

FY2018 Financial Results and Mid-Term Strategy



Recruit Holdings Co., Ltd.

Masumi Minegishi

President, CEO, and Representative Director

May 14, 2019

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Consolidated

Record-highs for revenue, EBITDA and adjusted EPS

HR Technology

Revenue increased +54.0%⁽¹⁾ yoy in US dollar terms to 2.9 billion US dollars

Media & Solution

EBITDA grew +10.4% yoy and EBITDA margin improved 90 basis points to 23.9%

Staffing

EBITDA increased +14.1% yoy and EBITDA margin improved 80 basis points to 6.4%, despite 0.7% decrease in revenue

(1) The US dollar based revenue reporting represents the financial results of operating companies in the HR Technology segment on a US dollar basis, which differ from the consolidated financial results of Recruit Holdings Co., Ltd (the "Company"). Assuming IFRS 15 was applied in FY2017 on a pro forma basis.

FY2018 Consolidated Financial Results

1. FY2018 Highlights

(in billions of yen, unless otherwise stated)

	FY2017	FY2018	
	Full-year	Full-year	YOY
Revenue	2,173.3	2,310.7	+6.3%
EBITDA	258.4	293.2	+13.5%
EBITDA margin	11.9%	12.7%	+0.8pt
Operating Income	191.7	223.0	+16.3%
Profit attributable to owners of the parent	151.6	174.2	+14.9%
Adjusted profit	144.9	178.9	+23.5%
Adjusted EPS (yen)	86.74	107.10	+23.5%

Three-Year Performance Highlights

2. Three-Year Historical Summary
(FY2016-FY2018)

Management Key Performance Indicators

EBITDA grew to 293.2 billion yen

Adjusted EPS: 3 yr. CAGR 15.5%, exceeding the target

“Further growth in overseas business”: Overseas revenue increased to approximately 46% of total by acquisitions of USG People and Glassdoor, and growth in the HR technology segment

“Sustainable growth in Japan business”: Expanded and strengthened the individual user and enterprise client base, and created new growth areas

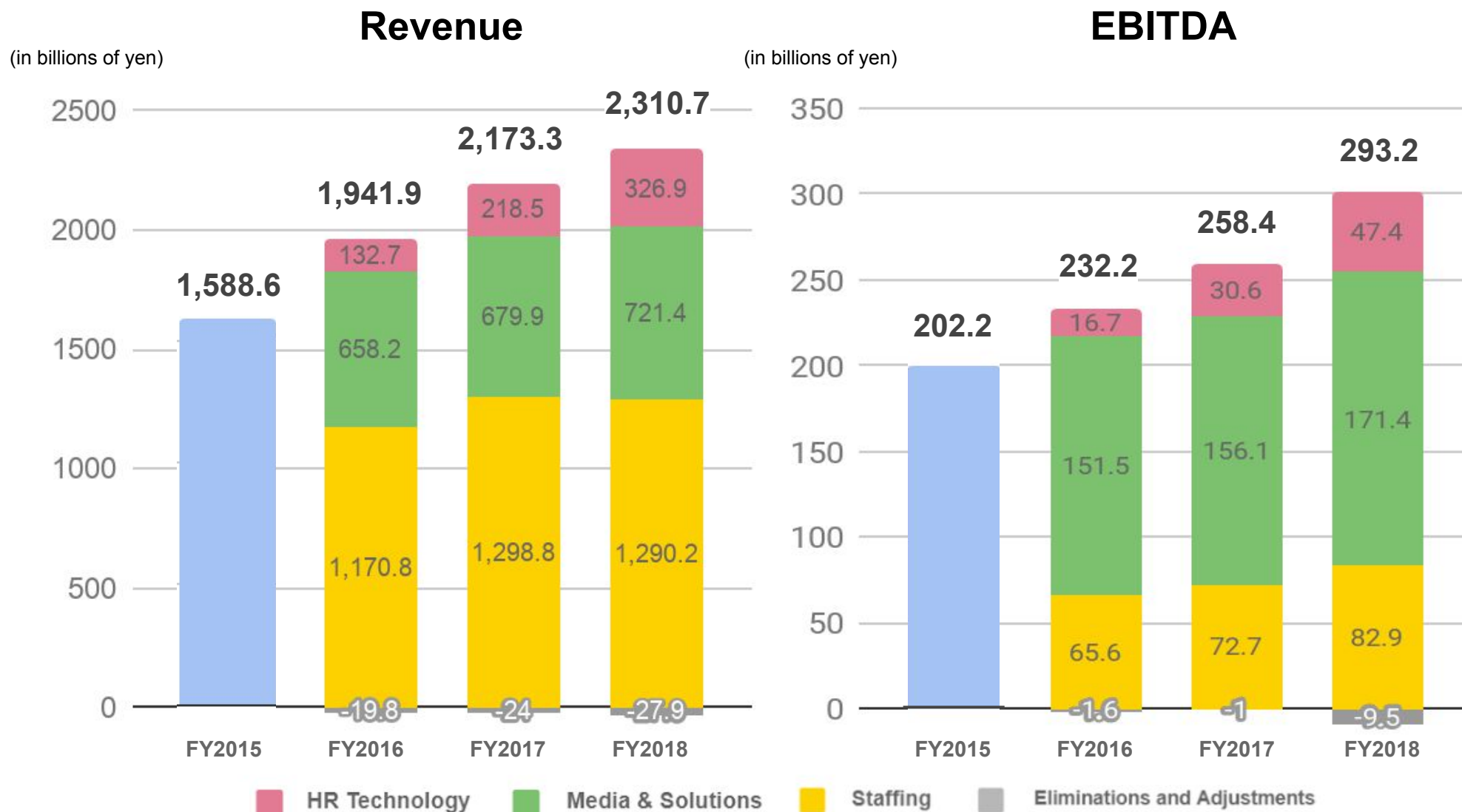
Financial Policies and Shareholder Returns

