Financial Results for Q3 FY2017

Recruit Holdings Co., Ltd.

Keiichi Sagawa
CFO and Senior Managing Corporate Executive Officer

February 14, 2018

Disclaimer

In preparing these materials, Recruit Holdings Co., Ltd. relies upon and assumes the accuracy and completeness of all available information. However, we make no representations or warranties of any kind, express or implied, about the completeness and accuracy. This presentation also contains forward-looking statements. Actual results, performance and achievements are subject to various risks and uncertainties. Accordingly, actual results may differ significantly from those expressed or implied by forward-looking statements. Readers are cautioned against placing undue reliance on forward-looking statements.

Third parties are not permitted to use and/or disclose this document and the contents herein for any other purpose without the prior written consent of Recruit Holdings Co., Ltd.

Highlights of the Nine Months Ended December 31, 2017

- Y on Y growth: Revenue +13.6% , EBITDA +13.8%, Adjusted EPS +9.6 %
- Revenue & EBITDA grew in all three segments, HR Technology, Media & Solutions, and Staffing
- Strong revenue growth continued in HR technology with +60.6% increase in US Doller terms*1

Full-year forecasts for FY2017 were revised upward, reflecting the results and Q4 outlook

- Y on Y growth: Revenue +11.5% , EBITDA +11.1%, Adjusted EPS +6.5 %
  Profit attributable to owners of the parent +9.0%

*1: This is the local financial results of Indeed, which differ from the figures of reported Recruit Holdings Co., Ltd. consolidated results under IFRS due to differences in consolidation methodologies.

Consolidated Financial Results
the Nine Months Ended December 31, 2017

(JPY Bn)	FY2016	FY2017	
	Nine Months (Apr. – Dec.)	Nine Months (Apr. – Dec.)	YoY Change
Revenue	1,422.9	1,616.8	+13.6%
EBITDA	189.5	215.6	+13.8%
EBITDA margin	13.3%	13.3%	+0.0pt
Operating Income	167.9	166.6	−0.8%
Adjusted Operating Income(1)	145.9	165.4	+13.3%
Profit attributable to owners of the parent	119.0	128.6	+8.1%
Adjusted profit	111.9	122.7	+9.6%
Adjusted EPS (Yen)	67.02(2)	73.48	+9.6%

(1): Excluding proceeds and losses from transfer of subsidiary (2): Applying 3-for-1 stock split which was implemented on July 1, 2017

Consolidated Financial Results
Q3 FY2017

(JPY Bn)	FY2016	FY2017	
	Q3 (Oct. - Dec.)	Q3 (Oct. - Dec.)	YoY Change
Revenue	498.2	553.8	+11.2%
EBITDA	67.7	76.4	+12.7%
EBITDA Margin	13.6%	13.8%	+0.2pt
Operating Income	50.4	58.2	+15.5%
Profit attributable to owners of the parent	35.0	46.5	+32.9%
Adjusted profit	39.3	42.0	+7.0%
Adjusted EPS (Yen)	23.55(1)	25.18	+6.9%

(1): Applying 3-for-1 stock split which was implemented on July 1, 2017

Results by Segment

(JPY Bn)

Revenues

	FY2016	FY2017			
Revenues	Q3 (Oct. – Dec.)	Q3 (Oct. – Dec.)	YoY Change	Nine Months (Apr. – Dec.)	YoY Change
Consolidated Results	498.2	553.8	+11.2%	1,616.8	+13.6%
HR Technology	34.3	57.4	+67.3%	156.6	+67.7%
Media & Solutions	159.7	166.7	+4.4%	498.7	+3.4%
Staffing	308.6	336.2	+8.9%	978.9	+13.6%
Corporate Expenses/ Elimination	-4.5	-6.6	–	-17.3	–

EBITDA

Consolidated Results	67.7	76.4	+12.7%	215.6	+13.8%
HR Technology	4.6	7.0	+51.3%	23.2	+80.1%
Media & Solutions	45.6	46.1	+1.2%	128.3	+1.0%
Staffing	17.7	22.1	+25.0%	62.8	+25.2%
Corporate Expenses/ Elimination	-0.2	1.0	–	1.1	–

HR Technology

(JPY Bn, USD MM)

