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October 9, 2024

To whom may it concerns

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Frequently Asked Questions and Answers

Thank you for your continued interest in our company. We would like to disclose the main questions we received from investors recently and the answers to them as follows.

This disclosure is made for the purpose of enhancing information dissemination to investors and for fair disclosure. Although there may be some discrepancies in the content of responses due to time differences, the most recent responses are presented as Timee's most current policy.

Q1. Is there any seasonality?

There is a tendency for busy periods to be 1Q (November-January) > 4Q (August-October) > 3Q (May-July) > 2Q (February-April). The main events of each quarter are as follows.

1Q (November-January): Christmas, Year-end, and New-year sales, Year-end and New-year parties

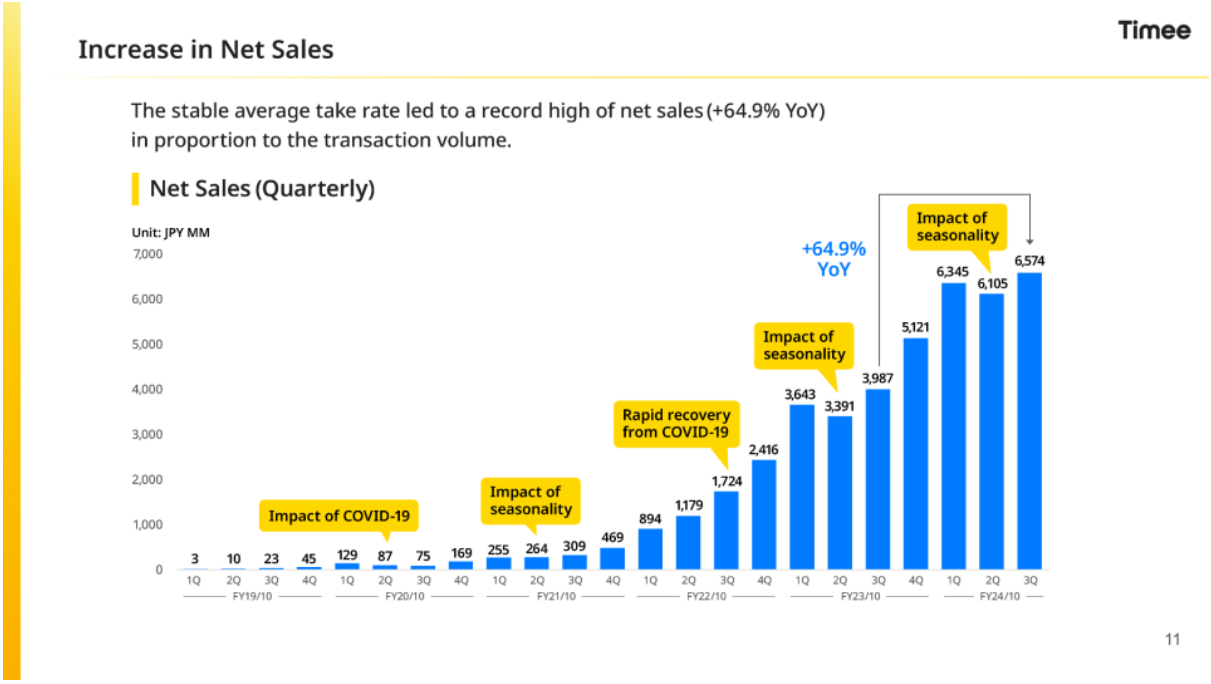
2Q (February-April): New fiscal year

3Q (May-July): *Golden Week* (long vacation), Gift season

4Q (August-October): Gift season, Summer vacation/Obon, *Silver Week* (long vacation)

On the other hand, February (few events and few days) and June (rainy season) are slow periods. In addition, there is a significant difference between 1Q and 2Q due to seasonal factors, and net sales in 2Q tend to be lower than in 1Q.

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Q2. What is the fill rate?

For example, 86% of the fill rate means that when a client posts a job offer for 100 people, 86 workers will work. There is some fluctuation depending on the season, and the fill rate tends to be lower during busy periods and higher during slow periods. Difficult-to-fill jobs include those posted at short notice, those with strict conditions (e.g. limited to experienced workers), and those from clients with low ratings from workers (the mutual evaluation system).