Exceeded ROE target of 15% in all three fiscal years

Increased dividend per share consistently by implementing interim dividend from FY2017

Revenue and EBITDA Growth

2. Three-Year Historical Summary
(FY2016-FY2018)



(1) The Company adopted IFRS from the beginning of the FY2017. Figures for FY2016 were calculated assuming IFRS were applied on pro forma basis. Figures for FY2015 are based on Japanese GAAP.

(2) The Company changed the structure of its reportable segments from FY2016; figures for FY2015 under the current structure are not available.

Three-Year Segment Performance Highlights

2. Three-Year Historical Summary
(FY2016-FY2018)

HR Technology

Revenue increased by approximately 4x from 0.7 to 2.9 billion US dollars⁽¹⁾

Operates websites in 60+ countries

Glassdoor acquisition

Media & Solutions

Remained No.1 by revenue in almost all major subsegments⁽²⁾ in Japan while maintaining high EBITDA margin

Expanded new businesses such as *Air Series* and *Study Sapuri*

Staffing

Became the 5th largest global staffing firm⁽³⁾ through USG People acquisition

EBITDA margin increased from 5.6% to 6.4%

(1) The US dollar based revenue reporting represents the financial results of operating companies in the HR Technology segment on a US dollar basis, which differ from the consolidated financial results of the Company.

(2) The Company uses comparative information only when companies disclose their revenue.

(3) Source: SIA (Staffing Industry Analysts), "Largest Global Staffing Firms 2018"

Stock price⁽¹⁾ increased by approximately 2.8x⁽²⁾ in three years



(1) Stock price is adjusted to reflect the three-for-one stock split effective on July 1, 2017.

(2) 03/31/2016 to 03/29/2019

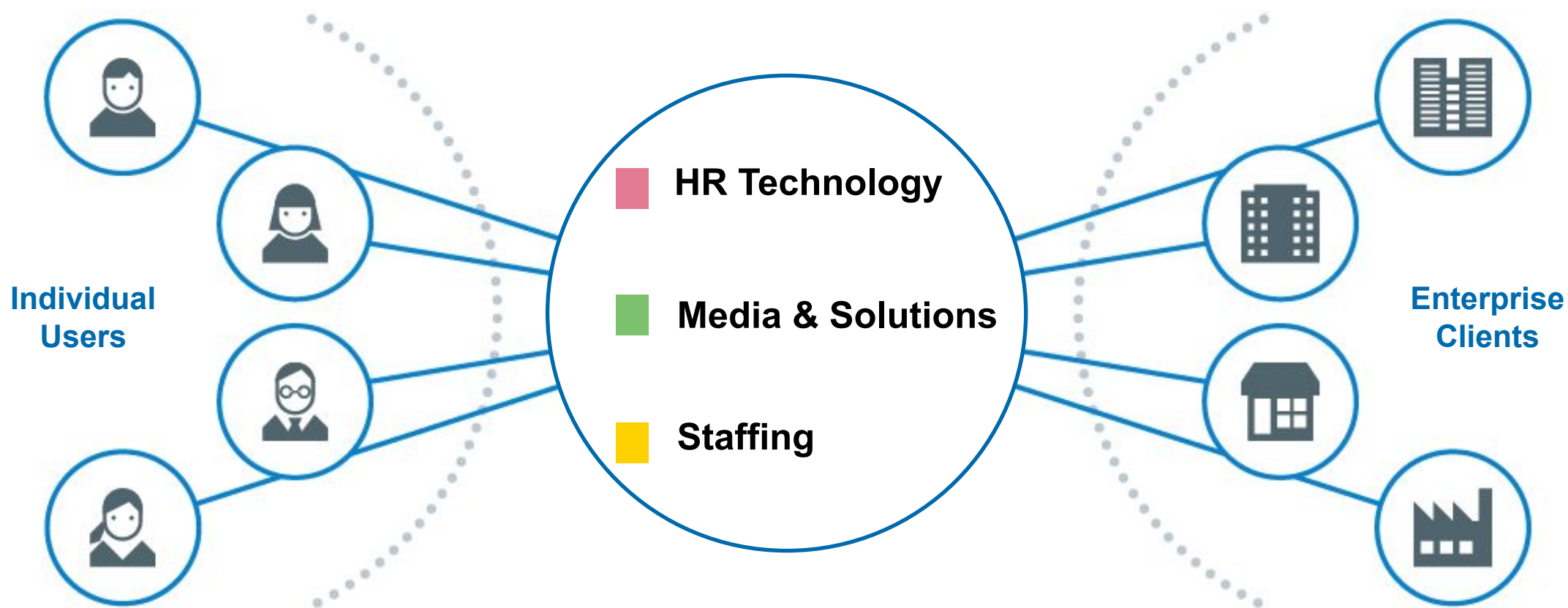
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Provide Effective Matching Solutions

