
But if they want to keep their total budget at the same one million yen, they need to reduce the number of jobs they sponsor rather than spreading the budget across all 1,000 jobs.
So, there are Indeed customers who are reducing the number of Sponsored Jobs for that reason.
However, overall, we are not really seeing a trend where new customers are choosing lower-priced plans simply because they are new.
Does that answer your question?
Yamamura: So, does that mean quite a few new customers are signing up and going all-in on Premium Sponsored Jobs right from the start?
Deko: Yes, quite a few, actually. If you go through the job posting process, you might see what I mean. We are increasingly using AI in that process to understand the customer's situation and recommend which services would work best and how they should use them.
I think this is also contributing to more customers choosing our premium products.
Yamamura: Just as a follow-up, as you mentioned earlier, if hiring demand in the US starts to recover, how do you currently expect the trends you just described to evolve?
Deko: Well, of course, I hope that would translate into continued revenue growth.
But as I mentioned earlier, I think there will definitely be a stage where employers want to confirm that being able to hire more people actually translates into higher revenue for their businesses.
We certainly don't want CFOs at our customer companies to see this as simply an increase in costs without corresponding benefits.
That's why one of the areas we are currently focusing heavily on is using AI to develop analytics and tools that help demonstrate ROI to our customers.
We are being very mindful of this because we don't want to lose our customers' trust. We want to build strong, long-term partnerships with them, and that's something we are being very careful about as we move forward.
Yamamura: Understood. Thank you very much.
Takioka: Thank you. Next, we have a question from Oum-san of Nomura Securities. Please go ahead.
Oum: Thank you for taking my question. This is Oum from Nomura Securities.
I have one question about Indeed's enterprise business.

So far, revenue growth has been particularly strong among SMBs, and I think most of the questions have focused on that segment. However, I believe there could also be an inflection point in growth for the enterprise business over the medium term.
As you continue to enhance your products, sales organization, and Premium Sponsored Jobs, I'm wondering whether we might see an inflection point at some stage.
Could you elaborate a little more on the enterprise business? For example, are there any major initiatives underway, or do you have any sense of when such an inflection point might occur?
Deko: Yes. Rather than expecting a particular inflection point in the enterprise business, I think what we're seeing is a steady acceleration in the growth rate.
As I briefly mentioned in the prepared remarks, it naturally takes longer for enterprise customers to adopt new products, so the sales cycle tends to be longer. But I think we're making steady progress in winning customers.
For enterprise customers that have already allocated a certain level of budget to us, we're also making steady progress in securing annual contracts.
So, rather than expecting a sudden inflection point at some stage, I think we're seeing gradual but consistent progress.
For example, a common pattern is that a customer initially tries our product in one department, and then adoption gradually expands to other departments. That's one of the typical ways we see adoption grow within enterprise customers.
So, unlike SMBs, where growth might accelerate quite suddenly at an inflection point, I think the enterprise business is more likely to deliver steady, sustained growth over a longer period of time.
That's what we're working hard to achieve right now.
Does that answer your question?
Oum: Thank you. I have a follow-up question.
Earlier, you mentioned that Premium Sponsored Jobs are so effective that hiring is progressing very well, which makes HR departments happy, but there can be a time lag on the business side, including the need to reallocate employees or adjust staffing.
Have you actually seen any signals from customers that have made you think this could become a concern? Or is this more of a hypothesis about what might happen as adoption continues to expand?
Deko: Thank you.
Particularly among customers with annual contracts, many have a certain amount they expect to spend each month.
However, we're seeing quite a few customers whose budget utilization has exceeded 100% of their planned spending pace, and who are using up their annual budgets much earlier than expected.
When we have discussions with these customers about their contracts for the following year, we naturally start talking about whether they need to increase their budgets.
And as part of those discussions, the question of ROI inevitably comes up.

