

August 26, 2020

**Recruit Holdings Co., Ltd. (TSE 6098)**  
**Consolidated Financial Results for the Three Months Ended June 30, 2020 (IFRS, Unaudited)**

Tokyo, August 26, 2020 — Recruit Holdings Co., Ltd. announced today its consolidated financial results for the three months ended June 30, 2020 (April 1, 2020 to June 30, 2020).

(Amounts are rounded down to the nearest million yen)

**Consolidated Operating Results**

| (In millions of yen, unless otherwise stated) | Three Months Ended June 30, |         | % change |
|---|-----------------------------|---------|----------|
|   | 2019                        | 2020    |          |
| Revenue                                       | 594,409                     | 475,488 | -20.0%   |
| Adjusted EBITDA                               | 87,364                      | 53,431  | -38.8%   |
| Operating income                              | 71,233                      | 26,671  | -62.6%   |
| Profit before tax                             | 82,336                      | 28,547  | -65.3%   |
| Profit for the period                         | 59,610                      | 22,457  | -62.3%   |
| Profit attributable to owners of the parent   | 59,311                      | 22,323  | -62.4%   |
| Profit available for dividends                | 53,692                      | 25,759  | -52.0%   |
| Total comprehensive income                    | 36,542                      | 29,256  | -19.9%   |
| Basic EPS (yen)                               | 35.50                       | 13.54   | -        |
| Diluted EPS (yen)                             | 35.43                       | 13.52   | -        |
| Adjusted EPS (yen)                            | 33.29                       | 17.49   | -47.5%   |

**Consolidated Financial Position**

| (In millions of yen, unless otherwise stated)            | As of March 31, 2020 | As of June 30, 2020 |
|--|----------------------|---------------------|
| Total assets   | 1,998,917            | 1,960,948           |
| Total equity   | 995,743              | 999,956             |
| Equity attributable to owners of the parent              | 988,449              | 992,440             |
| Ratio of equity attributable to owners of the parent (%) | 49.4%                | 50.6%               |

**Dividends**

| (In yen)         | FY2019       | FY2020   | FY2020 (Forecast) |
|------------------|--------------|----------|-------------------|
| At the end of Q1 | -            | -        | -                 |
| At the end of Q2 | 15.00        | -        | -                 |
| At the end of Q3 | -            | -        | -                 |
| At the end of Q4 | 15.00        | -        | -                 |
| <b>Total</b>     | <b>30.00</b> | <b>-</b> | <b>-</b>          |

Dividend forecast for FY2020 is not provided at this time.

**Consolidated Financial Guidance for FY2020**

Due to the uncertainty and rapidly evolving conditions around the world, the Company is unable at this time to reliably predict the impact that the global spread of novel coronavirus (COVID-19) will have on its FY2020 financial performance. As a result, the Company is not providing consolidated financial guidance for FY2020 at this time. However, based on the broad impact on business performance since early March, the Company currently expects that the global spread of COVID-19 will continue to have a significant adverse impact on financial performance in Q2 FY2020 and beyond. The Company plans to provide consolidated financial guidance for FY2020 when the Company is able to reasonably estimate the magnitude of the impact of the global spread of COVID-19 on its business.

Please refer to page 10 for further details regarding Consolidated Financial Guidance and Latest Business Operation Update by Segment.

**Changes in Significant Subsidiaries Resulting from Change in Scope of Consolidation**

There was no change in specific subsidiaries accompanying a change in the scope of consolidation.

**Changes in Accounting Policies and Changes in Accounting Estimates**

There has been no change in: (1) accounting policies required by IFRS, (2) accounting policies other than the foregoing item (1), and (3) accounting estimates.

### Number of Issued Shares - Common Stock

|  | As of March 31, 2020                | As of June 30, 2020                 |
|--|-------------------------------------|-------------------------------------|
| Number of issued shares including treasury stock | 1,695,960,030                       | 1,695,960,030                       |
| Number of treasury stock                         | 47,574,459                          | 47,380,131                          |
|  |                                     |                                     |
|  | Three Months Ended<br>June 30, 2019 | Three Months Ended<br>June 30, 2020 |
| Average number of shares during the period       | 1,670,800,767                       | 1,648,642,191                       |

### Definition

In this document, the terms the “Company,” “Recruit Group,” “we,” and “our” refer to Recruit Holdings Co., Ltd. and its consolidated subsidiaries unless otherwise indicated. SBU stands for strategic business unit.

The Company’s fiscal year starts on April 1 and ends on March 31 of each year. Accordingly, “FY2020” refers to the period from April 1, 2020 to March 31, 2021. References to “FY” or “fiscal year” for prior and subsequent fiscal years are to the 12-month periods commencing in each case on April 1 of the year indicated and ending on March 31 of the following year.

Q1 refers to the three-month period from April 1 to June 30, Q2 refers to the three-month period from July 1 to September 30, Q3 refers to the three-month period from October 1 to December 31, and Q4 refers to the three-month period from January 1 to March 31.

### Definition of the Financial Measures

| Financial Measures             | Definition   |
|--------------------------------|--|
| Adjusted EBITDA                | Operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses   |
| Adjusted profit                | Profit attributable to owners of the parent ± adjustment items (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items  |
| Adjusted EPS                   | Adjusted profit / (number of issued shares at the end of the period - number of treasury stock at the end of the period)   |
| Profit available for dividends | Profit attributable to owners of the parent ± non-recurring income/losses ± tax reconciliation related to certain non-recurring income/losses  |
| Adjustment items               | Amortization of intangible assets arising due to business combinations ± non-recurring income/losses   |
| Non-recurring income/losses    | Gains or losses from disposals of shares of associates, expenses relating to company restructuring, gains or losses from the sale or impairment of property and equipment, and income and expense items that the Company believes are unusual or non-recurring in nature which do not reflect the Company’s underlying results of operations |

### Average exchange rate during the period

|                   | FY2019 |        |        |        | FY2020 |
|-------------------|--------|--------|--------|--------|--------|
| (In yen)          | Q1     | Q2     | Q3     | Q4     | Q1     |
| US dollar         | 109.90 | 108.60 | 108.65 | 108.70 | 107.63 |
| Euro              | 123.50 | 121.40 | 121.04 | 120.81 | 118.59 |
| Australian dollar | 76.95  | 75.24  | 74.91  | 74.11  | 70.74  |

Quarterly earnings releases are not subject to review by a certified public accountant nor an independent auditor.

