

Recruit Holdings Co Ltd

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Doug Anmuth: We're going to go ahead and get started. I'm Doug Anmuth, J.P. Morgan's Internet analyst. I'd like to welcome president and CEO of Recruit Holding, Mr. Hisayuki Idekoba, or Deko, as he's widely known.

Hisayuki Idekoba: Deko.

Doug: Deko is a lot easier for me, too. [laughs]

Hisayuki: It's easier for me.

Doug: [laughs]

Doug: All right. Recruit is a global leader in the HR industry, best known for its leading jobs and hiring platforms, Indeed and Glassdoor. Listed on the Tokyo Stock Exchange, Recruit serves users and clients in more than 60 countries and generated more than \$23 billion in revenue in fiscal '24.

Deko has played a central role in shaping Recruit's global strategy. After building leading Internet businesses in Japan, he led the acquisitions of both Indeed and Glassdoor, helping establish Recruit as a leader in HR technology.

Today, the company supports more than 3.3 million employers annually and reaches more than 600 million job seekers worldwide. The platform helps more than one person get hired every three seconds, which certainly shows the global impact.

Since 2021, under Deko's leadership, Recruit has evolved into a global technology powerhouse, leveraging AI and data innovation to redefine how people get jobs and how employers find talent. Welcome, Deko.

Hisayuki: Thank you for having me.

Doug: Maybe to start, for those in the audience who might be a little bit less familiar, could you briefly tell us what Recruit Holdings is today in your own words and how you describe the

company's core mission?

Hisayuki: Recruit Holdings, we are basically now focusing on simplified hiring. That is our mission. When we think about HR industry, which is \$300 billion-plus industry, but it's including 60 or 65 percentage of human labor manual cost.

It's very difficult to find that big industry with such a high percentage of human labor manual cost. What we believe is basically, how can we simplify hiring with using AI and technology and data to reduce manual work? That's what we are focusing on.

Doug: The acquisition of Indeed was clearly transformative for Recruit. What was it about the company back then that gave you the conviction that it could become the global leader that it is today, especially when a lot of others in the industry expected other large Internet players and search giants to dominate the space?

Hisayuki: First of all, I was very lucky to meet with great founders. At that time, we started to explore companies, how we can expand outside Japan. I started to meet with a bunch of HR companies, meet with CEOs and founders.

Probably, I met hundreds of companies. Most of CEOs told me that how they are monetizing employers or what kind of products are they selling to employers, employers, employers. When I met with founders of Indeed, they were talking about obsession of job seeker experience.

Their mission was, still is, we help people get jobs. When I built Internet businesses when I was in Japan, I believed that Internet technology should be able to democratize or empower consumer experience. I really liked the founders, and I tried to convince them to join Recruit.

At that time, Indeed was roughly 80 million-ish revenue. We had 40 engineers and product guys. Since then, 15 years, it took 15 years, but we grew 100 times bigger.

Doug: Let's talk a little bit about the labor market outlook. Recruit and Indeed's data is often seen as a leading indicator for the global labor market. What trends are you seeing from employers right now?

How are those insights shaping your view on the '25 outlook, especially given the forecast for continued softness in US job openings?

Hisayuki: First of all, I need to touch on the longer-term big trend, it's happening all the

developed countries, not only in the US, which is less supply of the labor force because of the aging population. In the US, 2018, 2019, we saw almost zero growth of working-age population.

From 2020, we added roughly 4.5 million, 5 million-ish workers on top of 160 million workers. 90 percent of them were immigrants. 2008, 2009, US was adding 3.5 million-ish working-age population every year. That situation of the labor market itself is so different compared with the 2008, 2009.

We think we will see continuous weaker hiring demand for the next 12 months. Roughly, we are thinking that 10 percent less hiring demand. As I said, the supply of labor force is extremely weaker than in 2008, 2009. As a result, we're not thinking we're going to have like eight percent, nine percentage high unemployment rate.

It's not going to be happening. It might be like 5 percent, 5.5 percent, so people might say it's a mild recession. What we are thinking is if the high employment rate is 5 percent, 5.5, which is the last 20, 30 years average, so if people can keep their jobs, probably it's not going to be so bad as a recession. Again, we're still thinking that weaker demand for the hiring.

Doug: What's the impact of all of that on Recruit? Your HR tech revenue grew last year, despite declining US job postings. You're now forecasting US revenue to be slightly up this year, even with another 10 percent decline in job openings. How are you able to recoup this revenue growth from job posting volumes, and how sustainable is it?

Hisayuki: I can say what we have been trying is the shift from quantity to quality, meaning in the past, probably 15 years, we have been selling quantity, meaning, hey, employer, if you want to get more applications, you need to pay money. That is a typical advertisement, job advertisement business.