Customers might say something along the lines of, "We're able to hire so many people that we just keep spending more."
We see these kinds of conversations particularly among customers whose size ranges from medium to large enterprises, where there can be a gap between the HR department and the business units.
On the other hand, with smaller businesses where the owner or CEO is directly involved in hiring, the decision-making process tends to be much faster.
They might say, "This is great. I can interview good candidates almost immediately."
And even if the cost increases significantly, they understand the value they're getting. So, we don't really need to spend much time explaining it to them.
But the greater the gap between the HR department and the business units, the more they need to explain and justify things to each other.
And I think we're actually seeing cases like that among our customers.
Does that answer your question?
Oum: Absolutely.
Just to clarify, and I think this may also be helpful for other listeners, SMBs are generally posting jobs for positions they actually need to fill. So, even if those positions are filled quickly, I don't think that would necessarily cause any disruption to their operations.
As you just explained, the concern seems to be more relevant to enterprise customers, where budgets are being used up faster than expected, raising questions about whether that pace of spending is appropriate.
I just wanted to make sure that this risk isn't interpreted as something that could have a significant impact on Indeed's overall revenue. That's how I see it, at least.
Thank you very much for the explanation.
Deko: For example, I think we're seeing something similar at our company and many other tech companies.
As software engineers increasingly use AI tools in development, their productivity improves significantly, and companies end up using more and more software, which drives up costs.
Of course, that's great if it also leads to higher revenue. But if software engineers are developing things faster without a corresponding increase in revenue, then companies need to start thinking about those costs.
I think it's quite similar to what we're discussing here.
Does that help explain what I mean?
Oum: Absolutely. That was very clear and helpful. Thank you very much. That's all from me.
Takioka: Thank you. As we are running short on time, we will take one final question.
Next, we have Nagao-san from BofA Securities. Please go ahead.
Nagao: Thank you. This is Nagao from BofA Securities.
I have a question about AI and your personnel cost structure.

Looking at the first half, HR Technology's EBITDA+S margin increased to 47.5%, while personnel costs remained roughly flat year over year.
I believe improvements in internal productivity driven by AI have contributed to this increase in profitability.
My question is, how long do you think you can continue growing revenue without increasing headcount?
Related to the earlier discussion, do you believe there is still room for further revenue growth while maintaining the current level of personnel costs as a percentage of revenue, or broadly the same fixed cost base?
I'd appreciate your current thoughts on this. Thank you.
Deko: Yes, thank you.
There are actually some changes in the composition of our workforce. For example, we are planning to increase headcount slightly in areas such as sales.
That said, in areas where AI can increase productivity, I still think there is a lot more we can do.
In that sense, I feel we're increasingly focusing our resources on areas where they can have the greatest impact.
Also, there are still several countries where our market share remains relatively low. With the additional capacity we're creating, we see opportunities to increase marketing spending in those markets to strengthen our competitive position over the medium to long term.
That's partly why our outlook for the second half looks the way it does.
Personally, I really feel like there's a lot more we can do with AI, and I'd love to take on that challenge. Does that answer your question?
Nagao: Absolutely.
As a follow-up, you've mentioned a 50% medium-term EBITDA margin. Looking at the past two quarters, approximately 70% of incremental revenue has flowed through to profit.
So, I'm wondering whether you see the 50% margin as just a milestone along the way, rather than an ultimate target, or whether you view 50% as an appropriate level considering the balance between growth investments, costs, and profitability.
Could you share your thoughts again on what you personally consider to be an ideal or comfortable margin level over the medium term?
Deko: Well, I definitely don't see 50% as the ultimate goal. I actually think we could go even higher if we make extensive use of AI.
Of course, we also need to consider the overall balance, including investments in marketing and areas that AI cannot replace, such as sales. As I mentioned earlier, I think we'll continue to become more selective and focused in how we allocate our resources.
Personally, I want to work toward a future where even my own job can be replaced by AI.
When I ask myself why my job can't be replaced by AI yet, I can identify a few specific things that are preventing that from happening. And those are the areas I want to work on.

