November 13, 2019

Recruit Holdings Announces Second Quarter FY2019 Results

TOKYO, JAPAN (November 13, 2019) - Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") today announced financial results for the six months ended September 30, 2019 (unaudited).

1. 6 Months FY2019 Consolidated Financial Highlights

- Consolidated revenue +5.1%, Adjusted EBITDA +14.5%, Adjusted EPS +15.9%
  - Revenue and adjusted EBITDA increased in HR Technology and Media & Solutions segments.
  - Revenue and adjusted EBITDA decreased in Staffing segment impacted by uncertain economic environment in Europe.
- HR Technology segment continued its strong growth
  - Revenue increased +37.8% yoy, +40.1% in US dollar terms [(2)]

(In billion yen, unless otherwise stated)	FY2019			
	Q2	YoY	6M	YoY
Revenue	**606.7**	**+5.0%**	**1,201.2**	**+5.1%**
Adjusted EBITDA[(1)]	**90.3**	**+18.1%**	**177.7**	**+14.5%**
Adjusted EBITDA margin[(1)]	**14.9%**	**+1.7pt**	**14.8%**	**+1.2pt**
Operating income	**71.4**	**+21.6%**	**142.6**	**+12.7%**
Profit attributable to owners of the parent	**54.8**	**+21.0%**	**114.1**	**+23.2%**
Adjusted EPS (yen)	**34.67**	**+18.5%**	**67.96**	**+15.9%**

2. Q2 FY2019 Segment Highlights

HR Technology Segment:

- Quarterly revenue for Q2 FY2019 increased by 29.6% yoy (year on year) and by 34.8%[(2)] yoy in US dollar terms[(2)]; revenue growth was primarily driven by increased sponsored job advertising revenue. Recruiting solutions focused on sourcing and screening candidates and employer branding also contributed to revenue growth yoy.
- Slower revenue growth compared to yoy 47.5% of Q1 FY2019 was in part due to the absence of acquired revenue growth related to the Glassdoor acquisition, which was included since Q2 FY2018.
- Quarterly adjusted EBITDA for Q2 FY2019 increased by 70.5% yoy. Adjusted EBITDA margin was 22.9% for Q2 FY2019, an increase from 17.4% for Q2 FY2018 primarily due to lower growth in sales and marketing expenses compared to the pace of revenue growth.
- As of Q2 FY2019, Indeed and Glassdoor attract more than 250 million and 60 million monthly unique visitors[(3)] and had approximately 9,700 and 1,000 employees, respectively.

Media & Solutions Segment:

- Quarterly revenue for Q2 FY2019 increased by 8.3% yoy, primarily driven by increased revenue in the Housing and Real Estate, Travel and Beauty subsegments in Marketing Solutions and in the Recruiting in Japan subsegment in HR Solutions.
- Quarterly adjusted EBITDA for Q2 FY2019 increased by 8.8% yoy due to increased revenue in both Marketing Solutions and HR solutions.
- Housing and Real Estate focused on improving the user experience on its online platform and attracting more individual users to the platform by various marketing efforts.
- Beauty continued to extend its reach to non-urban areas and the outskirts of metropolitan areas.
- Travel increased its online booking fee on its platform *Jalan* from April 1, 2019, which contributed to revenue growth despite the negative impact of less than normal traveling demand during the summer due to the 10 consecutive-day holiday in May in Japan and frequent bad weather.
- Recruiting in Japan focused on strengthening its organizational structure to improve productivity amid the extremely tight labor market in Japan.

Staffing Segment:

- Quarterly revenue for Q2 FY2019 decreased by 2.6% (ex FX impact: +1.7%). Quarterly revenue for Japan operations increased by 5.5% and for Overseas operations decreased by 8.0% (ex FX impact: -1.0%) yoy.
- Quarterly adjusted EBITDA for Q2 FY2019 increased by 5.0% (Japan +20.4%, Overseas -8.7%) yoy. Adjusted EBITDA margin for Q2 FY2019 was 6.7%.
- For Japan operations, quarterly adjusted EBITDA increased mainly due to increased revenue. Adjusted EBITDA margin was 8.2%, increased from 7.2% for Q2 FY2018.
- For Overseas operations, quarterly revenue and adjusted EBITDA for Q2 decreased in the current uncertain economic environment mainly in Europe. Adjusted EBITDA margin remained flat yoy at 5.5% in Q2 FY2018. The segment continues to focus on utilizing the Unit Management System to optimize its adjusted EBITDA margin.