Revenue	FY2016 Q3 (Oct. - Dec.)	Y2017 Q3 (Oct. - Dec.)	YoY Change	Nine Months (Apr. - Dec.)	YoY Change
HR Technology	34.3	57.4	+67.3%	156.6	+67.7%
Ref- Revenue in US Doller	312	509	+62.9%	1,403	+60.6%

EBITDA	FY2016 Q3 (Oct. - Dec.)	Y2017 Q3 (Oct. - Dec.)	YoY Change	Nine Months (Apr. - Dec.)	YoY Change
HR Technology	4.6	7.0	+51.3%	23.2	+80.1%

Media & Solutions

(JPY Bn)

Revenue	FY2016 Q3 (Oct. – Dec.)	FY2017 Q3 (Oct. – Dec.)	FY2017 YoY Change	FY2017 Nine Months (Apr. – Dec.)	FY2017 YoY Change
Media & Solutions	159.7	166.7	+4.4%	498.7	+3.4%
Marketing Solutions	89.9	93.4	+3.9%	282.0	+3.5%
Housing and Real Estate	24.4	23.5	-3.6%	73.3	-0.9%
Bridal	14.2	14.4	+1.7%	42.2	+1.8%
Travel	13.3	14.0	+5.3%	44.6	+0.6%
Dining	10.0	9.9	-1.3%	27.6	-1.1%
Beauty	14.2	16.2	+14.0%	47.0	+11.6%
Others	13.6	15.1	+11.3%	47.0	+10.8%
HR Solutions	67.8	71.3	+5.1%	211.3	+3.8%
Domestic Recruiting	62.3	65.1	+4.6%	193.7	+3.4%
Others	5.5	6.1	+11.1%	17.6	+8.6%
Corporate Expenses/ Eliminations	1.8	1.9	+4.1%	5.2	-13.8%

EBITDA	FY2016 Q3 (Oct. – Dec.)	FY2017 Q3 (Oct. – Dec.)	FY2017 YoY Change	FY2017 Nine Months (Apr. – Dec.)	FY2017 YoY Change
Media & Solutions	45.6	46.1	+1.2%	128.3	+1.0%
Marketing Solutions	26.9	29.7	+10.4%	79.7	+4.6%
HR Solutions	20.6	19.8	-3.8%	58.0	+5.1%
Corporate Expenses/ Eliminations	-1.9	-3.3	-	-9.4	-

Staffing

(JPY Bn)	FY2016	FY2017			
Revenue	Q3 (Oct. – Dec.)	Q3 (Oct. – Dec.)	YoY Change	Nine Months (Apr. – Dec.)	YoY Change
Staffing	308.6	336.2	+8.9%	978.9	+13.6%
Domestic Staffing	116.7	130.6	+11.9%	380.3	+11.6%
Overseas Staffing	191.9	205.6	+7.1%	598.6	+15.0%

EBITDA					
Staffing	17.7	22.1	+25.0%	62.8	+25.2%
Domestic Staffing	7.5	10.6	+41.0%	31.0	+40.5%
Overseas Staffing	10.1	11.5	+13.2%	31.7	+13.2%

Consolidated Financial Forecasts for FY2017

(JPY Bn)	FY2016	FY2017			
		Full-year Forecast			
	Full-year[1]	(A) Previous 2017/5/12	(B) Revised 2018/2/14	YOY Change[1]	Change (A) vs (B)
Revenue	1,941.9	2,084.0	2,166.0	+11.5%	+3.9%
EBITDA	232.2	251.0	258.0	+11.1%	+2.8%
Operating Income	193.5	185.5	191.5	−1.0%	+3.2%
Adjusted Operating Income[2]	171.3	184.5	190.0	+10.9%	+3.0%
Profit attributable to owners of the parent	136.6	122.0	149.0	+9.0%	+22.1%
Adjusted profit	133.7	137.0	142.5	+6.5%	+4.0%
Adjusted EPS (Yen)	80.06[4]	82.01	85.30	+6.5%	+4.0%
Profit used as basis for dividend calculation	122.1	124.0	129.5	+6.0%	+4.4%
Dividend per share (Yen)	21.67[4]	22.00	22.00	–	–

(1): Those figures are finalized under IFRS since the figures announced at FY2016 full-year results were estimated amounts as of the time.
(2): Excluding proceeds and losses from transfer of subsidiary
(3): Assumed foreign exchange rates for FY2017: JPY110 /USD, JPY129 /EUR, JPY86 /AUD
(4): Applying 3-for-1 stock split which was implemented on July 1, 2017

