

Recruit Holdings Announces FY2019 Results

TOKYO, JAPAN (May 27, 2020) - Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") today announced its financial results for the year ended March 31, 2020 (unaudited).

1. FY2019 Consolidated Financial Highlights

- Consolidated revenue of 2,399.4 billion yen (+3.8%), adjusted EBITDA of 325.1 billion yen (+10.9%), adjusted EPS of 121.03 yen (+13.0%).
- Exceeded financial guidance, "adjusted EBITDA of 320 billion yen" and "high single-digit growth for adjusted EPS".

(In billion yen, unless otherwise stated)	FY2019			
	Q4	YoY	Full Year	YoY
Revenue	589.7	+1.6%	2,399.4	+3.8%
Adjusted EBITDA⁽¹⁾	55.2	+4.1%	325.1	+10.9%
Adjusted EBITDA margin⁽¹⁾	9.4%	+0.2pt	13.6%	+0.9pt
Operating income	-6.2	-	206.0	-7.7%
Operating income excluding impairment loss⁽²⁾	24.7	-19.9%	237.4	+6.4%
Profit attributable to owners of the parent	13.3	-52.7%	179.8	+3.2%
Adjusted EPS (yen)	17.38	+4.2%	121.03	+13.0%

(1) EBITDA and EBITDA margin for FY2018, adjusted EBITDA and adjusted EBITDA margin for FY2019

(2) Impairment loss on goodwill and intangible assets

2. Q4 FY2019 Segment Highlights

HR Technology:

- Quarterly revenue increased by 18.1% year on year (yoy) and by 19.4%⁽¹⁾ yoy in US dollar terms. Revenue growth was primarily driven by increased sponsored job advertising which was supported by a generally favorable economic environment and tight labor market through February prior to the negative impact of the global spread of COVID-19. Recruiting solutions focused on sourcing and screening candidates as well as employer branding, through Indeed and Glassdoor, also contributed to revenue growth yoy.
- Quarterly adjusted EBITDA decreased by 20.7% yoy. Adjusted EBITDA margin was 7.9% for Q4 FY2019, a decrease from 11.8% in Q4 FY2018 as the growth rate of marketing expenses exceeded that of revenue.

Media & Solutions:

- Quarterly revenue decreased by 0.4% yoy as enterprise clients in most industries turned cautious on hiring and reduced job advertising spend in response to the challenging business environment created by the spread of COVID-19.
- Quarterly adjusted EBITDA increased by 6.1% yoy since HR Solutions reduced marketing investment as a cost control measure considering the influence of COVID-19.

Staffing:

- Quarterly revenue decreased by 2.1% (+0.1% ex FX impact) yoy. Quarterly revenue for Japan operations increased by 7.7% and for Overseas operations decreased by 9.8% (-5.7% ex FX impact) yoy.
- Quarterly adjusted EBITDA increased by 18.5% (Japan +53.7%, Overseas -15.0%) yoy. Adjusted EBITDA margin was 5.4%.
- For Japan operations, both revenue and adjusted EBITDA increased. Adjusted EBITDA margin was 7.1%, an increase from 5.0% in Q4 FY2018.
- For Overseas operations, both revenue and adjusted EBITDA decreased yoy, due to the ongoing uncertain outlook of the global economy intensified by the global spread of COVID-19. Adjusted EBITDA margin was 3.9%, a decrease from 4.1% in Q4 FY2018. The segment continues to focus on utilizing the Unit Management System to optimize its adjusted EBITDA margin.

(1) 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. Consolidated Financial Guidance for FY2020

The Company currently expects that the global spread of COVID-19 will have a significant impact on financial performance in Q1 FY2020, and may continue to impact performance in Q2 FY2020 and beyond. The Company is not providing guidance for FY2020 at this time, but plans to provide consolidated financial guidance for FY2020 when the Company is able to reasonably estimate the magnitude of the impact of COVID-19 on its business.

4. Latest Business Operation Update

The Company's consolidated revenue⁽¹⁾ in April decreased approximately 21% yoy.

HR Technology yoy revenue⁽²⁾ growth on a US dollar basis was approximately 26% in February, increasing approximately 4% in March and declining approximately 35% in April. Revenue began to stabilize in mid-April, although the future outlook contains significant uncertainty.