**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. Please note that significant differences between the forecasts and other forward-looking statements and actual results may arise due to various factors, including changes in economic conditions, changes in individual users' preferences and enterprise clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other factors. Accordingly, readers are cautioned against placing undue reliance on any such forward-looking statements. The Company has no obligation to update or revise any information contained in this document based on any subsequent developments except as required by applicable law or stock exchange rules and regulations.

**Note Regarding Reference Translation**

This document has been translated from the Japanese language original for reference purposes only and may not be used or disclosed for any other purpose without the Company's prior written consent. In the event of any conflict or discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail in all respects. The Company makes no representations regarding the accuracy or completeness of this translation and assumes no responsibility for any losses or damages arising from the use of this translation.

**Third-Party Information**

This document includes information derived from or based on third-party sources, including information about the markets in which the Company operates. These statements are based on statistics and other information from third-party sources as cited herein, and the Company has not independently verified and cannot assure the accuracy or completeness of any information derived from or based on third-party sources.

**A full set of materials regarding Q1 FY2020 results announcement is posted on <https://recruit-holdings.com/ir/library/report/>**

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## 1. Management's Discussion and Analysis

### Consolidated Results of Operations

Recruit Holdings' consolidated revenue for Q1 FY2020 was 475.4 billion yen, a decrease of 20.0% from the same period of the previous year. The global spread of COVID-19 and measures to help prevent the spread had a broad impact on business performance, and revenues decreased year on year in all three segments. Excluding the negative impact of foreign exchange rate movements of 7.8 billion yen during the quarter, consolidated revenue decreased 18.7% year on year.

Consolidated operating income for Q1 FY2020 was 26.6 billion yen, a decrease of 62.6% year on year. The Company focused on reducing selling, general and administrative expenses centered on advertising expenses. However, decreased revenue and 9.8 billion yen of other operating expenses resulted in significantly decreased operating income. Other operating expenses include additional non-recurring expenses arising from COVID-19 related measures and a loss on the sale of a subsidiary.

Profit before tax for Q1 FY2020 was 28.5 billion yen, a decrease of 65.3% year on year. Profit for the period for Q1 FY2020 was 22.4 billion yen, a decrease of 62.3% year on year. Profit attributable to owners of the parent for Q1 FY2020 was 22.3 billion yen, a decrease of 62.4% year on year.

Consolidated adjusted EBITDA for Q1 FY2020 was 53.4 billion yen, a decrease of 38.8% year on year, and adjusted EBITDA margin for Q1 FY2020 was 11.2%. The Company managed its operating expenses strategically and reduced selling, general and administrative expenses by 44.0 billion yen. The year on year decrease in these expenses was driven mainly by reduced advertising expenses and promotion expenses, as well as lower sales commissions which are directly correlated to revenue. Please refer to page 20 for further details regarding the breakdown of selling, general and administrative expenses.

Adjusted EPS for Q1 FY2020 was 17.49 yen, a decrease of 47.5% year on year. Quarterly profit available for dividends was 25.7 billion yen, a decrease of 52.0% year on year.

Research and development expenses in Q1 FY2020 were 16.9 billion yen.

| (In billions of yen, unless otherwise stated) | Three Months<br>Ended June 30, |           | % change |
|---|--------------------------------|-----------|----------|
|   | 2019                           | 2020      |          |
| <b>Consolidated operating results</b>         |                                |           |          |
| Revenue                                       | 594.4                          | 475.4     | -20.0%   |
| Operating income                              | 71.2                           | 26.6      | -62.6%   |
| Profit before tax                             | 82.3                           | 28.5      | -65.3%   |
| Profit for the period                         | 59.6                           | 22.4      | -62.3%   |
| Profit attributable to owners of the parent   | 59.3                           | 22.3      | -62.4%   |
| <b>Management Key Performance Indicators</b>  |                                |           |          |
| Adjusted EBITDA                               | 87.3                           | 53.4      | -38.8%   |
| Adjusted EBITDA margin                        | 14.7%                          | 11.2%     | -        |
| Adjusted EPS                                  | 33.29 yen                      | 17.49 yen | -47.5%   |

### Results of Operations by Segment

#### HR Technology

Revenue for Q1 FY2020 was 74.1 billion yen, a decrease of 27.5% year on year. On a US dollar basis, reported revenue declined 25.8%<sup>1</sup> for Q1 FY2020, primarily driven by a decrease in sponsored job advertising. Quarterly revenue year on year was also negatively impacted by reduced demand for candidate sourcing and screening solutions and employer branding products<sup>2</sup>.

Restrictions and social distancing measures put in place to limit the spread of COVID-19 forced many businesses around the world, especially SMEs, to pause operations, and caused large enterprises to turn cautious on hiring due to the economic uncertainty. This resulted in a significant reduction in sponsored jobs on Indeed and Glassdoor. At the same time, job seekers adjusted their search behavior in response to both health concerns and broad economic uncertainty, resulting in a significant decline in job seeker traffic.

However, during the latter half of Q1, HR Technology saw a partial recovery of employer and job seeker activity, particularly in the US, as restrictions were lifted and businesses resumed activities resulting in improving revenue trends in May and June.

Adjusted EBITDA for Q1 FY2020 declined by 59.4% year on year to 7.8 billion yen, primarily driven by the decline in revenue. Adjusted EBITDA margin was 10.6% for Q1 FY2020, a decrease from 18.9% for Q1 FY2019. In reaction to the significant decline in revenue and the mid- to long-term economic uncertainty, HR Technology continued its reduction of investments in sales and marketing and its hiring pause which were implemented in March.

Despite the challenging business environment, HR Technology continued to invest in innovative and differentiated product enhancements, including those aimed at employers with high volume hiring needs and others tailored to a new virtual work environment which serve enterprise clients' and individual users' present needs and the future demands of the market.

| (In billions of yen, unless otherwise stated) | Three Months Ended June 30, |       | % change |
|---|-----------------------------|-------|----------|
|   | 2019                        | 2020  |          |
| Revenue                                       | 102.1                       | 74.1  | -27.5%   |
| Adjusted EBITDA                               | 19.3                        | 7.8   | -59.4%   |
| Adjusted EBITDA margin                        | 18.9%                       | 10.6% | -        |
| Revenue in million US dollars <sup>1</sup>    | \$928                       | \$689 | -25.8%   |

<sup>1</sup> The US dollar based revenue reporting represents the financial results of operating companies in this segment on a US dollar basis, which differ from the consolidated financial results of the Company.

<sup>2</sup> Indeed and Glassdoor product availability varies by country.