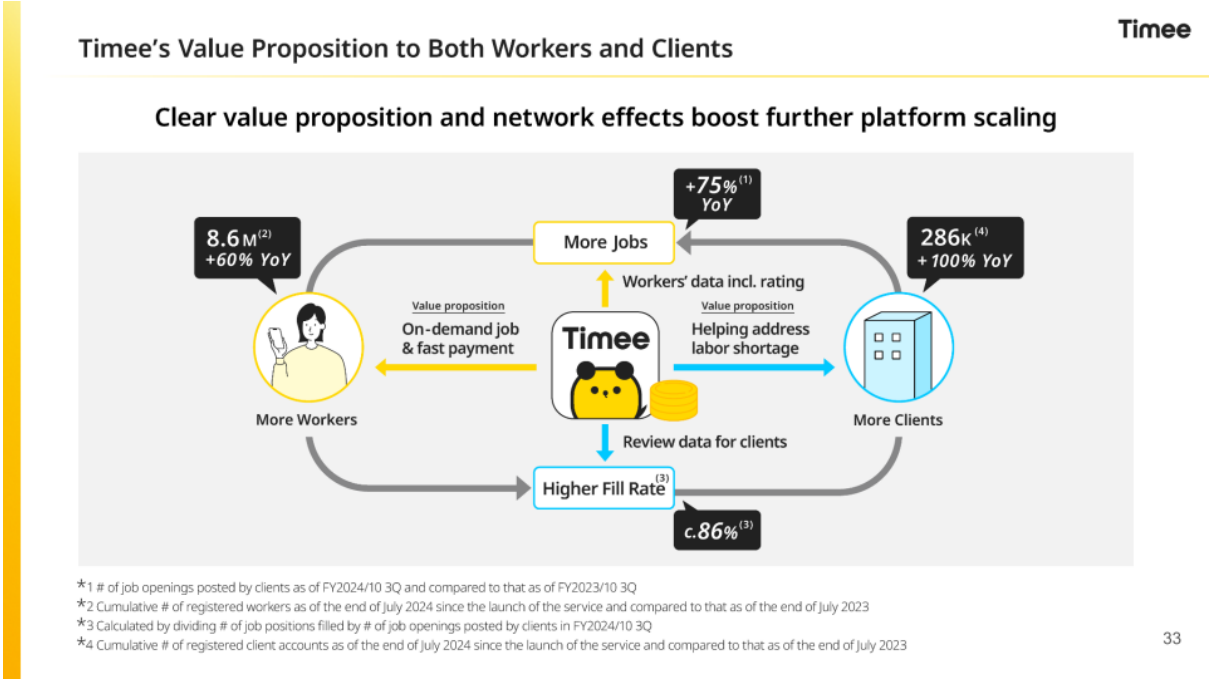
Q3. What is the competitive advantage of Timee?

We believe that Timee is a business that takes advantage of network effects and the first mover advantage, as the increase of workers attracts potential clients suffering from labor shortages, and the increase in job openings attracts more workers. Due to these advantages, Time has established the No.1 position (*1) in Japan.

In addition, we believe that our competitive advantage can be divided into three main points.

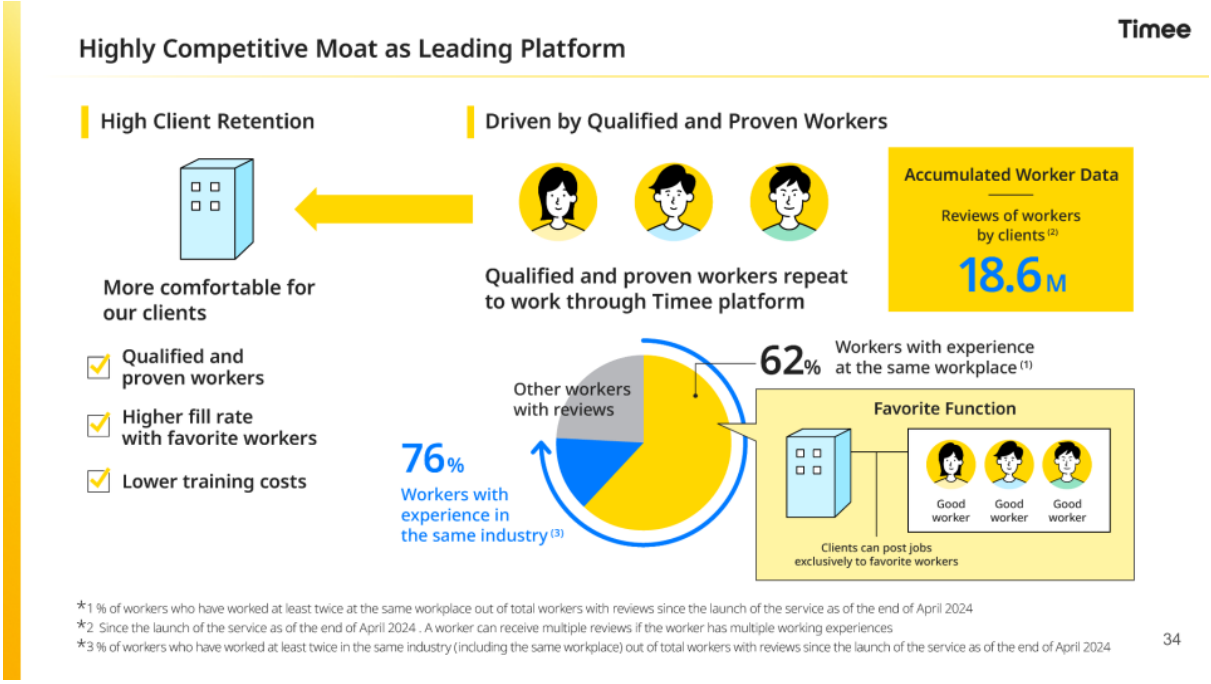
The first is our high fill rate. In 3Q of FY24, our fill rate was 86%, and we have been maintaining a high level of over 80% recently. It is extremely important to be able to secure labor in an era of labor shortages.