3. Long-Term Goals of Recruit Group

Leveraging technology to improve matching across HR and Media businesses



| Leveraging technology to drive innovation in overall HR matching businesses

: HR Technology

Improve matching efficiency to lead the evolution of all HR matching businesses in Recruit Group

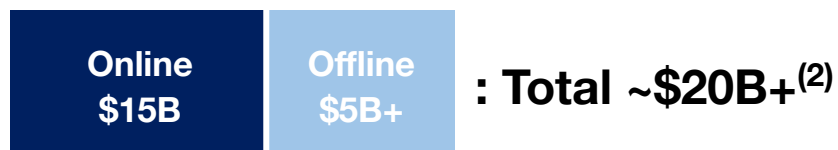
: HR Solutions in Media & Solutions / Staffing

Continue to improve existing businesses

| Employing disruptive technological innovation to become the global leader in the HR matching market

Innovate the estimated \$150 billion+⁽¹⁾ HR matching market with effective matching solutions

Job advertising & talent sourcing tools



Placement & Search



Temp Staffing Market



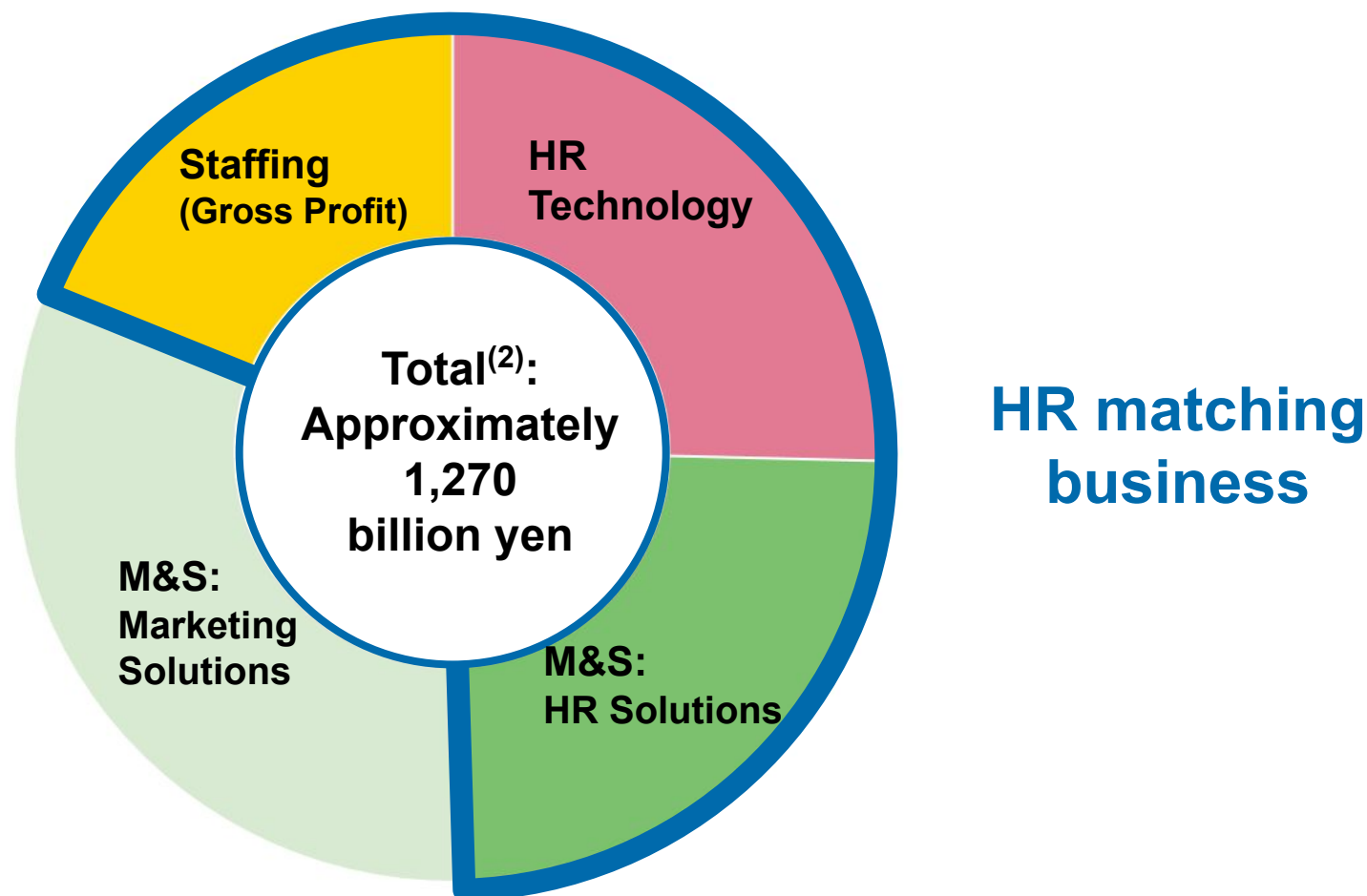
(1) Source: SIA (Staffing Industry Analysts), www.staffingindustry.com; 2018 company estimates, consists of the job advertising and talent sourcing tools market, the placement and executive search market, and the temporary staffing market (gross profit)