For me, though, this isn't really about reducing costs. What's most important is increasing the speed of management and decision-making.
That's the goal we're working toward, and I see productivity improvements as a result of pursuing that goal.
So, I often find myself asking, "Why can't my own job be automated by AI?"
Nagao: Your message was very clear. I understand that your priority is to increase the speed of management and decision-making.
Thank you very much, Deko-san.
Deko: Right. Ultimately, when a signal comes in, an AI agent should be able to take action, evaluate the outcome, and then use that feedback to learn and improve through another cycle of reinforcement learning.
If that loop isn't functioning properly, it means that some of the necessary data isn't getting through.
So, if we can build the right foundation to connect all of those elements properly, I think the entire company will be able to operate much faster through AI agents.
That's why I think it's exciting to work toward a goal where even the CEO's job can eventually be handled by AI agents.
Nagao: Yes, I understand. Thank you very much.
Takioka: Thank you.
This concludes our Q&A session.
We will now conclude today's earnings call. The follow-up call with Arai-san will begin in five minutes.
Thank you all very much for joining us today.

Sell-side Analyst Follow-up

Takioka: We will now begin the Q2 FY2026 follow-up call. On this call, we will be taking your questions for CFO Arai.

As with the earlier session, if you have a question, please click the "Raise Hand" button on Zoom. When called upon, please unmute yourself before asking your question. For this call as well, please limit your questions to one main question and one follow-up question per turn.

If you have a question, please let us know by clicking the Raise Hand button. First, we will take a question from Munakata of Goldman Sachs. Please go ahead.

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

To start, I would like to ask about MMT. I believe you previously provided guidance regarding the smoothing out of seasonality in sales promotion and advertising expenses. Looking at the numbers, my impression was that you deployed a fairly substantial amount in Q2. If possible, could you share specifically in which domains and on what types of initiatives these sales promotion and advertising expenses were invested?

Arai: If I recall correctly, that was in Q2. We wanted to run another campaign in Beauty, and just as Munakata-san pointed out, we have been deploying investments across various areas while monitoring seasonal dynamics, effectively spreading out spend that was previously concentrated at specific times during the year.

Historically, there was an assumption that these promotions had to be held in Q4. However, as Ushida discussed recently, I believe back around February, particularly in domains where GMV-linked monetization models are applicable, our teams have become much better at analyzing when and where deploying capital delivers the highest return, especially in generating value for our business clients.

As a result, we are now able to see that these initiatives can be highly effective outside of just the January through March period. Looking at page 29 of today’s presentation slides, whereas profitability previously took a steep dive in Q4, I believe the trend this year will be much smoother and more normalized.

This is not simply about smoothing out our profit margins for efficiency's sake. It is fundamentally about identifying where capital allocation generates the greatest benefit for our clients. Insofar as that ultimately connects to GMV-linked monetization, that value inevitably flows back to us as well, allowing this positive cycle to turn. While this is our first year implementing this approach, my understanding is that execution has progressed very smoothly for our inaugural year.

Munakata: Thank you. I understand that this is positive from the client perspective as well.

Apologies, this is not quite a follow-up and shifts gears a bit, but regarding HR Technology, I would love to hear your thoughts, Arai-san, on how you view the second half. It might be a bit premature, but I was wondering whether there could be potential further upside.

In the past, macro conditions were probably a major swing factor.

Arai: Earlier, Deko spoke quite proudly about how we are no longer at the mercy of macro trends, so I think we are no longer just blowing in the wind.

Munakata: Exactly as you said. If anything, I personally feel that company-specific fundamentals, such as your pace of acquiring new clients and whether new services are being launched, are increasingly becoming the decisive drivers.

In a sense, I also wonder if it might even be possible for you to actively manage your growth phase and US ARPJ to some extent. If we were to consider upside potential for the second half, what kinds of scenarios could we envision?

I assume the current second-half guidance has been set based on reasonable assumptions, but just to be sure, could you please share your perspective on this?

Arai: For the second half, it's always around this time every year when we struggle with how to set the numbers. As you can see from our quarterly results, it is relatively easy to anticipate that Q3 typically dips a bit. However, as we often discuss, it is always difficult to predict how much growth will pick up starting in January.