Now, with AI improvement, we can say, quality, if you want to buy quality, we have AI screening tool, or AI matching tool, or AI even interview tools, whatever, to pick a good candidate. For example, we're literally sending, the big companies that people are having conversations here, we're sending two million, three million applications every year.

I'm sure they have thousands of recruiters, but still, they need to pick good candidates out of literally two million, three million candidates. Right now, what we are trying to do is, "Hey, if you want to pick good candidates out of a million candidates, this is two."

What we're trying to do is, how can we sell more qualified applications? Of course, there are so

many small businesses which need additional applications, but at the same time, even these small businesses have some open positions which is requiring very selective skills or experiences. There should be a good fit with these AI tools.

Doug: You've also talked about that you expect to achieve record profits again in fiscal '25, and that's despite potential market challenges. Can you elaborate on your approach to efficiency and productivity this year and particularly how AI is being leveraged internally to drive more of that improvement?

Hisayuki: AI is clearly game-changer. Especially for, like us, two-sided marketplace model. Meaning, when we think about our sales guides or client support, they're talking with employers to advise, "Hey, if you're posting this job, this should be like this size of the budget," or, "Maybe you should change this job title to be like this," or blah, blah.

That should be able to be changed with AI agentic experience. We're going to have more agentic experience for employers and job seekers and to improve our internal productivity. I have been saying, almost every team, "Hey, you guys need to rethink and redesign all operations from scratch with AI. How can you redesign it?"

For example, one-third of our programming codes were written by AI now. It's going to be 50 percent pretty soon. Meaning, we need to have a good vision. Two years later, even the next year, how we are going to work with AI. That should be the center of our new design. AI change is big.

Doug: Let's stick with AI. You showcased last week some of your new product experiences that you're building, and they seem to go beyond of the traditional job search. Maybe you could talk about those a little bit and how you see AI evolving the services that you offer to both job seekers and employers.

Hisayuki: For example, in the US, a lot of job seekers are applying 20 times, 30 times, 40 times, literally, in a month, 20 times, 30 times. It should not be the experience for job seekers with a AI agent.

What we are trying to have is, when we think about actual experienced recruiters, if you're getting this support from recruiters, you will never apply 30 times, 40 times. What we're trying to do is, how can we have career advisor-ish experience with the AI agent?

For example, like, "Hey, I know you're applying this job, but maybe you should think about your

current skill, and maybe you should try to apply this job instead of that job to get this additional skill, then maybe you can apply this job later," or whatever.

These types of conversational experience will be very important for job seeker side and also employer side. Right now, small businesses don't know how to write down job description, what kind of skills or experiences should be required, or hourly wage, how can they set and benefit.

These kind of fundamental things should be answered by AI agent. We're having a lot of AI agentic experiences for job seekers and employers that will upgrade our experience for them.

Doug: You're in a pretty unique position as a very large two-sided talent marketplace, vast amounts of proprietary data about both job seekers and employers. How does that data and scale enable you to build AI solutions that others cannot easily replicate?

Hisayuki: [laughs]

Hisayuki: First of all, of course, the size of the two-sided marketplace itself is a good differentiator. 600 million profiles and 3.3 million employers are logging in to post their job and check billions of billions of applications, and that itself is having a huge power to train AI model.

On top of that, when we think about next two years, three years, AI agentic experience, important thing is, how can we personalize experiences for job seekers and employers? For example, if somebody said, "We built super-smart AI. You should ask all questions to this AI."

Still, even if it's so smart, this AI has to ask a bunch of questions. "Hey, Doug, what did you do before? What kind of experience do you have? What do you want to do for the next three years, whatever?" They need to know you.

To personalize the experience, the piled up historical data for each job seekers is very important and also for employers. Even the employers are posting exact same job title. We sell totally different preferences from each employers.

Each employers are very unique what kind of people they're hiring. It's also very important to have piled up historical data to personalize their experience. When we're having more AI agentic experiences for them, it's a great differentiator.

Doug: Your business in Japan, you have some unique insights from your placement businesses. How does combining your online job platforms with the traditional placement services help you

strengthen your ability to make job search and hiring simpler and to deliver a better user experience?

Hisayuki: We have the largest recruiting agency, offline recruiting agency business in Japan. We merged this offline business with online job board business a while back. What we found is the mix or collaboration between offline and online is very important to evolve AI power.

What I'm saying is when we checked very experienced recruiters, how they're navigating job seekers, how they're supporting employers, so this is great, meaning today's AI cannot fight against these very experienced top-level recruiters.

What I'm saying is we need to try to catch up these great recruiters. To do that, we need data, how they're doing their jobs. We need to build each part, but still, AI agent is not that great.