(2) Source: 2018 company estimates, consists of online job advertising, employer branding, and talent sourcing tools

(3) Source: SIA, Global Staffing Industry Market Estimates and Forecast: November 2018 Update, company estimates; assumes 6% industry growth rate (2018)

(4) Assumes gross profit margin of 18.3% calculated based on the weighted average of the top 3 publicly traded global staffing companies in terms of revenue (2018)

Recruit Group HR matching business⁽¹⁾ in FY2018: 870 billion yen



(1) Business scale of HR matching businesses comprised of revenue of (i)HR Technology, (ii) HR Solutions in Media & Solutions and (iii) Staffing excluding salary for temporary staff etc.

(2) "Total" comprised of (1) and revenue of Marketing Solutions in Media & Solutions



HR Technology

Promote further growth of online job advertising business

Expand capabilities through internal investment and M&A in online HR matching businesses



Media & Solutions

Focus on stable growth in advertising business and expand operational and management support service across subsegments

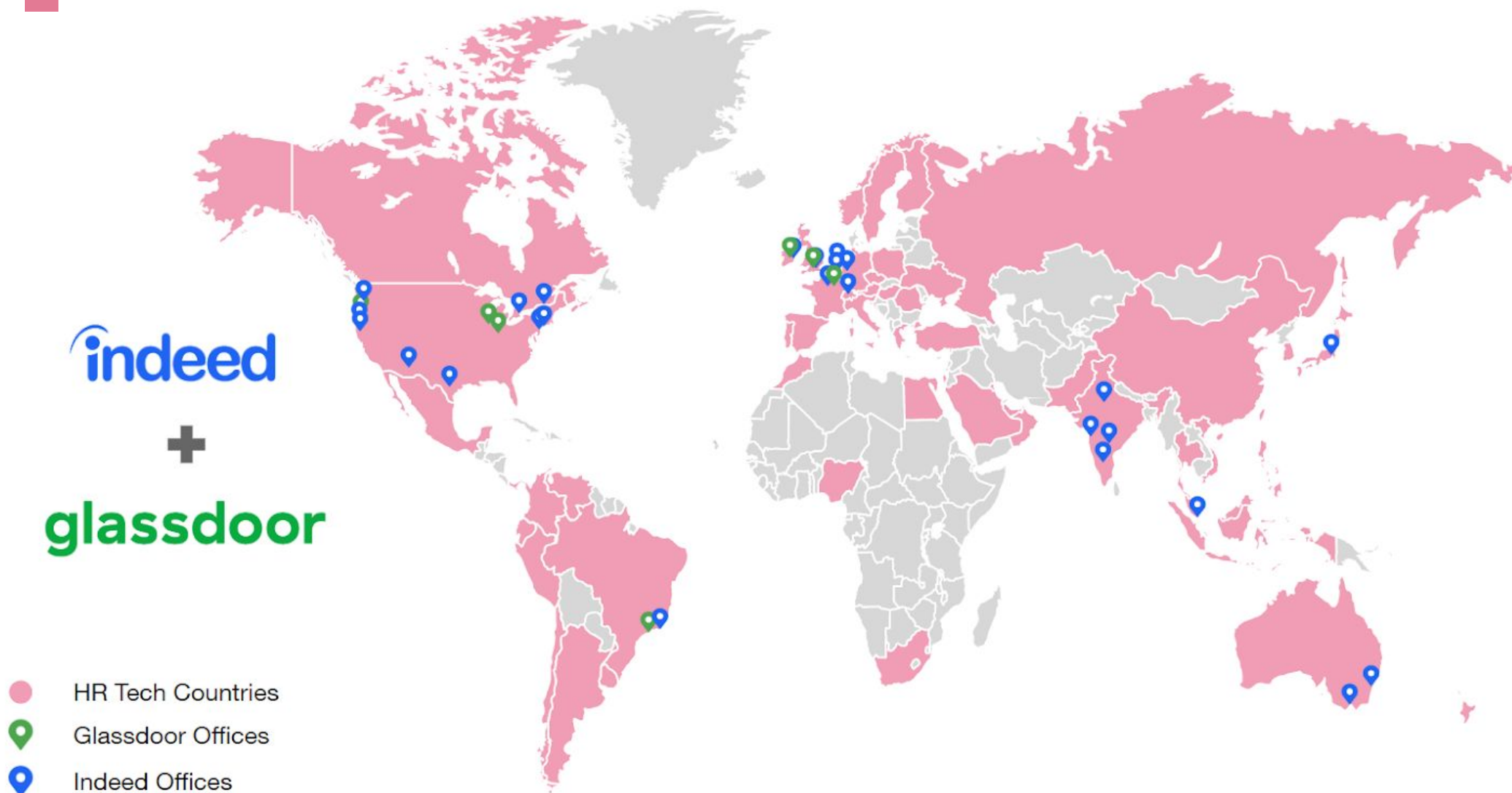
Aim for stable revenue growth and keep adjusted EBITDA margin at a current level