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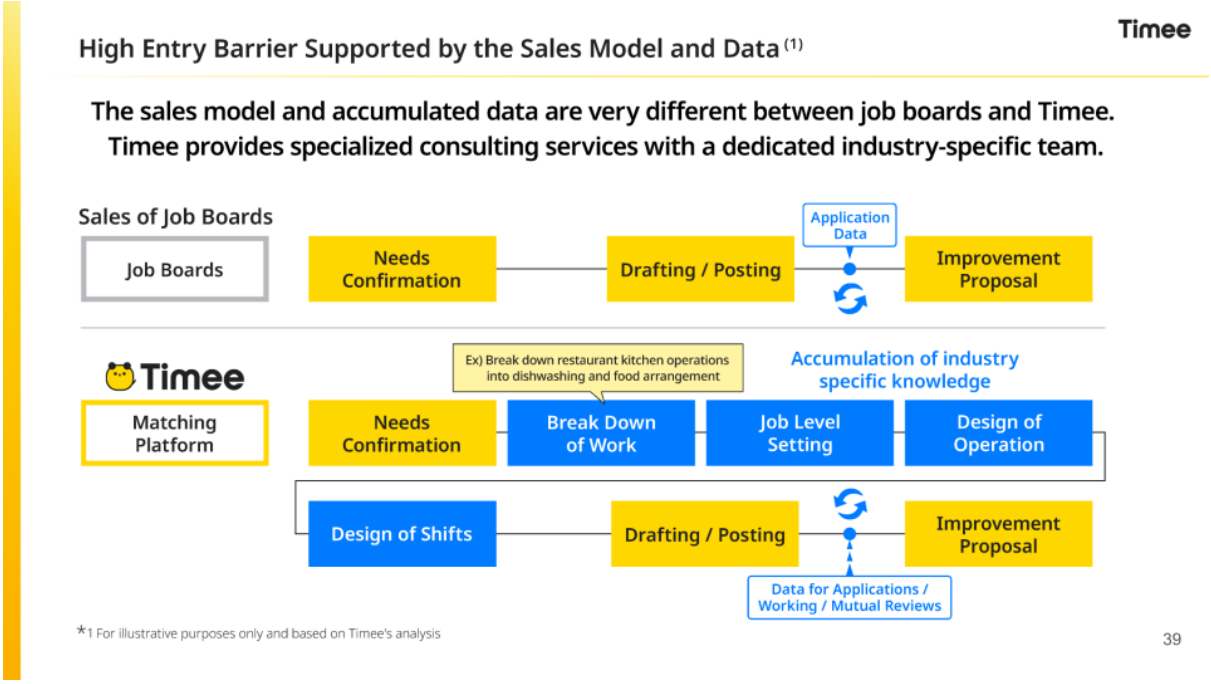
The second point is workers who work well. Timee is not just a service that can secure labor, but one of its features is that the workers work well. We have built a system that properly evaluates workers who work well, through a mutual evaluation system in which both a worker and a client evaluate each other after a job is completed, and a penalty system for last-minute cancellations and no-shows. In addition, approximately 62% of workers have experience working at the same workplace, and approximately 76% have experience working in the same industry, so we believe that our platform is making it easier for clients to find workers with experience (*2).

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Thirdly, we provide a high level of follow-up support from our sales (customer success) team. The necessary know-how for sales of job boards and sales of on-demand job platforms differs greatly, and customer success unique to on-demand job platforms is important. Our sales staff actually visit client sites, understand the work processes, and then propose the work that can be handled by Timee workers. As a result, our BPR (Business Process Re-engineering) know-how and industry-specific knowledge are also our competitive advantages.

[Presentation for FY2024.10 3Q Financial Results P39]



*1: Based on the worker usage rate in terms of workers and # of job postings in terms of clients. The worker usage rate is the proportion of worker-respondents that had chosen a given service when using on-demand job platforms in the previous year, based on an online survey, “Survey on the Actual State of On-demand Job Services”, commissioned by Timee and conducted by Macromill (Survey period: February 9 to 11, 2024 / Target: 1,034 men and women aged 18 to 69 who have experience of on-demand jobs within the past year). # of job postings is based on a survey, “Market Research in On-demand Services as of May 2024”, commissioned by Timee and conducted by the Japan Marketing
Research Organization (Survey period: April 9 to May 29, 2024)

*2: As of the end of April 2024, the percentage of workers who have worked at the same workplace at least twice out of the total workers with reviews since the launch of the service is about 62%, and the percentage of workers who have worked at least twice in the same industry (including the same workplace) out of total workers with reviews is about 76%.