On the other hand, as Deko mentioned earlier, while our assumption for the second half assumes flat market conditions, there is a possibility it could turn positive. Although we build our forecast on a zero-based approach by stacking up the numbers, in reality, the market might shift slightly positive. That said, as you can see on page 19 regarding US ARPJ, we have never experienced a situation where the market, especially in the US, has turned positive since we started executing this current monetization strategy. So we cannot tell how much of an additional boost that might provide.

I think assessing how these two factors interact is quite tricky. I am looking at the October numbers, and while things might turn out better, or perhaps not, it is still too early to tell. In particular, activity tends to drop sharply during the holiday season, so keeping that in mind, it remains uncertain. However, Deko mentioned earlier that he did not put "cream on top," so to speak, when setting the second-half forecast. That phrase really is the answer to your question. What he said was that this outlook is strictly based on what is currently visible to us.

Therefore, it is best to understand that anything not clearly visible has not been added on top. So if you think otherwise, you are certainly welcome to factor in some upside on your end.

Munakata: I see. Understood. Thank you very much. Given how remarkably solid your performance is, modeling this has become quite challenging, but I will do my best. Thank you.

Arai: Yes. You will probably be able to check your forecast against our actuals in February, so please look forward to that.

Munakata: Understood. Thank you very much.

Takioka: Thank you. We will take questions in order from the top of the queue. Next is Oum-san from Nomura Securities. Please go ahead.

Oum: Hello, this is Oum from Nomura Securities. Thank you for taking my question.

I would like to ask about the flexibility of your capital allocation. As of the end of September, you have approximately 1 trillion yen in gross cash and deposits. Your fiscal year-end target is stated as "around 750 billion yen." Could you clarify whether there is a fair amount of tolerance or leeway around that figure, and how strictly you plan to manage toward that level?

Arai: Earlier, I intended to convey that we have essentially given up on reaching that target. As I discussed, given our current situation, unless we execute a massive acquisition, bringing cash back down to 750 billion yen looks difficult given our business's current cash flow generative strength.

Oum: Understood.

Arai: Setting that target initially was based on our earnings forecast at the start of the fiscal year. Furthermore, on a yen basis, we had expected the US dollar might soften a bit more, which did not happen. There are several variables where the underlying parameters, for better or worse, have shifted.

Additionally, since I expect many people may want to ask about this, I will address it proactively. Looking at the capital allocation bar chart, the combination of share buybacks and dividends on the far left only reflects progress through the end of September. If things were to stop here, assuming we could do nothing further and buybacks did not progress, the total payout ratio itself would end up being among the lowest in recent years.

On the other hand, although it is not explicitly listed here, our share price has nearly tripled since the start of the fiscal year. From my standpoint, what we return to shareholders is not purely about distributing earnings. It is also combined with delivering returns through share price appreciation.

While blindly accumulating cash is certainly not desirable and we want to deploy it prudently, I do not believe many people in the market would praise us for aggressively buying back shares after the stock has already tripled. In that scenario, looking at ROE on the far right of the chart, our ratio this year should come in substantially higher than last year or the year before.

On a consolidated basis, we expect ROE to comfortably exceed 31%, which should represent a very strong result. As long as we deliver on that front, looking at the broader picture, including our cash position relative to market cap, as I mentioned in the script, our execution may not score 100 out of 100 and it is a bit uneven. Still, even though several elements have not unfolded strictly according to initial expectations, I believe this year will turn out quite well in terms of financial health and efficiency.

Oum: Thank you. Looking at the cash flow statement.

Arai: Yes.

Oum: Yes, right here: "Payments for acquisition of investments" under cash flows from investing activities. Given your scale, this might not seem material, but I noticed an outflow of around 70 billion yen in Q2. This can be followed up on later, but if you have any visibility right now, any color you could provide would be very helpful.

Arai: I apologize, but I do not have that specific detail on hand right now.

Oum: Of course. Understood. I will step back for now.

Takioka: Thank you very much. Next, we will take a question from Yamamura-san of JPMorgan Securities. Please go ahead.