Staffing

Improve adjusted EBITDA margin on a global scale

Promote further expansion of HR matching businesses



Create more value for existing and potential enterprise clients of Marketing Solutions by offering both advertising business and operational and management support services

: Help existing enterprise clients increase revenue

Increase the number of customers through *Hot Pepper Gourmet* and *Operational Support Package*

Increase spend per customer, leveraging data science of *AirREGI*

: Help potential enterprise clients improve operational efficiency

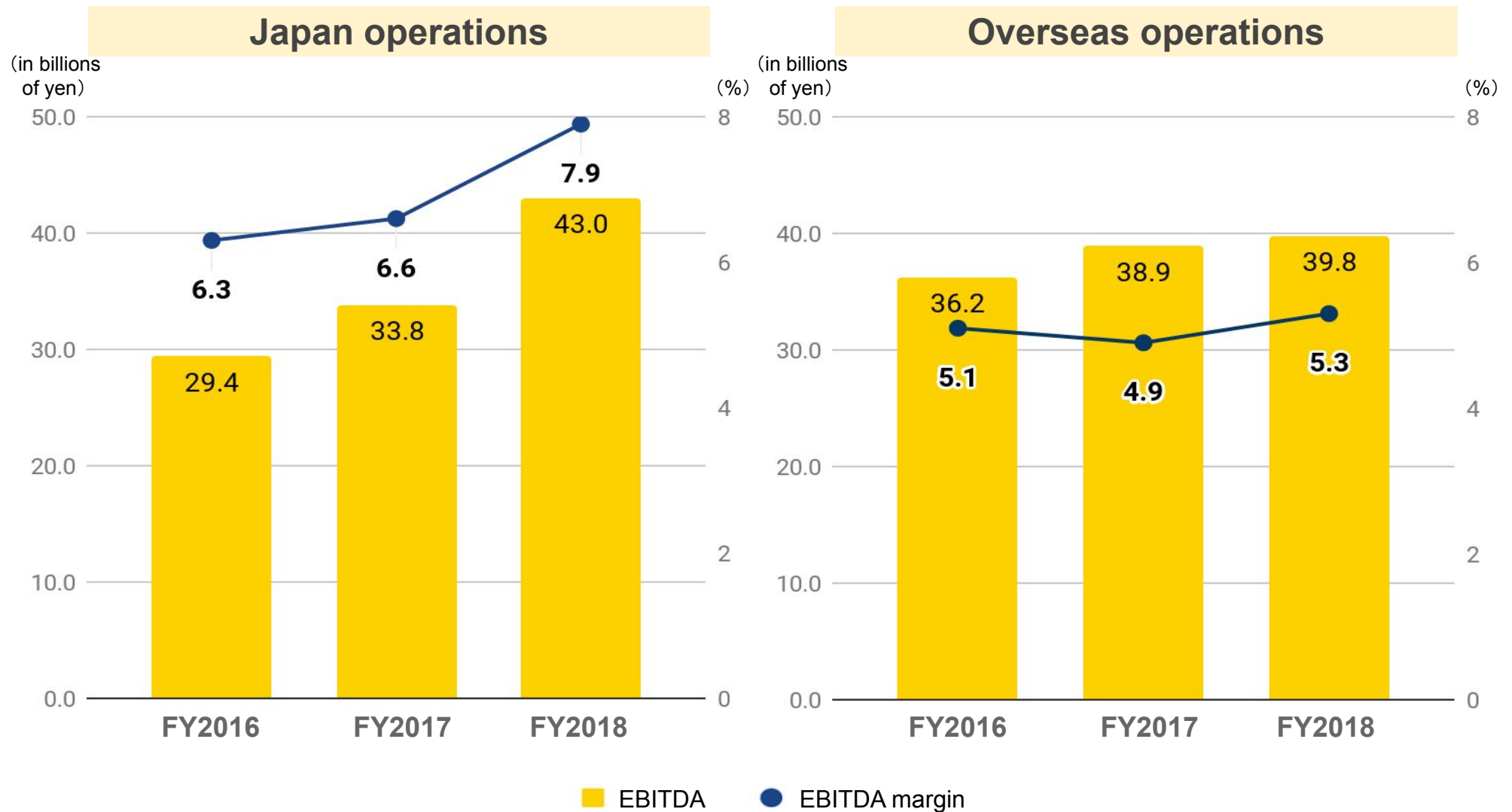
Offer *Air Series* to realize low-cost operations management