Q4. Is there any impact on the take rate due to increased competition?

The average take rate for FY24 3Q remained high at 29.6%.

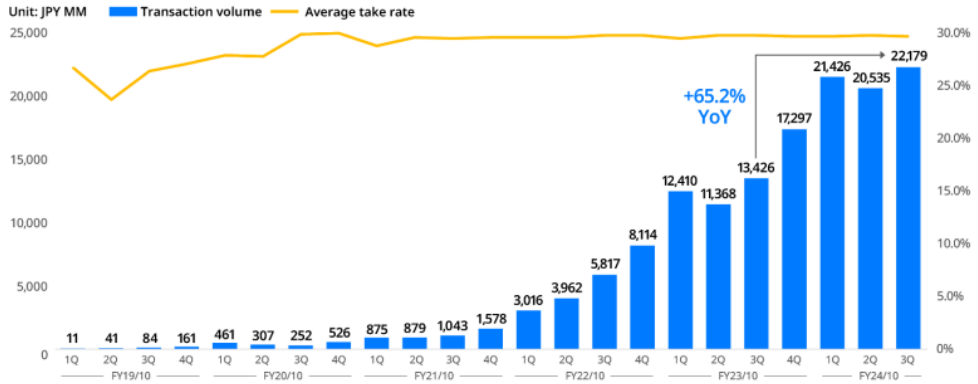
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Timee

Increase in Transaction Volume

Transaction volume for 3Q reached a record high (+65.2% YoY). The average take rate remained stable and high.

Transaction Volume / Average Take Rate(1) (Quarterly)



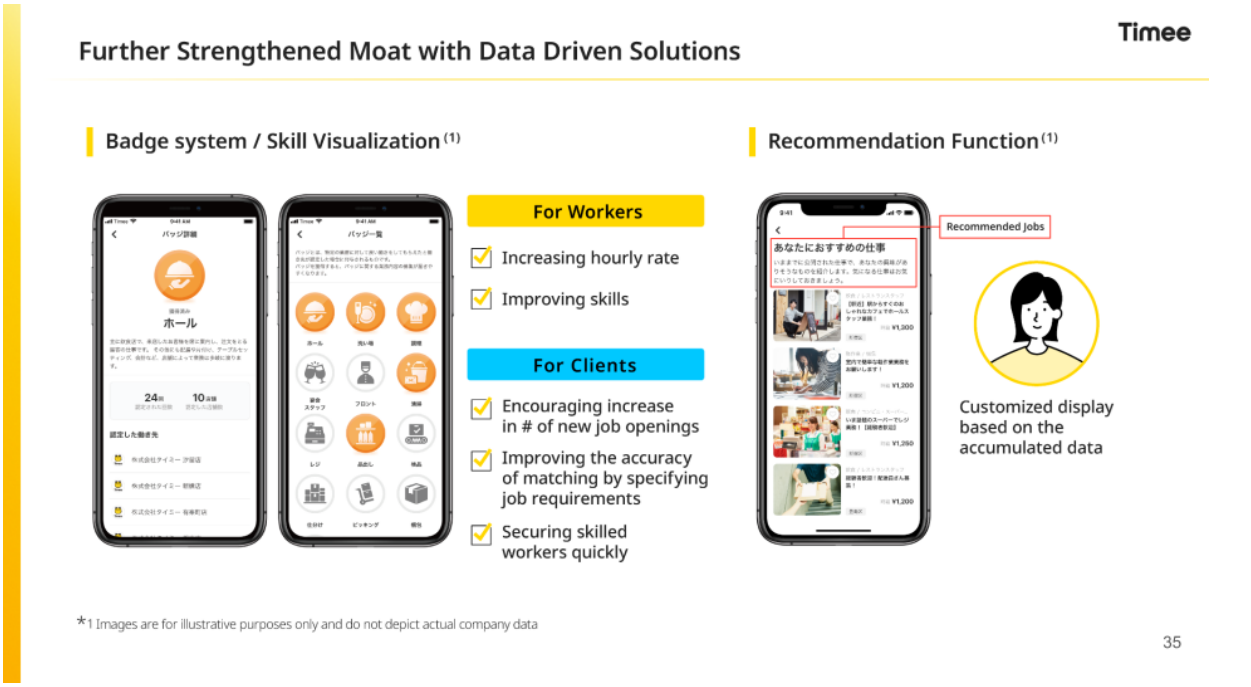
*1 Calculated by dividing total net sales from Timee platform business by total transaction volume

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Q5. What specific measures are you taking to compete?