### Media & Solutions

Revenue for Q1 FY2020 was 132.9 billion yen, a decrease of 29.1% year on year. The spread of COVID-19 and its preventative measures implemented to control it in Japan negatively affected revenue in both Marketing Solutions and HR Solutions.

Adjusted EBITDA for Q1 FY2020 was 27.3 billion yen, a decrease of 45.4% year on year due to decreased revenue in both operations. Adjusted EBITDA margin was 20.6%. In the past, Media & Solutions has faced a number of rapid changes in the business environment, and based on those experiences, it implemented quick and flexible cost controls, mainly by reducing marketing expenses while focusing on capturing enterprise clients' present and future demand for resuming their advertising and hiring activities.

Overall economic activity slowed following the declaration of the state of emergency and the issuance of shelter-in-place requests in Japan and monthly revenue declined year on year in April, May, and June 2020. However, as economic activity resumed after the state of emergency was lifted at the end of May, the year on year decline of monthly revenue in June improved compared to May, and the number of enterprise clients' advertising and hiring increased in June compared to the lowest point earlier in Q1 FY2020.

| (In billions of yen)         | Three Months Ended June 30, |       | % change |
|------------------------------|-----------------------------|-------|----------|
|                              | 2019                        | 2020  |          |
| Revenue                      |                             |       |          |
| Marketing Solutions          | 105.7                       | 77.1  | -27.1%   |
| HR Solutions                 | 81.1                        | 55.1  | -32.1%   |
| Eliminations and Adjustments | 0.7                         | 0.7   | -6.0%    |
| Total                        | 187.6                       | 132.9 | -29.1%   |
| Adjusted EBITDA              |                             |       |          |
| Marketing Solutions          | 30.8                        | 17.2  | -44.1%   |
| HR Solutions                 | 23.5                        | 14.9  | -36.6%   |
| Eliminations and Adjustments | (4.2)                       | (4.7) | -        |
| Total                        | 50.1                        | 27.3  | -45.4%   |
| Adjusted EBITDA margin       |                             |       |          |
| Marketing Solutions          | 29.1%                       | 22.3% | -        |
| HR Solutions                 | 29.0%                       | 27.1% | -        |
| Media & Solutions            | 26.7%                       | 20.6% | -        |

### Marketing Solutions

Revenue in Marketing Solutions was 77.1 billion yen, a decrease of 27.1% year on year. As the Japanese government requested people to stay indoors due to the spread of COVID-19, economic activity slowed and enterprise clients reduced their advertising budgets, leading to a significant decline in Marketing Solutions revenue, particularly in Bridal, Travel, and Dining.

Revenue in Bridal decreased 46.0% year on year due to a decline in enterprise clients' advertising as the reduced demand for wedding ceremonies affected their businesses. In Travel, both the number of hotel guests booked and the price per night declined due to travel restrictions placed on individuals, resulting in a revenue decrease in Q1 of 65.3% year on year.

In Dining, due to COVID-19 related restrictions, the reduced demand for dining out, limited opening hours, and reduced number of tables affected enterprise clients severely. As a result, advertising declined and revenue in Q1 decreased 81.3% year on year. The number of seats reserved online during Q1 FY2020 was 3.4 million, approximately 15% of the total during the same period in the previous year, demonstrating the severe impact of conditions on dining behavior. In June 2020 the number of seats reserved in *Hot Pepper Gourmet* was approximately 35% of the total during June 2019, indicating an improving trend from the lows of April and May.

At the same time, revenue in Housing and Real Estate and Beauty declined 6.6% and 9.7% year on year, respectively. Enterprise clients' businesses in these subsegments remained resilient during this quarter, as the impact of COVID-19 related restrictions was relatively minor compared to other subsegments. As a result, the decrease in enterprise clients' advertising in these subsegments was limited. For reference, the number of online reservations during Q1 FY2020 on *Hot Pepper Beauty* was 21.97 million, approximately 80% of the total during the same period in the previous year. In June, the number of reservations online in *Hot Pepper Beauty* showed improving trends, recovering to the same level as June of the previous year.

Despite the challenging business environment, the number of accounts for AirPAY, a SaaS solution for accepting cashless payments, continued to grow steadily, as individual users' preference for contactless payments increased in response to COVID-19. The number of paid users for *Study Sapuri*, an online learning platform for students and adults, at the end of Q1 FY2020 was 1.4 million, up 89.0% from the previous year, as the demand for online education increased in response to temporary school closures. Revenues from these two services are included in Others.

Adjusted EBITDA in Marketing Solutions was 17.2 billion yen, a decrease of 44.1% year on year, and its adjusted EBITDA margin was 22.3%. Marketing Solutions managed its operating expenses strategically and flexibly, mainly by reducing marketing expenses.

| (In billions of yen)    | Three Months Ended June 30, |       | % change |
|-------------------------|-----------------------------|-------|----------|
| Marketing Solutions     | 2019                        | 2020  |          |
| Revenue                 |                             |       |          |
| Housing and Real Estate | 26.7                        | 24.9  | -6.6%    |
| Beauty                  | 19.3                        | 17.4  | -9.7%    |
| Bridal                  | 13.2                        | 7.1   | -46.0%   |
| Travel                  | 17.5                        | 6.0   | -65.3%   |
| Dining                  | 9.5                         | 1.7   | -81.3%   |
| Others                  | 19.1                        | 19.5  | 2.1%     |
| Total                   | 105.7                       | 77.1  | -27.1%   |
| Adjusted EBITDA         | 30.8                        | 17.2  | -44.1%   |
| Adjusted EBITDA margin  | 29.1%                       | 22.3% | -        |

## HR Solutions

Revenue in HR Solutions was 55.1 billion yen, a decrease of 32.1% year on year. Due to reduced hiring demand from enterprise clients in response to the spread of COVID-19 and its economic impacts, revenue in Recruiting in Japan decreased significantly.

HR Solutions operates several job boards which focus on particular stages of job seekers' careers with the largest part-time job board experiencing the most significant revenue impact from the spread of COVID-19. This was a result of a concentration of enterprise clients in the hospitality sector, whose demand for hiring sharply decreased in response to the state of emergency and shelter-in-place requests.

As the placement business operates on a pay-per-hire model in which revenue is recognized when a candidate is hired by an enterprise client, revenue from the placement business in Q1 FY2020 benefited from engagements that began in Q4 FY2019, when the adverse impacts of COVID-19 were less severe, and were completed during Q1 FY2020. Although overall hiring demand in the placement market declined in Q1, the Company focused on capturing demand from enterprise clients for highly skilled roles.