Q2 and 6 Months FY2019 Segment Highlights (continued)

Revenue (In billion yen)	FY2018 Q2	FY2019 Q2	FY2019 YoY	FY2019 6M	FY2019 YoY
Consolidated results[4]	577.8	606.7	+5.0%	1,201.2	+5.1%
HR Technology	82.4	106.8	+29.6%	209.0	+37.8%
Reference: (In million US dollars) Revenue in US dollars[2]	739	996	+34.8%	1,925	+40.1%
Media & Solutions	175.8	190.5	+8.3%	378.2	+8.2%
Marketing Solutions	100.8	110.6	+9.7%	216.3	+11.3%
Housing and Real Estate	25.2	27.5	+9.2%	54.3	+9.8%
Bridal	13.8	13.1	-5.0%	26.4	-4.7%
Travel	17.6	21.3	+20.8%	38.8	+22.7%
Dining	9.2	9.3	+1.1%	18.8	+2.1%
Beauty	17.8	20.2	+13.8%	39.6	+13.3%
Others	16.9	18.9	+11.4%	38.1	+19.1%
HR Solutions	74.4	79.2	+6.5%	160.3	+4.5%
Recruiting in Japan	66.4	70.0	+5.3%	141.9	+3.8%
Others	7.9	9.2	+15.9%	18.4	+9.9%
Eliminations and Adjustments	0.6	0.6	+1.5%	1.4	-0.8%
Staffing	325.8	317.5	-2.6%	630.1	-3.8%
Japan	132.5	139.8	+5.5%	277.5	+3.5%
Overseas	193.2	177.7	-8.0%	352.5	-8.8%
Eliminations and Adjustments	(6.2)	(8.0)	-	(16.1)	-
Adjusted EBITDA (In billion yen)					
Consolidated results[1,4]	76.5	90.3	+18.1%	177.7	+14.5%
HR Technology[1]	14.3	24.4	+70.5%	43.7	+84.1%
Media & Solutions[1]	44.0	47.9	+8.8%	98.0	+7.3%
Marketing Solutions[1,5]	29.7	31.3	+5.2%	62.1	+7.6%
HR Solutions[1,5]	18.1	21.3	+17.7%	44.9	+8.1%
Eliminations and Adjustments[1,5]	(3.8)	(4.7)	-	(8.9)	-
Staffing[1]	20.1	21.1	+5.0%	40.9	-7.3%
Japan[1]	9.5	11.4	+20.4%	23.2	+1.2%
Overseas[1]	10.6	9.6	-8.7%	17.7	-16.4%
Eliminations and Adjustments[1]	(1.9)	(3.0)	-	(5.0)	-
Adjusted EBITDA margin					
Consolidated results[1]	13.2%	14.9%	+1.7pt	14.8%	+1.2pt
HR Technology[1]	17.4%	22.9%	+5.5pt	20.9%	+5.3pt
Media & Solutions[1]	25.0%	25.2%	+0.1pt	25.9%	-0.2pt
Marketing Solutions[1,5]	29.5%	28.3%	-1.2pt	28.7%	-1.0pt
HR Solutions[1,5]	24.4%	27.0%	+2.6pt	28.0%	+0.9pt
Staffing[1]	6.2%	6.7%	+0.5pt	6.5%	-0.2pt
Japan[1]	7.2%	8.2%	+1.0pt	8.4%	-0.2pt
Overseas[1]	5.5%	5.5%	-0.0pt	5.0%	-0.5pt

(1) EBITDA and EBITDA margin for Q2 FY2018, adjusted EBITDA and adjusted EBITDA margin for Q2 FY2019
(2) 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.
(3) Source: Internal data based on Google Analytics service, Q2 FY2019.
(4) The total sum of the three segments does not correspond with consolidated numbers due to Eliminations and Adjustments, such as intra-group transactions.
(5) For Q2 FY2019, the segment profit of some subsidiaries in Marketing Solutions and HR Solutions is not adjusted for the impact of the adoption of IFRS 16. The effect of this is not material and such amount is included in Eliminations and Adjustments.

3. Consolidated Financial Guidance for FY2019

There is no revision of consolidated financial guidance for FY2019 from the figures announced on May 14, 2019.

The Company expects that the incident related to *Rikunabi DMP Follow* will not have a significant impact to the Company's consolidated financial results for FY2019.