We believe that the huge amount of worker data we have accumulated is a powerful barrier to entry. For this reason, we aim to further strengthen this barrier to entry by utilizing the data. Specifically, we released the badge feature in October last year. The badge feature is a feature that indicates the jobs (e.g. waiter/waitress, dishwashing, cooking) in which workers have been recognized for doing well. In addition, in April of this year, we also implemented a new feature that allows clients to post jobs exclusively for badge holders on the condition of a high hourly wage so that badge holders can work for a high hourly wage and clients can secure skilled workers. Through initiatives like this, we will continue to increase engagement with workers and clients.

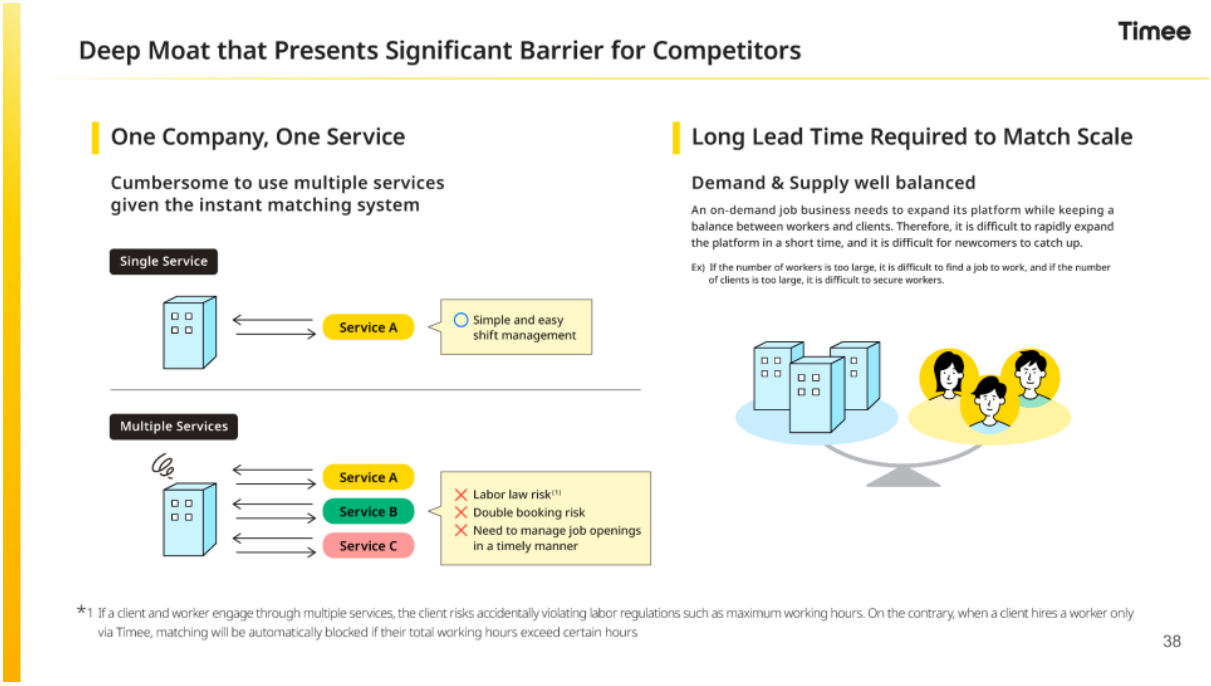
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Q6. Do clients use multiple on-demand job platforms?

We believe that the typical way to use these services is for one company to use one service.
There is no worker selection process on Timee, and matching is established when a worker applies for a job they want to work. Therefore, if a client is using multiple services, the client will need to monitor the matching status of each service and adjust the number of workers you are recruiting. In a situation where there is a shortage of workers, we do not think it is realistic to use multiple services to the extent that this additional work is required.
In addition, to make it easier for clients to introduce the service, we have a “block function” that reduces the amount of work required for labor management. For example, if a worker works at the same workplace for more than 88,000 yen per month and meets other requirements (such as being expected to be employed for more than two consecutive months), the client has to take care of social insurance for the worker. To prevent the associated costs and administrative work, Timee has a block function that prevents workers from working at the same workplace for more than 88,000 yen per month. However, if the client uses multiple services, this block will not function, and the client has to check the working hours of the workers.