Adjusted EBITDA in HR solutions was 14.9 billion yen, a decrease of 36.6% year on year, and adjusted EBITDA margin was 27.1%. In addition to a decrease in sales commissions due to a decline in revenue, HR Solutions effectively reduced operating costs.

| (In billions of yen)   | Three Months Ended June 30, |       | % change |
|------------------------|-----------------------------|-------|----------|
| HR Solutions           | 2019                        | 2020  |          |
| Revenue                |                             |       |          |
| Recruiting in Japan    | 71.9                        | 49.1  | -31.7%   |
| Others                 | 9.1                         | 5.9   | -34.9%   |
| Total                  | 81.1                        | 55.1  | -32.1%   |
| Adjusted EBITDA        | 23.5                        | 14.9  | -36.6%   |
| Adjusted EBITDA margin | 29.0%                       | 27.1% | -        |

## Staffing

Revenue for Q1 FY2020 was 274.2 billion yen, a decrease of 12.3% year on year. Excluding the negative impact of foreign exchange rate movements of 6.1 billion yen, revenue decreased 10.3% year on year.

Revenue in Japan operations was 145.8 billion yen, an increase of 5.9% year on year, mainly due to an additional two business days in the quarter compared to the previous year, and increased billing prices following the implementation of the "equal pay for equal work" regulations beginning April 1, 2020, offset by a decrease in the number of operating hours of the temporary staff due to the suspension of businesses and decreased overtime work caused by the spread of COVID-19.

Revenue in Overseas operations was 128.4 billion yen, a decrease of 26.6% year on year, primarily due to restrictions on enterprise clients' business operations against the backdrop of COVID-19 related government-mandated lockdowns and other restrictions, and the negative impact of foreign exchange rate movements. These conditions, as well as uncertainty about the future, led to a significant decline in demand from enterprise clients for temporary staff. Excluding the negative impact of foreign exchange rate movements of 6.1 billion yen, revenue in Overseas operations decreased 23.0% year on year. Although the operating environment and results differed by country within Overseas operations, the year on year decline in monthly revenue gradually improved throughout the quarter.

Adjusted EBITDA for Q1 FY2020 was 19.8 billion yen, an increase of 0.2% year on year, and adjusted EBITDA margin improved to 7.2%.

Adjusted EBITDA for Japan operations was 17.0 billion yen, an increase of 44.7% year on year, mainly due to increased revenue and ongoing cost control measures, which included COVID-19 related reductions in travel costs, all while continuing to monitor costs in relation to labor market supply and demand. Adjusted EBITDA margin was 11.7% in Q1 FY2020.

Adjusted EBITDA for Overseas operations was 2.8 billion yen, a decrease of 64.8% year on year, and adjusted EBITDA margin decreased to 2.2%. Even in an uncertain global economic environment, Overseas operations maintained a positive adjusted EBITDA margin by taking prompt and appropriate actions in response to labor market trends and government programs in each overseas market, and by strengthening ongoing cost control initiatives.

| (In billions of yen)   | Three Months Ended June 30, |       | % change |
|------------------------|-----------------------------|-------|----------|
|                        | 2019                        | 2020  |          |
| Revenue                |                             |       |          |
| Japan                  | 137.7                       | 145.8 | 5.9%     |
| Overseas               | 174.8                       | 128.4 | -26.6%   |
| Total                  | 312.5                       | 274.2 | -12.3%   |
| Adjusted EBITDA        |                             |       |          |
| Japan                  | 11.7                        | 17.0  | 44.7%    |
| Overseas               | 8.0                         | 2.8   | -64.8%   |
| Total                  | 19.8                        | 19.8  | 0.2%     |
| Adjusted EBITDA margin |                             |       |          |
| Japan                  | 8.5%                        | 11.7% | -        |
| Overseas               | 4.6%                        | 2.2%  | -        |
| Staffing               | 6.3%                        | 7.2%  | -        |

## Management Actions for Q1 FY2020

### The Company's Response to the Spread of COVID-19

Amidst the spread of COVID-19, the Company has continued to prioritize the health and safety of its employees, their families, and their communities. The Company has also focused on supporting individual users, enterprise clients, and business partners, and operates its businesses while implementing measures to help prevent the spread of COVID-19. In addition, each SBU has leveraged new and existing tools to continue to support all of their stakeholders facing new and unique challenges during this period. Please find more information regarding the Company's response to COVID-19 on the website below:

<https://recruit-holdings.com/newsroom/covid19.html>

### Consignment Agreement of Administrative Work for Rent Assistance Program by The Small and Medium Enterprise Agency in Japan

Recruit Co, Ltd., a consolidated subsidiary of the Company and the headquarters of the Media & Solutions SBU, announced on June 22, 2020, that it had signed a consignment agreement with The Small and Medium Enterprise Agency of the Ministry of Economy, Trade and Industry (the "Agency") to support the implementation of the Rent Assistance Program for SMEs and individual business owners, one of the efforts to support the economy introduced by the Japanese government. The agreement established a consortium, which is made up of six companies including Recruit Co, Ltd., that supports the Agency in order to implement the program effectively and efficiently. The application process for the program started on July 14, 2020.



For related information, please refer to the following release (Japanese only):

"Recruit Co, Ltd. announces Consignment Agreement of Administrative Work for Rent Assistance Program by The Small and Medium Enterprise Agency in Japan" released on June 22, 2020

[https://www.recruit.co.jp/newsroom/notification/2020/0622\\_18734.html](https://www.recruit.co.jp/newsroom/notification/2020/0622_18734.html)

### Analysis of Consolidated Financial Position

As of the end of Q1 FY2020, cash and cash equivalents and interest-bearing debt which includes bonds and borrowings, excluding lease liabilities, on a consolidated basis were 445.9 billion yen and 136.0 billion yen, respectively. Net cash, the amount calculated by subtracting interest-bearing debt from cash and cash equivalents, was 309.8 billion yen, increased 25.2 billion yen compared to the end of FY2019.

The maximum amount of borrowings under overdraft agreements was 113.0 billion yen as of June 30, 2020, and the entire amount remained unused. In addition, committed credit facilities with a total maximum borrowing amount of 399.9 billion yen, for which the Company entered into an agreement on April 30, 2020, remained unused as of June 30, 2020.