Achieve stable revenue growth and maintain adjusted EBITDA margin through these actions

Expand the operational and management support service, *Air Series*



Continue to improve adjusted EBITDA margin globally



After the General Meeting of Shareholders to be held in June 2019, there will be 7 members on the Board

:Candidate for Board of Directors - Hisayuki Idekoba

- has a proven track record employing technology to drive growth and innovation across many of our businesses**
- has contributed significantly to the steady growth of Indeed and the globalization of the Group in recent years**

Nominate at least one female Board Director candidate for the General Meeting of Shareholders by June 2021

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Management KPIs

Adjusted EBITDA⁽¹⁾ and Adjusted EPS

Financial Policies - Capital Efficiency

Maintain ROE of approximately 15%

Financial Policies - Capital Allocation

1. Dividends: Implement twice a year - Interim and year-end

Target consolidated payout ratio of approximately 30%⁽²⁾

2. M&A: Strategic acquisitions primarily in the HR Technology segment

3. Stock buy-back: Consider implementing a share repurchase program based on the capital market environment and financial outlook

(1) Adjusted EBITDA: operating income + depreciation and amortization(excluding depreciation of right-of-use assets) ± other operating income/expenses

(2) Consolidated payout ratio: approximately 30% of Profit available for dividends (profit attributable to owners of the parent excluding non-recurring income/losses)

Consolidated revenue and adjusted EBITDA are expected to increase, with revenue and adjusted EBITDA increasing in all three segments

Management KPIs

Adjusted EBITDA is expected to be in the range of 310 billion yen to 330 billion yen, exceeding the previous fiscal year

Adjusted EPS is aimed to grow high single digits compared to FY2018

Dividends

FY2019 - Annual 30 yen: interim 15 yen and year-end 15 yen

HR Technology

Revenue in US dollar terms is expected to grow 35% plus or minus a few percent

Adjusted EBITDA margin is expected to be plus or minus a few percent compared to FY2018

Media & Solutions

Revenue is expected to grow mid single digits in Marketing Solutions and low single digits in HR Solutions

Adjusted EBITDA margin is expected to be the same level of FY2018

Staffing

Revenue is expected to grow low single digits in both Japan and Overseas operations

Adjusted EBITDA margin is expected to increase slightly



Appendix

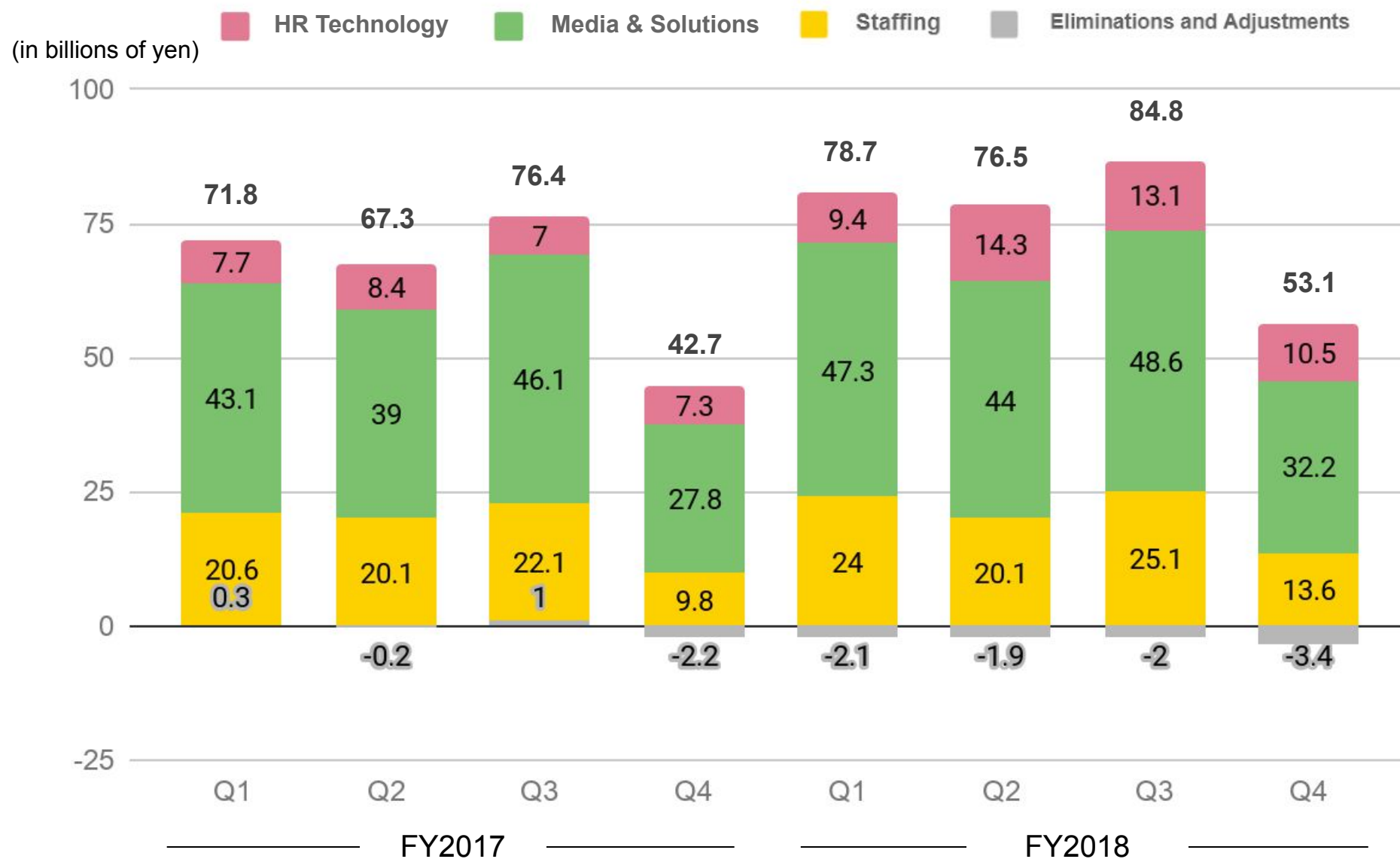
FY2018 Full-year and Q4 Financial Results