Appendix

Adjustment items for EBTDA and Adjusted Profit under IFRS

(JPY Bn) EBITDA	FY2017 Q3 (Oct. – Dec.)	FY2017 Nine Months (Apr. – Dec.)
Operating income	58.2	166.6
Other operating income	−3.4	−4.2
Other operating expenses	+5.7	+7.9
Depreciation and amortization	+15.8	+45.3
EBITDA	76.4	215.6

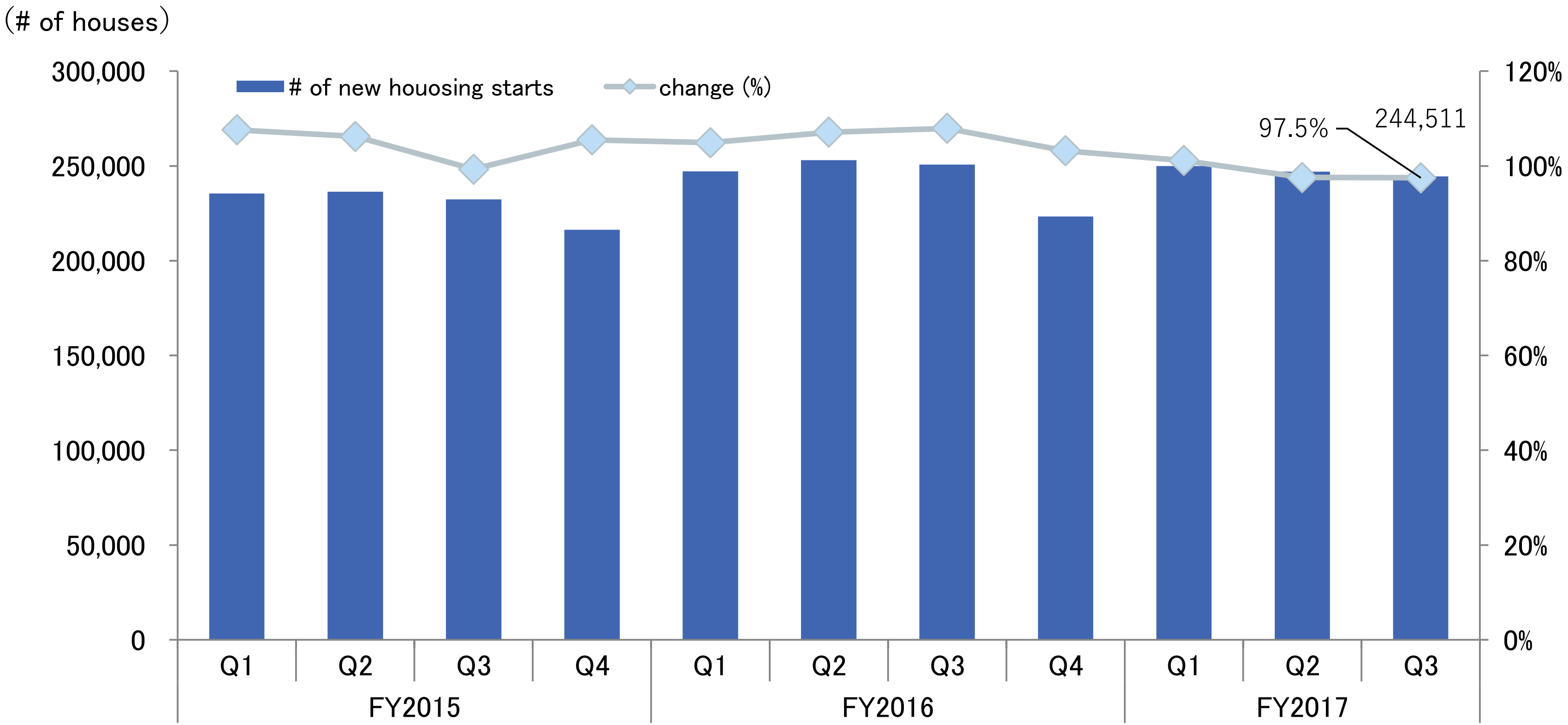
(JPY Bn) Adjusted Profit	FY2017 Q3 (Oct. – Dec.)	FY2017 Nine Months (Apr. – Dec.)
Profit (loss) attributable to owners of the parent	46.5	128.6
Amortization of intangible assets arising due to business combinations	+5.0	+14.3
One-off income	−3.4	−5.5
One-off losses	+5.3	+7.2
Tax reconciliation regarding the adjustment items	−11.4	−21.9
Adjusted profit	42.0	122.7