Also, the Company has registered a maximum 200.0 billion yen worth of corporate bonds for potential issuances, the full amount of which is unissued as of June 30, 2020.

| (In billions of yen)                              | As of March 31, 2020 | As of June 30, 2020 | Variance |
|---|----------------------|---------------------|----------|
| <b>Assets</b>                                     |                      |                     |          |
| Total current assets                              | 829.9                | 788.0               | (41.9)   |
| Total non-current assets                          | 1,168.9              | 1,172.8             | 3.9      |
| Total assets                                      | 1,998.9              | 1,960.9             | (37.9)   |
| <b>Liabilities</b>                                |                      |                     |          |
| Total current liabilities                         | 511.7                | 473.2               | (38.4)   |
| Total non-current liabilities                     | 491.4                | 487.7               | (3.7)    |
| Total liabilities                                 | 1,003.1              | 960.9               | (42.1)   |
| <b>Equity</b>                                     |                      |                     |          |
| Total equity attributable to owners of the parent | 988.4                | 992.4               | 3.9      |
| Non-controlling interests                         | 7.2                  | 7.5                 | 0.2      |
| Total equity                                      | 995.7                | 999.9               | 4.2      |

### Analysis of Consolidated Cash Flows

Cash and cash equivalents as of June 30, 2020 were 445.9 billion yen, an increase of 24.6 billion yen from the end of FY2019, since cash inflows from operating activities exceeded cash outflows of investing and financing activities.

Net cash provided by operating activities were 86.8 billion yen, an increase of 32.8 billion yen year on year. This was primarily due to collection of trade and other receivables which were recognized by the end of the previous year.

Net cash used in investing activities were 25.0 billion yen, a decrease of 0.9 billion yen year on year. This was primarily attributable to payments for purchase of intangible assets such as software.

Net cash used in financing activities were 35.6 billion yen, a decrease of 4.2 billion yen year on year. This was primarily attributable to the payment of dividends.

| (In billions of yen)   | Three Months Ended June 30, |        | Variance |
|--|-----------------------------|--------|----------|
|  | 2019                        | 2020   |          |
| Net cash flows from operating activities                     | 53.9                        | 86.8   | 32.8     |
| Net cash flows from investing activities                     | (24.1)                      | (25.0) | (0.9)    |
| Net cash flows from financing activities                     | (31.4)                      | (35.6) | (4.2)    |
| Effect of exchange rate changes on cash and cash equivalents | (6.4)                       | (1.3)  | 5.0      |
| Net increase (decrease) in cash and cash equivalents         | (8.1)                       | 24.6   | 32.8     |
| Cash and cash equivalents at the beginning of the period     | 402.9                       | 421.2  | 18.3     |
| Cash and cash equivalents at the end of the period           | 394.7                       | 445.9  | 51.1     |

## 2. Qualitative Information on Consolidated Financial Guidance

Due to the uncertainty and rapidly evolving conditions around the world, the Company is unable at this time to reliably predict the impact that the global spread of COVID-19 will have on its FY2020 financial performance. As a result, the Company is not providing consolidated financial guidance for FY2020 at this time. The Company plans to provide consolidated financial guidance for FY2020 when the Company is able to reasonably estimate the magnitude of the impact of the global spread of COVID-19 on its business.

The Company's consolidated monthly revenue for July exceeded that of June. However, monthly revenue decreased approximately 15% year on year, which was slightly worse than that of June. The global economic outlook remains uncertain, and lockdowns and other restrictions may continue or may be implemented again in many countries. Therefore, the Company expects that the global spread of COVID-19 will continue to have a significant adverse impact on financial performance in Q2 FY2020 and beyond.

### Latest Business Operation Update by Segment (Preliminary Results)

#### HR Technology

Monthly revenue for July in HR Technology decreased approximately 7% year on year on a US dollar basis, while exceeding the monthly revenue and year on year growth rate for June. This result represented a continuation of improving revenue trends driven by increases in sponsored jobs and other hiring activities. In addition, job seeker activity has rebounded in July with monthly unique visitor traffic on Indeed reaching pre-COVID-19 levels. However, HR Technology remains cautious regarding the pace and trajectory of continued improvement due to ongoing widespread health and related economic risks and how those conditions may affect enterprise client and job seeker activity.

#### Media & Solutions

Monthly revenue for July in Media & Solutions decreased approximately 26% year on year, while exceeding the monthly revenue and year on year growth rate for June. Housing and Real Estate and Beauty started to show signs of revenue recovery during Q1, while the outlook for Bridal, Travel and Dining remains cautious. In addition in HR Solutions, the adverse impact on placement services due to the spread of COVID-19 in Q1 FY2020 is likely to affect the financial performance of this business in Q2 FY2020 and beyond. As a result of these conditions, the outlook for Media & Solutions remains uncertain.

#### Staffing

Monthly revenue for July in Staffing exceeded that of June. However, the monthly revenue decreased approximately 10% year on year, which was worse than that of June. In Japan operations, July revenue was lower than that of June, and the revenue growth trend turned negative to a decrease of approximately 3% year on year, mainly due to one less business day compared to July 2019, and uncertain demand from enterprise clients for temporary staff due to the prolonged COVID-19 impact on their businesses. Monthly revenue for July in Overseas operations exceeded that of June. However, the monthly revenue decreased approximately 16% which was worse than that of June. The business environment surrounding enterprise clients remains challenging which has directly impacted demand for temporary staff, preventing a steady revenue recovery in Overseas operations. As a result, the outlook of Staffing still remains uncertain.

On April 30, 2020, the Company entered into a committed credit facility agreement of 399.9 billion yen with a syndicate of financial institutions, and as of August 26, 2020, the facility remains unused.

Consolidated monthly revenue reporting represents the unaudited financial results of operating companies as reported on a monthly basis (before applying intercompany eliminations or adjustments) and monthly revenue reporting for segments represents the unaudited financial results of operating companies as reported on a monthly basis (excluding the impact of foreign exchange rate movements and before applying intercompany eliminations or adjustments). These figures may differ in certain material respects from the consolidated financial results of the Company reported under IFRS. Accordingly, monthly revenue figures are not comparable to consolidated revenue reported by the Company and should not be regarded as a substitute for the consolidated financial results of the Company.