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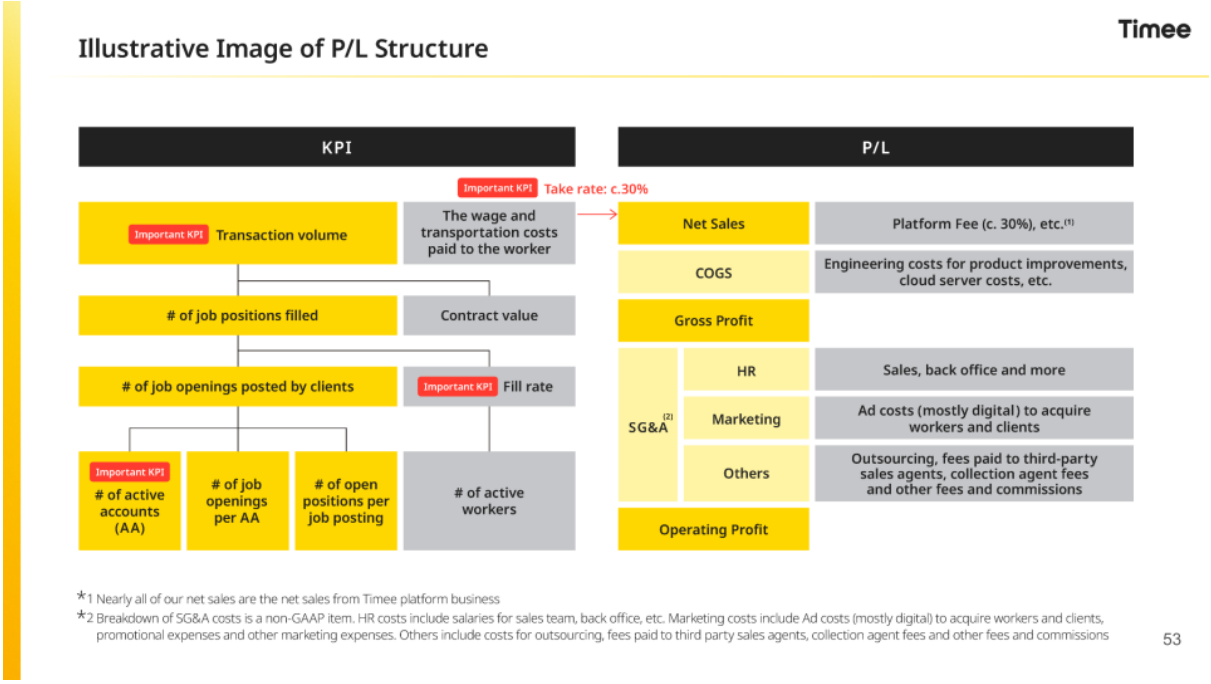
Q7. Do you place more importance on acquiring clients or workers?

At the moment, it is clients. We believe that many workers are looking for work, but are unable to work, based on the fact that the fill rate is high at over 80%, and there is a large gap between the number of registered workers and the number of accumulated active workers. Regarding the balance between clients and workers, we are continuing to make detailed adjustments on a nationwide and municipal basis while paying close attention to the fill rate, etc.

Q8. What will be the growth drivers in the future?

Timee's net sales can be calculated by multiplying the number of active accounts by the total amount of transaction volume per active account by the average take rate. The current growth in net sales is being driven by an increase in the number of active accounts, and we believe this will continue in the future as well.

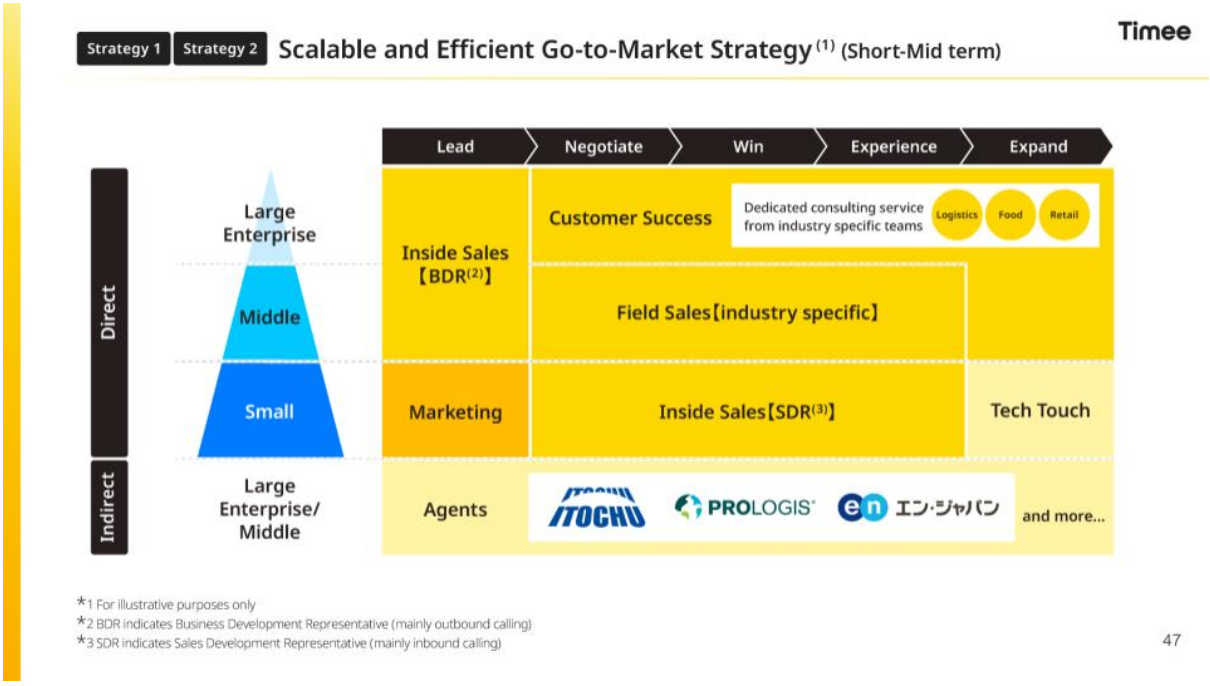
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Q9. How do you acquire clients?