I know if we can have a bunch of data from offline data, and so I think that would be the best way to upgrade AI agentic experience. I think it's going to be a key, how we can change offline experiences with the data.

Doug: How do you tie that together from a AI agentic perspective? It feels like, the big question on everyone's mind about AI products is, how do you plan to monetize these agentic experiences?

Hisayuki: Everybody is asking monetization about AI. [laughs] I know we need to do that. Basically, as I said, \$300 billion-plus HR industry, the big part of this industry is a recruiting agency model, meaning they're charging 20 percent, 25 percent of first-year salary.

I'm sure people have experience to get the support from these recruiters. When we asked job seekers, just four percent job seekers were telling us they got support from recruiters, meaning 96 percent of people...First of all, roughly 30 percentage people in the US have college degree, so 70 percent people don't have college degree.

There's [laughs] like 4,000 universities in the US, and I don't know how many universities name, do you guys know? It's a tiny, tiny percentage who can get the actual support from recruiters. What I'm thinking is we should be able to replicate recruiters' experience with AI, and then it should be cheaper, it should be easier for all job seekers to get this benefit with AI.

We're still charging less than one percent of first-year salary through our platform. If you're delivering really qualified candidates, we should be able to monetize 1.3 percent, 1.5 percent, 2

percent of first-year salary.

What I'm thinking is, right now, we should be focusing on to build actual value, which is delivering qualified candidate. If employers are saying, "You guys are great," then there should be way to monetize our product. The focus right now is, of course, we're going to do a bunch of tests, how to monetize it, but we need to build value first.

Doug: Let's talk about the AI impact on the labor force, as we think about that impact of AI, how it reshapes things on a global basis. What is your long-term perspective on AI's impact on job creation, jobs that might get displaced over time, and the skills that are going to be most in-demand in the future?

Hisayuki: What we're seeing with our data, which is like software engineer, hiring demand decreased 35 percent compared with 2019 pre-COVID level. The software engineer is the lowest hiring demand compared to 2019.

It's probably clear that software engineering job is, even today, it's impacted by AI improvement. On the other hand, there are so many researches showed that, for example, not only software engineering jobs, accounting jobs or legal jobs, these jobs were highly ranked it's going to be replaced by AI.

When we check these data, legal jobs, accounting jobs, 20 percent higher hiring demand compared with pre-COVID level, so it's not happening yet. Also, even 10 years ago, driver jobs will be replaced by automating driving car.

Compared with pre-COVID level, we're seeing 40 percent higher hiring demand for driving jobs. Right now, what we're thinking is if the job is 100 percent online, it will be relatively easier for AI to replace, but if the job has 5 percent, 10 percent requirement to have human-to-human interaction, it's not easy for AI to replace.

At least right now, we're not seeing it, and even as I said, literally, higher demand for these positions. We'll see, but what we are thinking is it will take time to see This change and actual impact from AI. Also...Probably, I should stop here. [laughs]

Doug: We have a mic in the back. If anybody has a question, feel free to raise your hand and we'll get a mic around. Let me keep going with a couple more, though. You have a large staffing business. We hit on that a little bit. Why not bring staffing more into HR tech, and what's the strategy for that segment?

Hisayuki: Maybe [laughs] the same thing as I said right now, but the staffing business has a lot of manual work. Of course, we're trying to have more AI to automate each processes of recruiting agencies and staffing agencies. Still, staffing agencies have a lot of manual part, which is very difficult to replace with AI right now.

Of course, we've been doing a bunch of tests. We're going to invest more, but right now, it's probably healthier for us, these business units as a separated unit. We are having more and more module type of approach, meaning, "Hey, staffing agencies, can you use this AI interview as a part or AI screening as a solution for this part?"

In the long term, probably we will see more results. Then, we will think about the actual collaboration or reorganization. That's how I'm thinking.

Doug: We have a question over here if we can get a mic over. Thank you.

[pause]

Audience Member: Hello. Thank you for this. A question on what you're saying regarding the candidate and assisting them with AI, with the agentic AI. Who's going to pay for that?

Hisayuki: Who's going to pay for that? A better candidate.

Audience Member: Does that make a better candidate fit? Is that the idea, that you can match better to what the recruiter actually wants or whoever's recruiting?

Hisayuki: Good question. As I said, we're sending like two million, three million applications. Every time I talk to the CEO, like, "Hey, actually, we're sending this much applications." [laughs] They will say like, "What? Two million? What is that?" Almost all the time, "Hey, how many recruiters do you have?" Most of CEOs don't know.

Most of the time, like two percent, three percent of their whole costs were associated with talent acquisition or HR. When we think about the future, what we're trying to do is, how can we simplify recruiters' job? Inside recruiters, outside recruiters, it doesn't matter.