### 3. Condensed Quarterly Consolidated Financial Statements and Primary Notes

#### Condensed Quarterly Consolidated Statements of Financial Position

|  | (In millions of yen) |                     |
|--|----------------------|---------------------|
|  | As of March 31, 2020 | As of June 30, 2020 |
| <b>Assets</b>                                |                      |                     |
| Current assets                               |                      |                     |
| Cash and cash equivalents                    | 421,253              | 445,900             |
| Trade and other receivables                  | 327,614              | 268,084             |
| Other financial assets                       | 40,119               | 35,121              |
| Other assets                                 | 40,991               | 38,965              |
| Total current assets                         | 829,979              | 788,071             |
| Non-current assets                           |                      |                     |
| Property and equipment                       | 92,200               | 92,172              |
| Right-of-use assets                          | 258,230              | 249,577             |
| Goodwill                                     | 383,163              | 383,200             |
| Intangible assets                            | 216,388              | 212,456             |
| Investments in associates and joint ventures | 64,614               | 64,428              |
| Other financial assets                       | 120,656              | 134,458             |
| Deferred tax assets                          | 27,931               | 30,996              |
| Other assets                                 | 5,752                | 5,584               |
| Total non-current assets                     | 1,168,938            | 1,172,876           |
| Total assets                                 | 1,998,917            | 1,960,948           |

(In millions of yen)

|   | As of March 31, 2020 | As of June 30, 2020 |
|---|----------------------|---------------------|
| <b>Liabilities and equity</b>                     |                      |                     |
| <b>Liabilities</b>                                |                      |                     |
| Current liabilities                               |                      |                     |
| Trade and other payables                          | 219,021              | 179,148             |
| Bonds and borrowings                              | 24,551               | 24,294              |
| Lease liabilities                                 | 31,459               | 31,844              |
| Other financial liabilities                       | 816                  | 1,228               |
| Income tax payables                               | 16,850               | 17,757              |
| Provisions  | 5,810                | 5,079               |
| Other liabilities                                 | 213,223              | 213,928             |
| Total current liabilities                         | 511,733              | 473,281             |
| Non-current liabilities                           |                      |                     |
| Bonds and borrowings                              | 112,148              | 111,786             |
| Lease liabilities                                 | 240,254              | 231,087             |
| Other financial liabilities                       | 2,043                | 2,130               |
| Provisions  | 9,489                | 9,709               |
| Net liability for retirement benefits             | 53,459               | 53,447              |
| Deferred tax liabilities                          | 52,912               | 53,842              |
| Other liabilities                                 | 21,132               | 25,707              |
| Total non-current liabilities                     | 491,440              | 487,710             |
| <b>Total liabilities</b>                          | <b>1,003,174</b>     | <b>960,991</b>      |
| <b>Equity</b>                                     |                      |                     |
| Equity attributable to owners of the parent       |                      |                     |
| Common stock                                      | 40,000               | 40,000              |
| Share premium                                     | 18,904               | 18,255              |
| Retained earnings                                 | 1,067,492            | 1,070,296           |
| Treasury stock                                    | (113,244)            | (113,132)           |
| Other components of equity                        | (24,702)             | (22,977)            |
| Total equity attributable to owners of the parent | 988,449              | 992,440             |
| Non-controlling interests                         | 7,293                | 7,515               |
| <b>Total equity</b>                               | <b>995,743</b>       | <b>999,956</b>      |
| <b>Total liabilities and equity</b>               | <b>1,998,917</b>     | <b>1,960,948</b>    |

# Condensed Quarterly Consolidated Statements of Profit or Loss

|  | (In millions of yen)                |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three Months Ended<br>June 30, 2019 | Three Months Ended<br>June 30, 2020 |
| Revenue  | 594,409                             | 475,488                             |
| Cost of sales  | 277,377                             | 237,988                             |
| Gross profit   | 317,032                             | 237,499                             |
| Selling, general and administrative expenses                 | 247,872                             | 203,823                             |
| Other operating income                                       | 3,761                               | 2,861                               |
| Other operating expenses                                     | 1,687                               | 9,865                               |
| Operating income   | 71,233                              | 26,671                              |
| Share of profit (loss) of associates and joint ventures      | (2,438)                             | 1,314                               |
| Gain (loss) on change in ownership interests in an associate | 12,053                              | 53                                  |
| Finance income   | 2,267                               | 1,455                               |
| Finance costs  | 779                                 | 946                                 |
| Profit before tax  | 82,336                              | 28,547                              |
| Income tax expense   | 22,726                              | 6,090                               |
| Profit for the period  | 59,610                              | 22,457                              |
| Profit attributable to:                                      |                                     |                                     |
| Owners of the parent   | 59,311                              | 22,323                              |
| Non-controlling interests                                    | 298                                 | 133                                 |
| Profit for the period  | 59,610                              | 22,457                              |
| Earnings per share attributable to owners of the parent      |                                     |                                     |
| Basic earnings per share (yen)                               | 35.50                               | 13.54                               |
| Diluted earnings per share (yen)                             | 35.43                               | 13.52                               |

# Condensed Quarterly Consolidated Statements of Comprehensive Income

|  | (In millions of yen)                |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three Months Ended<br>June 30, 2019 | Three Months Ended<br>June 30, 2020 |
| Profit for the period  | 59,610                              | 22,457                              |
| Other comprehensive income   |                                     |                                     |
| Items that will not be reclassified to profit or loss:                                   |                                     |                                     |
| Net change in financial assets measured at fair value through other comprehensive income | (4,184)                             | 5,276                               |
| Remeasurements of defined retirement benefit plans                                       | —                                   | —                                   |
| Share of other comprehensive income of associates and joint ventures                     | 30                                  | (32)                                |
| Subtotal   | (4,154)                             | 5,244                               |
| Items that may be reclassified subsequently to profit or loss:                           |                                     |                                     |
| Exchange differences on translation of foreign operations                                | (19,115)                            | 1,231                               |
| Effective portion of changes in fair value of cash flow hedges                           | 202                                 | 323                                 |
| Subtotal   | (18,913)                            | 1,554                               |
| Other comprehensive income (loss) for the period, net of tax                             | (23,067)                            | 6,798                               |
| Comprehensive income for the period  | 36,542                              | 29,256                              |
| Comprehensive income attributable to:  |                                     |                                     |
| Owners of the parent   | 36,335                              | 29,149                              |
| Non-controlling interests  | 207                                 | 106                                 |
| Total comprehensive income   | 36,542                              | 29,256                              |