	FY2017	FY2018		FY2017	FY2018	
(in billions of yen, unless otherwise stated)	Q4	Q4	YOY	Full-year	Full-year	YOY
Revenue	556.4	580.3	+4.3%	2,173.3	2,310.7	+6.3%
EBITDA	42.7	53.1	+24.2%	258.4	293.2	+13.5%
EBITDA margin	7.7%	9.2%	+1.5pt	11.9%	12.7%	+0.8pt
Operating Income	25.1	30.9	+23.1%	191.7	223.0	+16.3%
Profit attributable to owners of the parent	23.0	28.2	+22.4%	151.6	174.2	+14.9%
Adjusted profit	22.1	27.8	+25.7%	144.9	178.9	+23.5%
Adjusted EPS (yen)	13.26	16.67	+25.7%	86.74	107.10	+23.5%

FY2018 Full-Year and Q4 Financial Results by Segment

	FY2017	FY2018		FY2017	FY2018	
Revenue (in billions of yen)	Q4	Q4	YOY	Full-year	Full-year	YOY
Consolidated Results	556.4	580.3	+4.3%	2,173.3	2,310.7	+6.3%
HR Technology	61.9	90.0	+45.4%	218.5	326.9	+49.6%
Media & Solutions	181.2	193.7	+6.9%	679.9	721.4	+6.1%
Staffing	319.9	304.1	-4.9%	1,298.8	1,290.2	-0.7%
Eliminations and Adjustments	-6.6	-7.6	-	-24.0	-27.9	-
EBITDA (in billions of yen)						
Consolidated Results	42.7	53.1	+24.2%	258.4	293.2	+13.5%
HR Technology	7.3	10.5	+44.1%	30.6	47.4	+55.0%
Media & Solutions	27.8	32.2	+16.2%	156.1	172.4	+10.4%
Staffing	9.8	13.6	+39.2%	72.7	82.9	+14.1%
Eliminations and Adjustments	-2.2	-3.4	-	-1.0	-9.5	-
EBITDA margin						
Consolidated Results	7.7%	9.2%	+1.5pt	11.9%	12.7%	+0.8pt
HR Technology	11.9%	11.8%	-0.1pt	14.0%	14.5%	+0.5pt
Media & Solutions	15.3%	16.7%	+1.3pt	23.0%	23.9%	+0.9pt
Staffing	3.1%	4.5%	+1.4pt	5.6%	6.4%	+0.8pt

FY2017-FY2018 Quarterly Consolidated EBITDA by Segment



HR Technology

(in billions of yen, unless otherwise stated) Revenue	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
HR Technology	61.9	90.0	+45.4%	218.5	326.9	+49.6%
Reference: Revenue in million of US dollars ⁽¹⁾	572	816	+42.6%	1,976	2,944	+49.0%

EBITDA

HR Technology	7.3	10.5	+44.1%	30.6	47.4	+55.0%
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(in billions of yen, unless otherwise stated)	FY2017					FY2018				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
Revenue ⁽¹⁾ - IFRS 15 applied	402	460	490	557	1,911	634	739	754	816	2,944
YOY	-	-	-	-	-	57.6%	60.6%	53.7%	46.3%	54.0%

(1) The US dollar based revenue reporting represents the financial results of operating companies in the HR Technology segment on a US dollar basis, which differ from the consolidated financial results of the Company. Assuming IFRS 15 was applied in FY2017 on a pro forma basis.