Media & Solutions revenue^(2,3) in February 2020 increased approximately 5%, in March 2020 decreased approximately 10%, and in April decreased approximately 23% yoy.

Staffing revenue⁽²⁾ in February, March, and April 2020 was up by approximately 0.1%, up by approximately 0.2% and down by approximately 12% yoy, respectively.

(1) Monthly revenue reporting represents the unaudited financial results of operating companies as reported on a monthly basis (before applying intercompany eliminations or adjustments), which 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.

(2) Monthly revenue reporting represents the unaudited financial results of operating companies as reported on a monthly basis (excluding the impact from foreign exchange rate movements and before applying intercompany eliminations or adjustments), which 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) The impact of the change in timing of revenue recognition is excluded.

5. Mid- to Long-Term Strategies

(1) Aim to become the global leader of the HR Matching market

The Company aims to become the global leader in the HR Matching market, which the Company estimates was roughly 159 billion US dollars⁽¹⁾ in terms of annual revenue in 2019, by utilizing innovation and creativity driven by technology. The HR Matching market includes job advertising and talent sourcing tools, placement and search, and temporary staffing.

The Company believes the size of the global HR Matching market will decrease significantly in the near-term, including in 2020 due to the impact of the COVID-19 pandemic as revenue in the HR Matching market tends to be highly correlated with overall economic growth as well as conditions in the labor market.

However, the resulting uncertainty and rapidly evolving conditions around the world prevent the Company from reliably predicting the magnitude of the negative impact on the HR matching market in 2020 or subsequent years.

During these unprecedented times, the Company remains fully committed to supporting job seekers and employers through its resources and technology. The Company will continue to invest proactively and strategically to become a global leader in the HR Matching market in the mid- to long-term.

(1) For further information, please refer to: *Mid- to Long-Term Strategies and Issues to be Addressed, 1. Aim to become the global leader of the HR Matching market in 3. Management Philosophy and Strategies.*

(2) Improve productivity of clients' businesses through SaaS solutions with a focus on *Air BusinessTools*

The Company believes there is a sizable long-term growth opportunity to provide operational support services empowered by technology, that is delivered through SaaS solutions to help improve productivity for SMEs in Japan, and aims to solve various challenges SMEs face every day in their business operations by providing *Air BusinessTools* across a variety of industries in Japan. SaaS solutions enable SMEs to spend less time on back-office related work and spend more time on their main businesses, which improves operational efficiency, enhances productivity, and contributes to the overall sustainability of SMEs' businesses. As a result, the Company believes that SaaS solutions support SMEs in growing their businesses and increasing customer satisfaction.

The Company estimates there may be roughly 2.9 million business locations and stores⁽²⁾ in Japan at which *Air BusinessTools* can be used, which represents a sizable growth opportunity. Recently, the number of accounts for *AirPAY*, a SaaS solution for accepting cashless payments, has significantly increased supported by the Japanese government initiative to encourage business owners to accept cashless payments in conjunction with the consumption tax hike. *AirPAY* had approximately 149,000 registered accounts⁽³⁾ as of March 2020, an increase of 167% compared to March 2019. The demand for *AirPAY* has continued to be strong since the tax increase in October 2019.

An increasing number of clients who use *AirPAY* have also subscribed to other *Air BusinessTools* solutions. Among the approximately 149,000 *AirPAY* registered accounts⁽³⁾ as of March 2020, approximately 102,000 registered accounts have also subscribed to other *Air BusinessTools* solutions. The Company believes the growth in *AirPAY* accounts will lead the overall growth of *Air BusinessTools* accounts.

Platform of *Air BusinessTools*



(2) The Company estimated the number of [business locations and stores] that can use *Air BusinessTools* by first identifying the total number business locations and stores of small and medium-sized enterprises in Japan (using the definition used by the Small and Medium Enterprise Agency) based on the 2016 Economic Census for Business Activity conducted by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry. The Company then estimated the number of these business locations and stores that could use *Air BusinessTools* by aggregating the number of all such business locations and stores operating in all industries in which there were 20 or more existing *Air BusinessTools* registered accounts (including non-active accounts) as of March 31, 2020. As the Company has estimated such business locations and stores based on data for 2016, it is possible that the estimated number of such business locations and stores would materially differ based on more recent data. In addition, while the estimated number of such business locations and stores that can use *Air BusinessTools* is based on the number of all business locations and stores in all industries in which there were 20 or more existing *Air BusinessTools* registered accounts, there can be no assurance that all such business locations and stores would in fact have a need for the solutions offered by *Air BusinessTools*.