Other Data

	FY2016				FY2017		
	Q1e	Q2e	Q3e	Q4e	Q1e	Q2e	Q3e
HotPepper Gourmet # of seats reserved online* (million)	9.63	19.40	36.92	51.53	14.48	28.28	52.75
HotPepper Beauty # of online reservations* (million)	13.88	29.44	44.93	61.38	18.24	37.95	57.58
Air REGI # of accounts (thousand)	244	255	267	279	292	305	318
Study Sapuri high school student course # of paying subscribers (thousand)	215	230	237	244	318	333	336

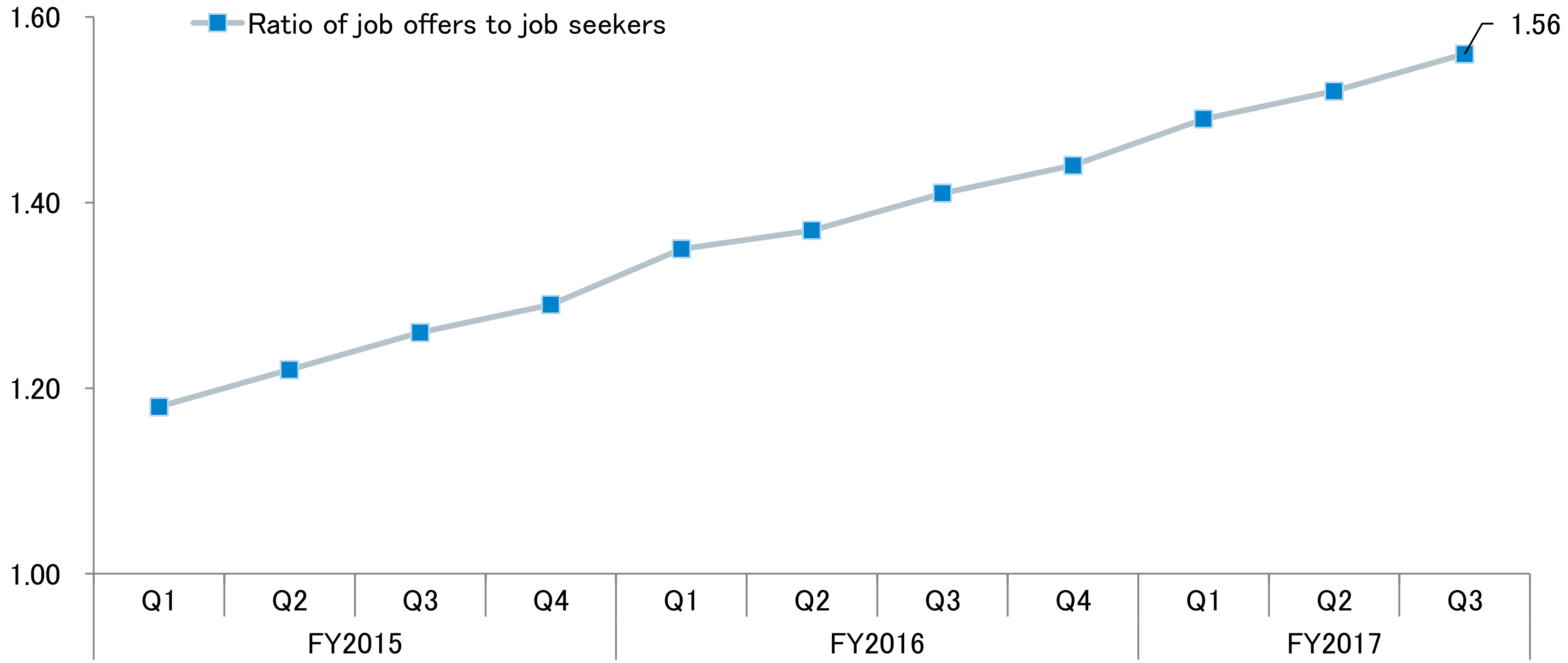
*Based on number of reservations, cancels are not counted