For FY2019, the Company expects:

- Revenue and adjusted EBITDA for all three segments to increase
- Adjusted EBITDA to be in the range of 310 billion yen to 330 billion yen
- Adjusted EPS to grow high single digits

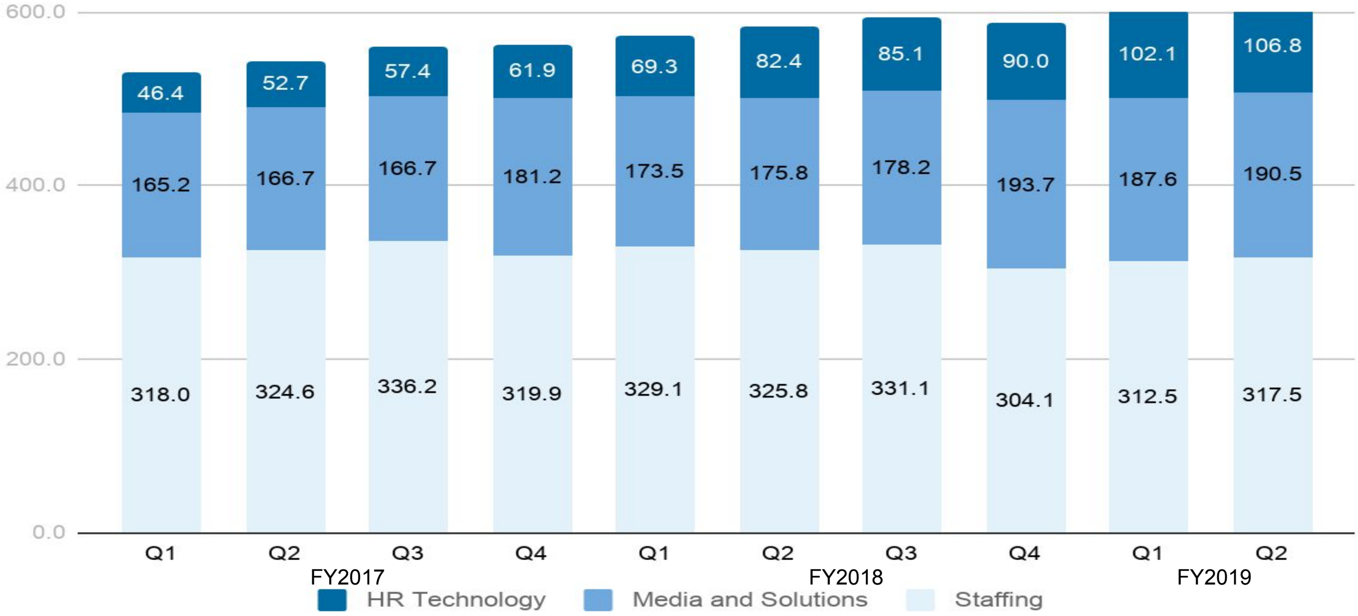
The HR Technology segment revenue on a US dollar basis is expected to grow approximately 35% plus or minus a few percent. Adjusted EBITDA margin for the segment is expected to be approximately the same level as FY2018 plus or minus a few percent mainly due to continued investment in sales and marketing activities to acquire new users and clients and in product enhancements to increase user and client engagement.

The Media & Solutions segment revenue is expected to continue stable growth. Revenue for Marketing Solutions is expected to grow mid single digits, and revenue for HR Solutions is expected to grow low single digits. Adjusted EBITDA margin for the segment is expected to remain at a level similar to that of FY2018.

The Staffing segment revenue is expected to increase low single digits (Japan operation to increase, and Overseas operations to decrease), and adjusted EBITDA margin for the Staffing segment to improve slightly for FY2019.