(3) Registered accounts refers to the number of stores and business locations that have registered for the relevant service (including both active and non-active accounts).

Appendix:
Q4 and FY2019 Segment Highlights

Revenue (In billion yen)	FY2018	FY2019			
	Q4	Q4	YoY	Full Year	YoY
Consolidated results⁽³⁾	580.3	589.7	+1.6%	2,399.4	+3.8%
HR Technology	90.0	106.3	+18.1%	424.9	+30.0%
Reference: (In million US dollars) Revenue in US dollars ⁽²⁾	816	974	+19.4%	3,907	+32.7%
Media & Solutions	193.7	192.8	-0.4%	755.9	+4.8%
Marketing Solutions	105.2	113.0	+7.5%	438.5	+9.5%
Housing and Real Estate	28.1	30.6	+9.0%	113.3	+8.9%
Bridal	13.0	12.2	-6.2%	52.0	-5.3%
Travel	14.9	16.8	+12.7%	73.4	+19.1%
Dining	10.0	9.8	-2.1%	39.2	+0.9%
Beauty	18.7	21.1	+13.3%	81.6	+13.3%
Others	20.3	22.3	+9.7%	78.9	+14.7%
HR Solutions	86.6	79.1	-8.6%	314.1	-0.9%
Recruiting in Japan	78.2	70.0	-10.5%	277.8	-2.2%
Others	8.3	9.1	+8.9%	36.2	+10.4%
Eliminations and Adjustments	1.9	0.6	-65.8%	3.1	-23.4%
Staffing	304.1	297.7	-2.1%	1,248.1	-3.3%
Japan	133.4	143.6	+7.7%	567.8	+4.7%
Overseas	170.7	154.0	-9.8%	680.3	-9.0%
Eliminations and Adjustments	(7.6)	(7.2)	-	(29.5)	-
Adjusted EBITDA (In billion yen)					
Consolidated results^(1,3)	53.1	55.2	+4.1%	325.1	+10.9%
HR Technology ⁽¹⁾	10.5	8.3	-20.7%	71.2	+50.2%
Media & Solutions ⁽¹⁾	32.2	34.2	+6.1%	182.9	+6.1%
Marketing Solutions ^(1,4)	18.8	18.6	-1.4%	115.9	+5.6%
HR Solutions ^(1,4)	17.9	18.8	+5.0%	83.4	+5.3%
Eliminations and Adjustments ^(1,4)	(4.5)	(3.1)	-	(16.5)	-
Staffing ⁽¹⁾	13.6	16.2	+18.5%	81.2	-2.0%
Japan ⁽¹⁾	6.6	10.2	+53.7%	47.1	+9.5%
Overseas ⁽¹⁾	7.0	5.9	-15.0%	34.1	-14.5%
Eliminations and Adjustments	(3.4)	(3.6)	-	(10.3)	-
Adjusted EBITDA margin⁽¹⁾					
Consolidated results⁽¹⁾	9.2%	9.4%	+0.2pt	13.6%	+0.9pt
HR Technology	11.8%	7.9%	-3.9pt	16.8%	+2.3pt
Media & Solutions	16.7%	17.8%	+1.1pt	24.2%	+0.3pt
Marketing Solutions ^(1,4)	18.0%	16.5%	-1.5pt	26.4%	-1.0pt
HR Solutions ^(1,4)	20.7%	23.7%	+3.1pt	26.6%	+1.6pt
Staffing ⁽¹⁾	4.5%	5.4%	+0.9pt	6.5%	+0.1pt
Japan ⁽¹⁾	5.0%	7.1%	+2.1pt	8.3%	+0.4pt
Overseas ⁽¹⁾	4.1%	3.9%	-0.2pt	5.0%	-0.3pt

(1) EBITDA and EBITDA margin for FY2018, adjusted EBITDA and adjusted EBITDA margin for 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.