Market Conditions: Housing and Real Estate



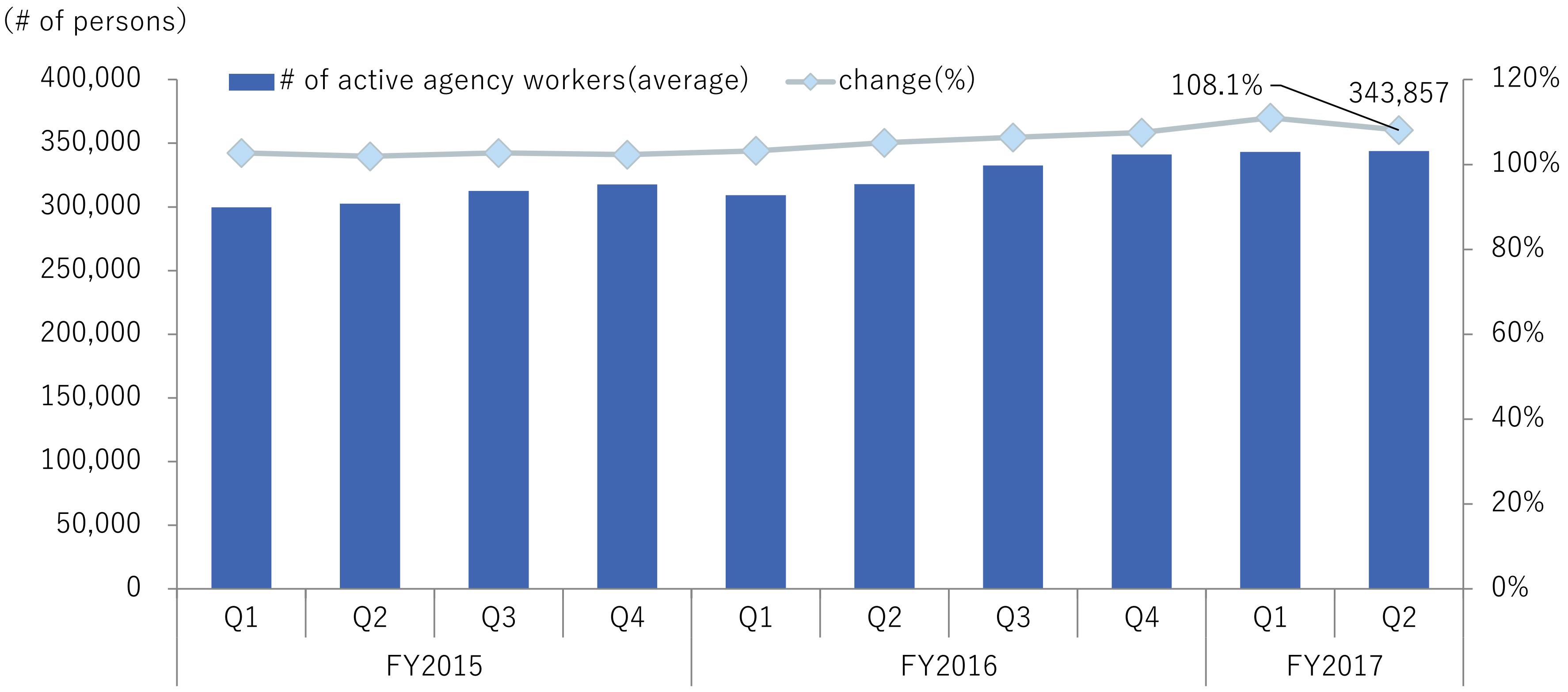
*Source: MLIT housing start statistics

Market Conditions : Domestic Recruiting



*Source: Ministry of Health, Labour and Welfare

Market Conditions : Domestic Staffing



*Source: Japan Staffing Services Association

Notes

EBITDA = operating income + depreciation and amortization ± other operating income/expenses

Adjusted profit: Profit (loss) attributable to owners of the parent ± adjustment items* (excluding non-controlling interests)

± tax reconciliation regarding the adjustment items

*amortization of intangible assets arising due to business combinations ± one-off income/losses

Adjusted EPS: adjusted profit / (number of shares issued at the end of the period −number of treasury stock at the end of the period)

Profit used as basis of dividend calculation= Profit (loss) attributable to owners of the parent excluding one-off income/losses etc.