Yamamura: Thank you. This is Yamamura.

First, I would just like to confirm one point. You revised your HR Technology segment forecast upward this time by just under 40 billion yen in EBITDA+S, but my understanding is that your consolidated full-year guidance was kept unchanged. If I misheard, please correct me, but did you mention that you will share an updated full-year consolidated outlook at the time of the Q3 earnings announcement?

Arai: We will share our expected full-year forecast. By then, with our Q3 actuals in hand and only a small part of the year remaining, we will be able to say, "This is roughly where we expect to land." That is what I meant earlier when I told Munakata-san that we can check her second-half forecast against our actual numbers.

Yamamura: I see. So by that point, you will also have a clearer read on the potential impact of the USmarket recovery after the turn of the year, which is currently uncertain. Is that correct?

Arai: Well, timing permitting, I will likely have flash revenue figures for the single month of January. So regarding the initial run rate you mentioned, we should have a good feel for that when we provide the Q4 and full-year figures.

Yamamura: I see. Thank you.

My follow-up is actually my main question. Regarding the post-holiday period and the potential transition into an actual recovery phase: thinking simply, wouldn't job volume recovery layer on top of US ARPJ growth, creating dual growth drivers? Based on what Deko said earlier, even if that happens, rather than aggressively pushing sales across the board, you want to sell with discipline while closely monitoring whether the client balance of cost and return remains intact. Is that the correct nuance, or did I misunderstand?

Arai: What Deko was saying is that if a client uses the service heavily because it is so good, but their company revenue does not increase, they will inevitably apply the brakes. I am not a gamer myself, but it is like spending a ton of money on in-game purchases, only to realize afterwards, "Wait, what tangible benefit did I actually get out of this?" At that point, the mother steps in and freezes the account to stop the spending. It is very much like that.

If the positive effects are clearly felt, hiring great talent that directly contributes to revenue within a very tight timeframe, clients feel that spending that much money was well worth it. However, if those outcomes are separated by a long time lag, or if the impact remains invisible, clients end up questioning, "We paid all that money, but what did we actually get?" and that willingness evaporates.

Under those circumstances, as Deko described earlier, when budgets remain fixed but clients want to use a higher-priced, high-quality service, job postings naturally decline. It is basic math: spend divided by higher unit price means fewer postings. The ideal scenario is when clients actually expand their budgets.

In Indeed Hiring Lab data, that is exactly what a clear upward trend represents. If the economy improves, business conditions pick up, business projections look rosier, and revenues rise, companies conclude, "We cannot achieve these plans without hiring more people than we have today, so let's expand our recruitment budget." In that story, even if our unit price stays flat, our revenue would naturally increase. Today, even when the service delivers great results, and clients cannot or will not increase their total budget, job volume decreases mathematically.

Expanding that overall pie is precisely the correlation shown on page 19 between revenue, US ARPJ, and the green market trend line. In the past, our growth simply rode directly on top of that market wave. Over the last year to year-and-a-half, what we have been explaining is that even while the overall market was declining, our performance grew because our monetization was advancing.

What could happen next, as we discussed, is that budgets start rising too. Whether revenue accelerates even further in that environment is something we have never witnessed since we began this analytical framework and monetization playbook. So while we believe theoretically it could work, we have never seen it in practice, so we cannot know for sure.

Looking back, about two or two-and-a-half years ago, Deko mentioned that the next two years would be tough and that we were putting extensive groundwork in place to prepare for future upside. At the time, the message was that we would advance monetization so that when the market eventually returned, synergy would drive explosive growth. The question is whether that scenario actually unfolds. Even if it does, we do not know whether we can capture 100% of that upside directly, simply because we haven't experienced it yet.

If that becomes visible, it would be remarkable. Even if it doesn't materialize fully, we would examine why we couldn't capture all of it and figure out what to refine. But until we actually see that environment unfold, we simply cannot know.

Yamamura: I see.

Arai: I believe that is what our CEO was conveying earlier.

Yamamura: So there is a possibility that the phase could shift around the turn of the new year.