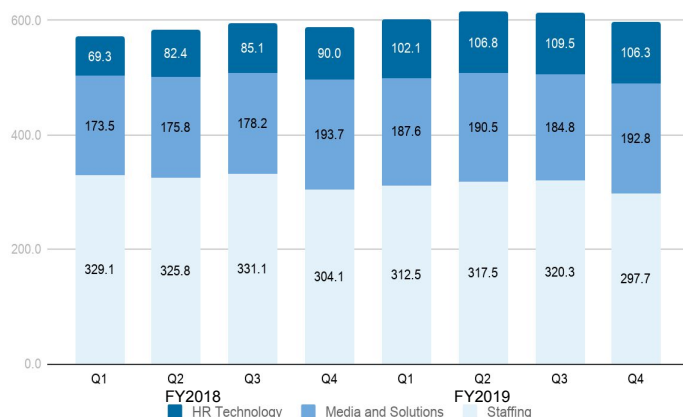
(3) The total sum of the three segments does not correspond with consolidated numbers due to Eliminations and Adjustments, such as intra-group transactions.

(4) For Q4 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.

Appendix: Quarterly Revenue and Adjusted EBITDA by Segment^(1,2)

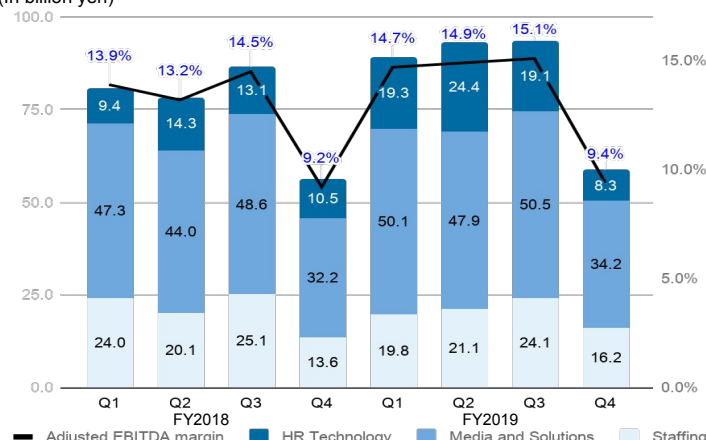
Revenues

(In billion yen)



Adjusted EBITDA and adjusted EBITDA margin

(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 FY2018. Adjusted EBITDA and adjusted EBITDA margin for FY2019.

Adjusted items for Adjusted EBITDA and Adjusted Profit

(In billion yen)

Adjusted EBITDA	FY2019	
	Q4	Full Year
Operating income	(6.2)	206.0
Other operating income	(0.1)	(5.7)
Other operating expenses	+40.6	+47.5
Depreciation and amortization	+31.4	+115.7
EBITDA	65.7	363.5
Depreciation and amortization (right-of-use-assets)	(10.4)	(38.4)
Adjusted EBITDA	55.2	325.1

(In billion yen)

Adjusted Profit	FY2019	
	Q4	Full Year
Profit (loss) attributable to owners of the parent	13.3	179.8
Amortization and intangible assets arising due to business combination	+4.8	+19.9
Non-recurring income	(0.2)	(16.9)
Non-recurring losses	+40.0	+51.1
Tax reconciliation regarding the adjusted items	(29.4)	(34.5)
Adjusted Profit	28.6	199.5

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 Company adopted IFRS 16 in FY2019, and changed its accounting policy. Pursuant to IFRS 16, a lessee generally must recognize a "right-of-use asset" for all leases, such as 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.

In this document, the terms the "Company," "Recruit Group," "we," and "our" refer to Recruit Holdings Co., Ltd. and its subsidiaries unless otherwise indicated. The "Holding Company" refers to Recruit Holdings Co., Ltd. ("Recruit Holdings") on a standalone basis. SBU stands for strategic business unit.

Full set of material regarding 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 FY2019, and earnings releases are not subject to review by a certified public accountant nor an independent auditor.

Disclaimer:

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