The method of acquisition differs depending on the size of the client.
For large and medium-sized clients, we have sales (customer success) representatives who approach clients (this is a cost item for HR expenses). On the other hand, from an economic perspective, we use digital advertising, TV commercials, etc. for small-sized clients (this is a cost item for marketing expenses (client marketing)). In addition, business collaborations with local governments also contribute to acquiring small-sized clients.
We started client marketing in earnest in 4Q of last year. However, since the start of our services, we have been actively engaged in sales activities for large and medium-sized clients, and this policy will not change significantly in the future (we believe that our penetration rate among large and medium-sized clients is still low).

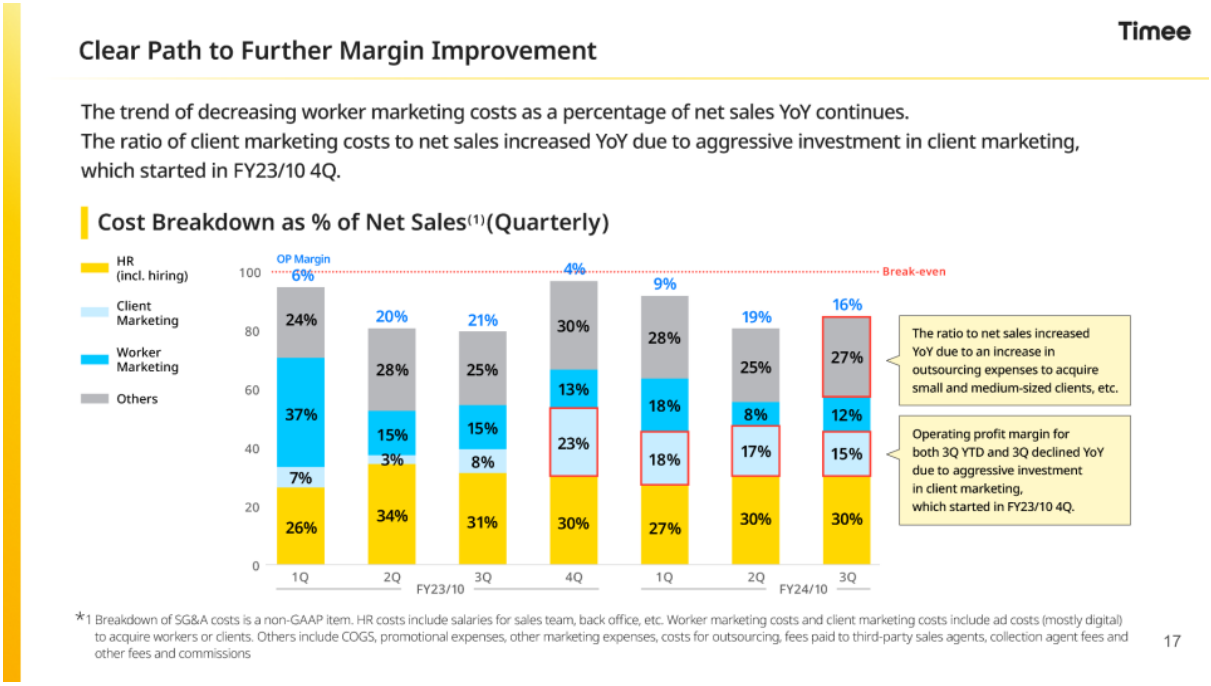
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Q10. What is the cost structure and investment priority?

The two main costs are HR and marketing expenses.
Of our total workforce, around half are sales staff (mainly customer success staff focused on acquiring large and medium-sized clients), and HR expenses account for around 30% of our net sales.
Marketing expenses consist of worker marketing and client marketing, and digital advertising and TV commercials account for much of these costs.
Worker marketing is mainly aimed at acquiring new workers. As mentioned in Q1, the Timee business has a seasonality, and as more jobs are posted during busy periods, the proportion of expenses invested in worker marketing also increases to maintain the fill rate. On the other hand, when comparing the proportion of net sales on a YoY basis, it is gradually decreasing. This is because the percentage of core workers (workers who work at least 8 times per month) is increasing, and the percentage of workers who need to be newly acquired is decreasing.
Client marketing is aimed at acquiring small-sized clients. In addition, we believe that the increase in diverse job postings will increase the attractiveness of the platform and indirectly contribute to worker engagement.
Our investment priorities are to acquire large and medium-sized clients and to conduct worker marketing to maintain our fill rate. Next, while keeping an eye on the company-wide profit level, we also invest an appropriate amount in client marketing, within the scope of not worsening our acquisition efficiency.