# Condensed Quarterly Consolidated Statements of Changes in Equity

For the Three Months Ended June 30, 2019

(In millions of yen)

|   | Equity attributable to owners of the parent |               |                   |                |                            |   |  |
|---|---|---------------|-------------------|----------------|----------------------------|---|--|
|   | Common stock                                | Share premium | Retained earnings | Treasury stock | Other components of equity |   |  |
|   |   |               |                   |                | Share-based payments       | Exchange differences on translation of foreign operations | Effective portion of changes in fair value of cash flow hedges |
| Balance at April 1, 2019                                      | 10,000                                      | 49,136        | 942,449           | (32,378)       | 4,132                      | (8,198)   | 635  |
| Profit for the period   |   |               | 59,311            |                |                            |   |  |
| Other comprehensive income                                    |   |               |                   |                |                            | (19,024)  | 202  |
| Comprehensive income for the period                           | -   | -             | 59,311            | -              | -                          | (19,024)  | 202  |
| Transfer from share premium to common stock                   | 30,000                                      | (30,000)      |                   |                |                            |   |  |
| Transfer from other components of equity to retained earnings |   |               | (4,154)           |                |                            |   |  |
| Disposal of treasury stock                                    |   | (2)           |                   | 19             | (16)                       |   |  |
| Dividends   |   |               | (24,226)          |                |                            |   |  |
| Share-based payments  |   |               |                   |                | 492                        |   |  |
| Other   |   | (0)           | (96)              |                |                            |   |  |
| Transactions with owners - total                              | 30,000                                      | (30,003)      | (28,477)          | 19             | 476                        | -   | -  |
| Balance at June 30, 2019                                      | 40,000                                      | 19,132        | 973,283           | (32,359)       | 4,609                      | (27,222)  | 837  |

|   | Equity attributable to owners of the parent  |  |          |          | Non-controlling interests | Total equity |
|---|--|--|----------|----------|---------------------------|--------------|
|   | Other components of equity   |  |          | Total    |                           |              |
|   | Net change in financial assets measured at fair value through other comprehensive income | Remeasurements of defined retirement benefit plans | Total    |          |                           |              |
| Balance at April 1, 2019                                      | -  | -  | (3,431)  | 965,775  | 6,475                     | 972,251      |
| Profit for the period   |  |  | -        | 59,311   | 298                       | 59,610       |
| Other comprehensive income                                    | (4,154)  |  | (22,976) | (22,976) | (91)                      | (23,067)     |
| Comprehensive income for the period                           | (4,154)  | -  | (22,976) | 36,335   | 207                       | 36,542       |
| Transfer from share premium to common stock                   |  |  | -        | -        |                           | -            |
| Transfer from other components of equity to retained earnings | 4,154  |  | 4,154    | -        |                           | -            |
| Disposal of treasury stock                                    |  |  | (16)     | 0        |                           | 0            |
| Dividends   |  |  | -        | (24,226) |                           | (24,226)     |
| Share-based payments  |  |  | 492      | 492      |                           | 492          |
| Other   |  |  | -        | (97)     | (1)                       | (98)         |
| Transactions with owners - total                              | 4,154  | -  | 4,630    | (23,830) | (1)                       | (23,832)     |
| Balance at June 30, 2019                                      | -  | -  | (21,776) | 978,280  | 6,681                     | 984,961      |

For the Three Months Ended June 30, 2020

(In millions of yen)

|   | Equity attributable to owners of the parent |               |                   |                |                            |   |  |
|---|---|---------------|-------------------|----------------|----------------------------|---|--|
|   | Common stock                                | Share premium | Retained earnings | Treasury stock | Other components of equity |   |  |
|   |   |               |                   |                | Share-based payments       | Exchange differences on translation of foreign operations | Effective portion of changes in fair value of cash flow hedges |
| Balance at April 1, 2020                                      | 40,000                                      | 18,904        | 1,067,492         | (113,244)      | 5,584                      | (30,557)  | 271  |
| Profit for the period   |   |               | 22,323            |                |                            |   |  |
| Other comprehensive income                                    |   |               |                   |                |                            | 1,258   | 323  |
| Comprehensive income for the period                           | -   | -             | 22,323            | -              | -                          | 1,258   | 323  |
| Transfer from other components of equity to retained earnings |   |               | 5,244             |                |                            |   |  |
| Purchase of treasury stock                                    |   |               |                   | (1,927)        |                            |   |  |
| Disposal of treasury stock                                    |   | (649)         |                   | 2,039          | (302)                      |   |  |
| Dividends   |   |               | (24,725)          |                |                            |   |  |
| Share-based payments  |   |               |                   |                | 444                        |   |  |
| Equity transactions with non-controlling interests            |   |               |                   |                |                            |   |  |
| Other   |   |               | (38)              |                |                            |   |  |
| Transactions with owners - total                              | -   | (649)         | (19,520)          | 112            | 142                        | -   | -  |
| Balance at June 30, 2020                                      | 40,000                                      | 18,255        | 1,070,296         | (113,132)      | 5,726                      | (29,299)  | 594  |

|   | Equity attributable to owners of the parent  |  |          |          | Non-controlling interests | Total equity |
|---|--|--|----------|----------|---------------------------|--------------|
|   | Other components of equity   |  |          | Total    |                           |              |
|   | Net change in financial assets measured at fair value through other comprehensive income | Remeasurements of defined retirement benefit plans | Total    |          |                           |              |
| Balance at April 1, 2020                                      | -  | -  | (24,702) | 988,449  | 7,293                     | 995,743      |
| Profit for the period   |  |  | -        | 22,323   | 133                       | 22,457       |
| Other comprehensive income                                    | 5,244  |  | 6,825    | 6,825    | (27)                      | 6,798        |
| Comprehensive income for the period                           | 5,244  | -  | 6,825    | 29,149   | 106                       | 29,256       |
| Transfer from other components of equity to retained earnings | (5,244)  |  | (5,244)  | -        |                           | -            |
| Purchase of treasury stock                                    |  |  | -        | (1,927)  |                           | (1,927)      |
| Disposal of treasury stock                                    |  |  | (302)    | 1,088    |                           | 1,088        |
| Dividends   |  |  | -        | (24,725) |                           | (24,725)     |
| Share-based payments  |  |  | 444      | 444      |                           | 444          |
| Equity transactions with non-controlling interests            |  |  | -        | -        | 100                       | 100          |
| Other   |  |  | -        | (38)     | 15                        | (23)         |
| Transactions with owners - total                              | (5,244)  | -  | (5,101)  | (25,158) | 115                       | (25,043)     |
| Balance at June 30, 2020                                      | -  | -  | (22,977) | 992,440  | 7,515                     | 999,956      |