Media & Solutions

(in billions of yen, unless otherwise stated) Revenue	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
Media & Solutions	181.2	193.7	+6.9%	679.9	721.4	+6.1%
Marketing Solutions	96.4	105.2	+9.0%	378.5	400.4	+5.8%
Housing and Real Estate	24.7	28.1	+13.5%	98.1	104.1	+6.1%
Bridal	13.1	13.0	-1.2%	55.4	54.9	-0.9%
Travel	14.2	14.9	+5.1%	58.8	61.6	+4.7%
Dining	9.7	10.0	+3.4%	37.3	38.8	+4.0%
Beauty	16.8	18.7	+11.1%	63.8	72.0	+12.9%
Others	17.8	20.3	+14.5%	64.8	68.7	+6.0%
HR Solutions	83.0	86.6	+4.3%	294.4	316.8	+7.6%
Recruiting in Japan	76.8	78.2	+1.8%	270.6	283.9	+4.9%
Others	6.1	8.3	+36.7%	23.7	32.8	+38.3%
Eliminations and Adjustments	1.7	1.9	+9.8%	7.0	4.1	-41.2%
EBITDA						
Media & Solutions	27.8	32.2	+16.2%	156.1	172.4	+10.4%
Marketing Solutions	15.5	18.8	+21.4%	95.2	109.8	+15.3%
HR Solutions	16.4	17.9	+9.1%	74.5	79.2	+6.3%
Eliminations and Adjustments	-4.1	-4.5	-	-13.6	-16.6	-

Staffing

(in billions of yen, unless otherwise stated)

Revenue

	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
Staffing	319.9	304.1	-4.9%	1,298.8	1,290.2	-0.7%
Japan operations	128.9	133.4	+3.5%	509.2	542.5	+6.5%
Overseas operations	190.9	170.7	-10.6%	789.5	747.7	-5.3%

EBITDA

Staffing	9.8	13.6	+39.2%	72.7	82.9	+14.1%
Japan operations	2.7	6.6	+145.7%	33.8	43.0	+27.3%
Overseas operations	7.1	7.0	-1.4%	38.9	39.8	+2.5%

Candidate for Board Director

Hisayuki Idekoba



April 1999	Joined the Company
April 2012	Corporate Executive Officer in charge of R&D and Asia Job Board at Global Headquarters Chairman of Indeed, Inc.
October 2013	CEO & President of Indeed, Inc.
October 2015	CEO of Indeed, Inc.
April 2016	Managing Corporate Executive Officer in charge of Global Online HR Business (current HR Technology Business)
January 2018	Senior Managing Corporate Executive Officer in charge of Operation (COO) Director and CEO of RGF OHR USA, Inc. (at present) Director and Chairman of Recruit Global Staffing B.V. (at present)
April 2019	Senior Managing Corporate Executive Officer in charge of Corporate Planning (CSO), Administration (CRO) and Operation (COO) (at present) Director of Indeed, Inc. (at present)

* Appointed to be a Board Director of the Company, after the Ordinary General Meeting of Shareholders scheduled in June 2019.

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Adjustment items for EBITDA and Adjusted Profit

(in billions of yen)		FY2018	
EBITDA		Q4	Full-year
Operating income		30.9	223.0
Other operating income		-0.3	-9.1
Other operating expenses		+4.7	+8.1
Depreciation and amortization		+17.7	+71.1
EBITDA		53.1	293.2

(in billions of yen)		FY2018	
Adjusted Profit		Q4	Full-year
Profit (loss) attributable to owners of the parent		28.2	174.2
Amortization of intangible assets arising due to business combinations		+5.0	+22.2
Non-recurring income		-2.5	-9.0
Non-recurring losses		+4.6	+8.0
Tax reconciliation regarding the adjustment items		-7.5	-16.5
Adjusted Profit		27.8	178.9

Adjusted EBITDA

EBITDA excluding the impact of IFRS 16, being applied beginning in FY2019

(in billions of yen)

	FY2018	Impact of IFRS 16 adoption ⁽¹⁾	FY2018 assuming IFRS 16 adoption
	Full-year	Full-year	Full-year
Operating income	223.0	+1.2	224.3
Other operating income	-9.1	-	-9.1
Other operating expenses	+8.1	-	+8.1
Depreciation and amortization	+71.1	+33.4	+104.5
EBITDA	293.2	+34.6	327.9
Depreciation and amortization (right-of-use-assets)	-	-33.4	-33.4
Adjusted EBITDA	-	+1.2	294.5

(1) Assuming IFRS 16 was applied to financial statement in FY2018 on a pro forma basis. These figures are estimated based on lease contract as of September 30, 2018 and are unaudited.

Notes

EBITDA: operating income + depreciation and amortization \pm other operating income/expenses

Adjusted EBITDA: operating income + depreciation and amortization(excluding depreciation of right-of-use assets) \pm other operating income/expenses

Adjusted profit: profit attributable to owners of the parent \pm adjustment items* (excluding non-controlling interests) \pm tax reconciliation related to certain adjustment items

*Adjustment items = amortization of intangible assets by acquisitions \pm non-recurring 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 available for dividends = profit attributable to owners of the parent \pm non-recurring income/losses, etc.