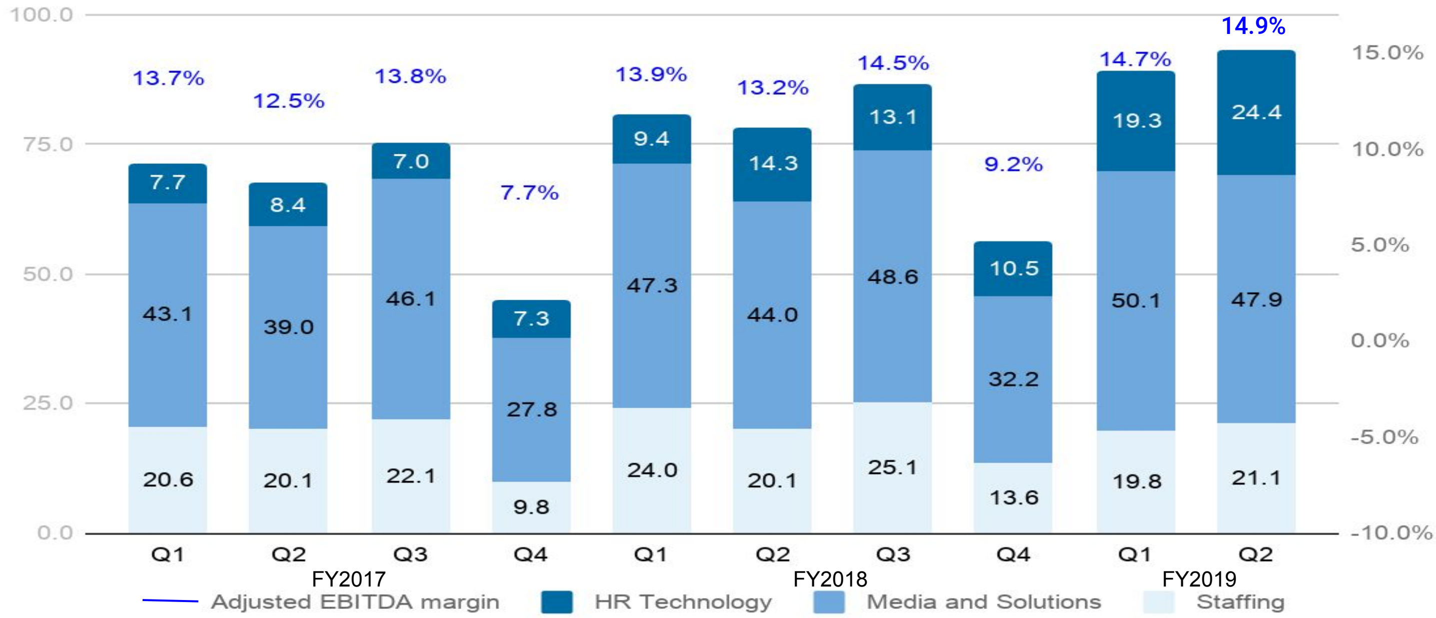
Appendix:
Quarterly Revenue by segment(1)

(In billion yen)



Quarterly Adjusted EBITDA by segment(1,2) **and Adjusted EBITDA margin**(1,2)

(In billion yen)



(1) The sum of the three segments does not correspond with consolidated revenue and EBITDA due to Eliminations and Adjustments, such as intra-group transactions.
(2) EBITDA and EBITDA margin for FY2017 and FY2018. Adjusted EBITDA and adjusted EBITDA margin for FY2019.

Adjusted items for Adjusted EBITDA and Adjusted Profit

(In billion yen)

Adjusted EBITDA	FY2019 Q2	FY2019 6M
Operating income	71.4	142.6
Other operating income	(1.9)	(5.6)
Other operating expenses	+1.8	+3.5
Depreciation and amortization	+29.1	+55.7
EBITDA	100.4	196.2
Depreciation and amortization (right-of-use-assets)	(10.0)	(18.5)
Adjusted EBITDA	90.3	177.7

(In billion yen)

Adjusted Profit	FY2019 Q2	FY2019 6M
Profit (loss) attributable to owners of the parent	54.8	114.1
Amortization and intangible assets arising due to business combination	+5.2	+10.2
Non-recurring income	(1.3)	(16.8)
Non-recurring losses	+1.7	+7.9
Tax reconciliation regarding the adjusted items	(2.6)	(2.0)
Adjusted Profit	57.8	113.4

Notes:
Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expense
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 ± non-recurring income/losses
Adjustment items = amortization of intangible assets by acquisitions ± non-recurring income/losses
Adjusted EPS = adjusted profit / (number of shares issued at the end of the period -number of treasury shares at the end of the period)
Profit available for dividends = Profit (loss) attributable to owners of the parent ± non-recurring income/losses, etc.

The Group adopted IFRS 16 in Q1 FY2019, and changed its accounting policy. Pursuant to IFRS 16, a lessee generally must recognize a “right-of-use asset” for all leases, such asset representing the right to use the underlying asset over the term of such leases. A lessee also must recognize as its financial liability the lessee’s obligation to make future lease payments. Under previous accounting standards, IAS 17, a company recorded lease payments of operating leases as rent expense. However under IFRS 16, a company must record depreciation for its right-of-use assets and an interest expense on its lease liability. As a result of the adoption of IFRS 16, EBITDA will increase because rent expense will decrease, while the depreciation of the right-of-use asset will increase. Therefore the Company decided to change the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption) to ensure comparability with the prior management KPI.

The “Group” refers to Recruit Holdings Co., Ltd. and its consolidated subsidiaries unless the context indicates otherwise.

Full set of material regarding Q2 FY2019 results announcement is posted on https://recruit-holdings.com/ir/.

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This document is based on the Company’s earnings release for Q2 FY2019, and earnings releases are not subject to review by a certified public accountant nor an independent auditor.