Arai: Yes. For reference, what we are showing on page 20 assumes that with zero market growth, our revenue grows by 29%. Because this blends Q3 and Q4, it is slightly different from talking strictly about after the new year. But just taking this as an example: if market growth is not zero, say hypothetically plus 5%, does 29% become 34%? That is the purely mathematical question.

Yamamura: Right, exactly. Thinking simply, it feels like that could happen, but perhaps it is not that straightforward.

Arai: If you think it is likely, feel free to build that into your model.

Yamamura: Understood.

Arai: However, we cannot do that just yet. That is why Deko framed it the way he did: our forecast is built strictly on the current visible situation, without adding anything speculative on top. That is why he emphasized that this outlook is based solely on what is currently visible.

Yamamura: I see, that makes complete sense. I have a very clear understanding now. Thank you.

Arai: You are welcome.

Takioka: Thank you very much. Next, we will take a question from Watanabe-san of Mito Securities. Please go ahead.

Watanabe: I have an expectation that the rollout of Premium services in HR Technology and the rising unit price trend might expand globally in the future.

Earlier it was mentioned that the US is performing strongly, and Canada and the UK, which share similar recruitment models, are doing extremely well. Other regions, including Japan, are not seeing that kind of momentum. It makes me wonder whether this current engine or system cannot yet gain traction in emerging markets where we hope to see growth.

Are there hurdles to expanding there, or should we assume it will take more time, given that developed markets already provide sufficient revenue and profit?

Your ultimate goal is enabling instantaneous hiring globally like pushing one button, so I would like to ask whether reaching that stage across broader regions is still some distance away.

Arai: I see. We have shared data on this in the past, and it would be good to provide an updated analysis using those numbers on another occasion. As a business, we pursue TAM: we look at how much is spent on recruitment and see how much of that wallet share we can capture.

Accordingly, the country spending the most is the United States. Probably just under 50%, or somewhere in the 40s percentage-wise, of global recruitment spend comes from the US. Japan is roughly half the size of the US, followed by major European countries like Germany and the UK. That is how we view the global TAM.

Naturally, our monetization efforts, marketing spend, and sales deployment go toward markets with large TAMs, where companies actually spend money on recruitment.

In a country like India, for example, there is a vast population of workers looking for jobs. In such markets, rather than companies having to spend money, applications flood in rapidly even without spending. Under our definition, those countries or regions do not spend heavily on recruitment as a whole, meaning the TAM is relatively small.

While we do pursue various initiatives in those markets, the issue is not our level of effort. When the TAM itself is small, our headroom to generate meaningful revenue is correspondingly limited.

We certainly want to do many things globally. In every country, we genuinely want to fulfill job seekers' aspirations and support employers, and we are pursuing that. However, when it comes to business, our focus naturally centers on targeting large-TAM markets and winning there.

Indeed cannot artificially expand a country's recruitment TAM, so it is best to understand that we formulate our strategy taking each market's environment as a given.

Watanabe: That is very clear.

As a follow-up, though this might shift topics slightly: regarding your margins, I believe Deko mentioned earlier that margins above 50% are possible. Deko also touched on leveraging AI while noting that marketing expenses are still necessary. Looking at your margin structure, this model has exceptionally high incremental margins. For example, if AI reduces fixed costs, or when growth reaches a stage where heavy fixed costs are no longer needed, incremental profit margins could be very high, even if not 100% due to AI-related compute costs. Is it correct to understand that in your business model, incremental revenue growth translates heavily into bottom-line profit?

Arai: That is precisely correct.

Watanabe: Right, understood. That is all from me. Thank you very much.

Takioka: Thank you very much. Since we have addressed all of your questions, we now conclude this follow-up call. Thank you all for joining today.

Arai: We look forward to your continued support. Thank you very much.

Forward-Looking Statements

This document contains forward-looking statements, which reflect the Company's assumptions and outlook for the future and estimates based on information available to the Company and the Company's plans and expectations as of the date of this document or other date indicated. There can be no assurance that the relevant forecasts and other forward-looking statements will be achieved.

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