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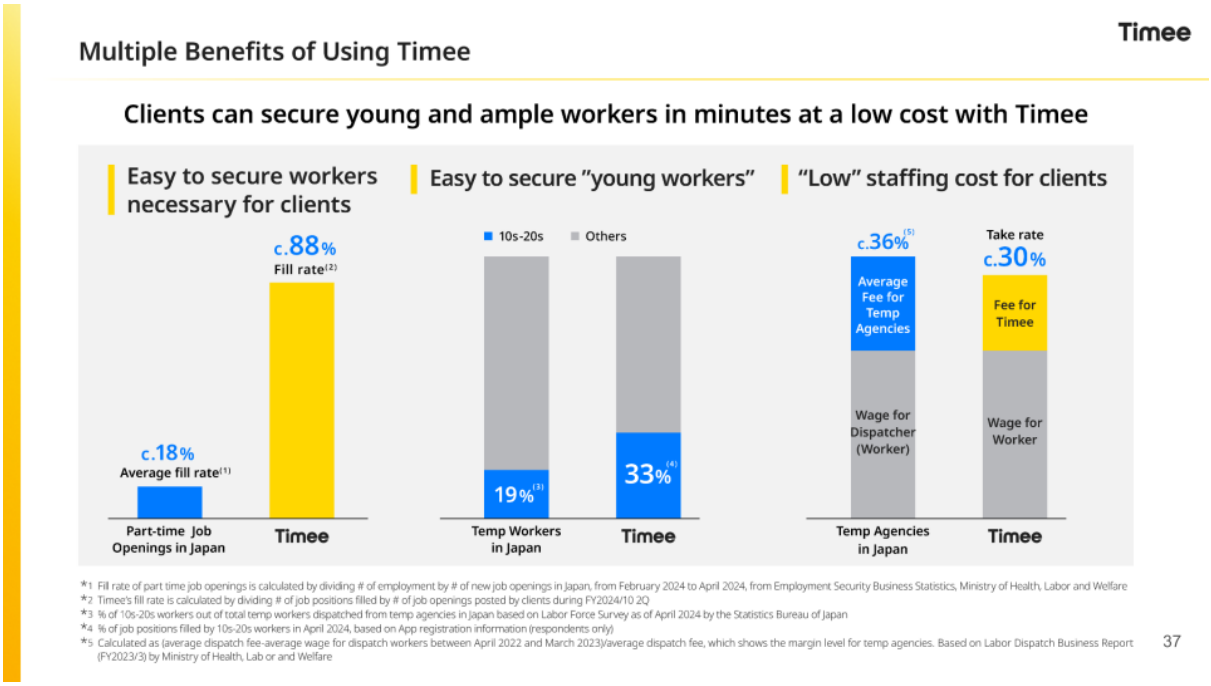
Q11. Can clients poach workers who are using Timee?

Yes, they can (and there is no additional fee). However, we recognize that this is difficult because many of the workers who use Timee have needs for flexible working styles that do not require them to submit their shifts, or for their wages to be paid immediately.

Q12. How do you compete with players such as temp agencies and job boards?

We recognize that in the three industries of logistics, food, and retail, labor has been secured in the past mainly through temp agencies in the logistics industry and job boards in the food and retail industries. We also believe that the competitive advantages of Timee, such as its high fill rate and workers who work well, are not only competitive with other services of the on-demand job platform but also with existing players. In addition, in terms of costs, the average fee for temp agencies is around 36%, which is higher than our fee of 30% (*3). On job boards, it costs around 100,000 yen per month in listing fees, but with Timee, costs only occur when the work is done (*4).

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*3: Calculated as (average dispatch fee - average wage for dispatch workers between April 2022 and March 2023)/average dispatch fee, which shows the margin level for temp agencies. Based on Labor Dispatch Business Report (FY2023/3) by Ministry of Health, Labor and Welfare

*4: Based on the monthly posting expenses of the standard plan in metropolitan areas by major job boards

Q13. How do you deal with fraudulent use?

We have already taken measures against fraudulent use in both functionality and operations, and the occurrence of such cases is extremely limited. In addition, even if such cases do occur, we have established a system to take the necessary measures promptly as soon as they are detected. As mentioned above, in addition to being able to suppress the occurrence itself, we appropriately control the risk of bad debt by transferring the receivables of small and medium-sized clients to receivables offtake services.