# Condensed Quarterly Consolidated Statements of Cash Flows

|  | (In millions of yen)                |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three Months Ended<br>June 30, 2019 | Three Months Ended<br>June 30, 2020 |
| Cash flows from operating activities                         |                                     |                                     |
| Profit before tax  | 82,336                              | 28,547                              |
| Depreciation and amortization                                | 26,641                              | 29,509                              |
| (Gain) loss on change in ownership interests in associates   | (12,053)                            | (53)                                |
| (Increase) decrease in trade and other receivables           | 18,463                              | 61,156                              |
| Increase (decrease) in trade and other payables              | (19,542)                            | (40,545)                            |
| Other  | (3,681)                             | 15,698                              |
| Subtotal   | 92,163                              | 94,314                              |
| Interest and dividends received                              | 2,240                               | 983                                 |
| Interest paid  | (733)                               | (861)                               |
| Income taxes paid  | (39,685)                            | (7,594)                             |
| Net cash provided by operating activities                    | 53,984                              | 86,841                              |
| Cash flows from investing activities                         |                                     |                                     |
| Payment for purchase of property and equipment               | (8,200)                             | (5,324)                             |
| Payment for purchase of intangible assets                    | (12,876)                            | (11,359)                            |
| Other  | (3,085)                             | (8,415)                             |
| Net cash used in investing activities                        | (24,162)                            | (25,099)                            |
| Cash flows from financing activities                         |                                     |                                     |
| Repayments of lease liabilities                              | (7,633)                             | (9,807)                             |
| Payment for purchase of treasury stock                       | -                                   | (1,927)                             |
| Dividends paid   | (23,989)                            | (24,483)                            |
| Other  | 128                                 | 522                                 |
| Net cash used in financing activities                        | (31,494)                            | (35,696)                            |
| Effect of exchange rate changes on cash and cash equivalents | (6,487)                             | (1,398)                             |
| Net increase (decrease) in cash and cash equivalents         | (8,158)                             | 24,647                              |
| Cash and cash equivalents at the beginning of the period     | 402,911                             | 421,253                             |
| Cash and cash equivalents at the end of the period           | 394,752                             | 445,900                             |

**Going Concern Assumption**

Not applicable.

**Notes to Condensed Quarterly Consolidated Financial Statements****1. Operating Segments****(1) Overview of Reportable Segments**

The Company's operating segments are those components of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance. The Company has three operating segments by type of business, namely, HR Technology, Media & Solutions, and Staffing, which are also the reportable segments.

HR Technology consists of the operations of Indeed, Glassdoor and the other related businesses. Media & Solutions consists of two business operations, namely, Marketing Solutions and HR Solutions. Staffing consists of two business operations, which are Japan operations and Overseas operations.

**(2) Information on Reportable Segments**

Segment profit (loss) is adjusted EBITDA (operating income + depreciation and amortization (excluding depreciation of right-of-use assets)  $\pm$  other operating income/expenses).

Eliminations and Adjustments related to segment profit (loss) include corporate expenses not allocated to any reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not allocable to the segments. Intersegment revenue or transfers are calculated based on a price used in similar transactions with third parties. Segment assets are not stated as they are not reported to management.

For the Three Months Ended June 30, 2019

(In millions of yen)

|  | Reportable Segment |                   |          |         | Eliminations and Adjustments | Consolidated |
|--|--------------------|-------------------|----------|---------|------------------------------|--------------|
|  | HR Technology      | Media & Solutions | Staffing | Total   |                              |              |
| Revenue  |                    |                   |          |         |                              |              |
| Revenue from third party customers                         | 99,876             | 186,008           | 308,524  | 594,409 | -                            | 594,409      |
| Intersegment revenue or transfers                          | 2,316              | 1,685             | 4,040    | 8,042   | (8,042)                      | -            |
| Total  | 102,192            | 187,693           | 312,564  | 602,451 | (8,042)                      | 594,409      |
| Segment profit (loss)                                      | 19,340             | 50,145            | 19,823   | 89,309  | (1,944)                      | 87,364       |
| Depreciation and amortization (Note)                       |                    |                   |          |         |                              | 18,205       |
| Other operating income                                     |                    |                   |          |         |                              | 3,761        |
| Other operating expenses                                   |                    |                   |          |         |                              | 1,687        |
| Operating income   |                    |                   |          |         |                              | 71,233       |
| Share of profit (loss) of associates and joint ventures    |                    |                   |          |         |                              | (2,438)      |
| Gain (loss) on change in ownership interests in associates |                    |                   |          |         |                              | 12,053       |
| Finance income   |                    |                   |          |         |                              | 2,267        |
| Finance costs  |                    |                   |          |         |                              | 779          |
| Profit before tax  |                    |                   |          |         |                              | 82,336       |

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

For the Three Months Ended June 30, 2020

(In millions of yen)

|  | Reportable Segment |                   |          |         | Eliminations and Adjustments | Consolidated |
|--|--------------------|-------------------|----------|---------|------------------------------|--------------|
|  | HR Technology      | Media & Solutions | Staffing | Total   |                              |              |
| Revenue  |                    |                   |          |         |                              |              |
| Revenue from third party customers                         | 73,199             | 131,831           | 270,456  | 475,488 | —                            | 475,488      |
| Intersegment revenue or transfers                          | 905                | 1,156             | 3,776    | 5,838   | (5,838)                      | -            |
| Total  | 74,105             | 132,988           | 274,233  | 481,326 | (5,838)                      | 475,488      |
| Segment profit (loss)                                      | 7,856              | 27,368            | 19,867   | 55,092  | (1,661)                      | 53,431       |
| Depreciation and amortization (Note)                       |                    |                   |          |         |                              | 19,755       |
| Other operating income                                     |                    |                   |          |         |                              | 2,861        |
| Other operating expenses                                   |                    |                   |          |         |                              | 9,865        |
| Operating income   |                    |                   |          |         |                              | 26,671       |
| Share of profit (loss) of associates and joint ventures    |                    |                   |          |         |                              | 1,314        |
| Gain (loss) on change in ownership interests in associates |                    |                   |          |         |                              | 53           |
| Finance income   |                    |                   |          |         |                              | 1,455        |
| Finance costs  |                    |                   |          |         |                              | 946          |
| Profit before tax  |                    |                   |          |         |                              | 28,547       |

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

## 2. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(In millions of yen)

|                               | Three Months Ended<br>June 30, 2019 | Three Months Ended<br>June 30, 2020 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Sales commission              | 10,403                              | 5,658                               |
| Promotion expenses            | 11,092                              | 3,967                               |
| Advertising expenses          | 34,929                              | 16,105                              |
| Employee benefit expenses     | 110,720                             | 102,723                             |
| Service outsourcing expenses  | 23,818                              | 22,417                              |
| Rent expenses                 | 4,547                               | 5,345                               |
| Depreciation and amortization | 26,276                              | 28,458                              |
| Other                         | 26,084                              | 19,148                              |
| Total                         | 247,872                             | 203,823                             |