Especially in a recessionary time, all CEOs will think about, too, how can we downsize the talent acquisition team? It happened in 2008, 2009. After that, 2010, 2011, 2012, what we saw is huge uptick of RPO business, which is recruiting process outsourcing business, because they cut a lot

of talent acquisition team. We'll see.

Fundamentally, the biggest cost for employers are internal operational cost, and not only the advertisement cost. Advertisement cost is actually a tiny part. Fundamentally, when we think about the future, like the next three, five years of AI change, we need to talk more about the actual cost, not only the advertisement cost.

It might take time, but that's how we need to approach with employers. Is that answering your question?

Audience Member: Yes, it does. Thank you.

Hisayuki: Thanks.

Audience Member: I had a question which is following up on his. Just a question on the alignment of interests. Today, if you think about, on the one hand, having important relationships with recruiters themselves, they're kind of representatives of the supply side.

On the other hand, let's just say we have Recruit's AI, which is basically disintermediating the relationship between the supply and the demand. If I take that to its logical conclusion, the agent should have the interests of the applicant in mind first, not first the recruiter or the company, and the applicant may even be willing to pay for this.

I would pay for it, obviously, if I got a perfect job that I was interested in. These interests may not align between the recruiter and the applicant and Recruit itself, the company. It could even become adverse if, for example, I'm applying to a job and the recruiter finds out that Recruit said, "Hey, this job may not be for you."

That creates some tension. How are you thinking about that over time?

Hisayuki: Great question. In a perfect world, we want to try to build a perfect world, meaning everything should be dictated by supply and demand. For example, we're talking with the employers, which is having a sugar cane factory, middle of nowhere, it's big factory.

They are having bunch of machine, but these are old machine. They have to hire who have experience of this old machine. It was very difficult to find [laughs] this position. They have to pay a lot more to find out this position, but at the same time, the surprise itself is so limited.

Meaning, maybe what we need to think about is like, "Hey, you need to pay more to even asking job seekers to relocate to this middle of nowhere." That type of solution should be required because there's supply and demand.

At the same time, job seekers want to get this job to step up ladders, but employers prefer to have somebody who already have the experience. There's a supply and demand issue all the time.

We have been testing some small tests, how can we charge job seeker side and at the same time, again, as I said, how can we charge employers? The important thing is, how can we actually make satisfied hires?

Again, if we can have better supply and demand estimation model, we should be able to get the price tag for each hires better. Right now, we're still probably scratching the surface. Right now, it's just a one-sided demand side auction model, meaning if we don't have two, three buyers for this auction model, middle-of-nowhere sugar cane factory, it's very cheap.

From the supply-demand point of view, we need to charge way more. Same thing for job seekers, "Sorry, this job is having a lot of applications. Probably, you should stand out a little bit, maybe better to pay," whatever.

Probably, we need to calculate and we need to improve our marketplace model, but that's basically how I'm thinking for the next 10 years. Is that answering your question? [laughs]

[background conversations]

Hisayuki: It's all right.

Doug: Great. Want to ask you more about your strategic vision as we're wrapping up. What's the most important takeaway you want investors to understand about Recruit's long-term vision?

Hisayuki: As I said, we're seriously trying to solve this HR industry problem, which is having a lot of money work, \$300 billion-plus industry. Probably, we are a strong leader in this market, but still, it's so fragmented.

There are a lot of small companies, firms, whatever, \$300 billion-plus industry with a lot of manual cost. What we need to be responsible for is, how can we have actual technology, AI technology, to simplify hiring?

We believe it's definitely better for job seekers and employers if it's easier, simpler to get a job, to make hires, it's better for the society. We really believe if we can have a better technology, we should be able to get more market share.

Maybe HR industry size itself might be smaller, but that's a good thing for the society, because the cost of making hire or changing job is a cost for the society. We really believe that we need to deliver innovations to improve the world.

Doug: Great. We're going to wrap up with a quick word association, whatever comes to mind. Short answers. US labor market.

Hisayuki: Short supply.

Doug: Scale.

Hisayuki: Two-sided marketplace.

Doug: Agentic.

Hisayuki: Needed.

Doug: Software engineering.

[laughter]

Hisayuki: Sorry.

[laughter]

Hisayuki: No, I should not say that.

[laughter]

Doug: Glassdoor.

Hisayuki: Reviews.

Doug: Al.

Hisayuki: Innovation.

Doug: Indeed.

Hisayuki: Great.

Doug: HR tech.

[pause]

Hisayuki: Should be better. [laughs]

Doug: Great. We'll leave it there. Thank you, Deko.

Hisayuki: Thank you so much.

[applause]