August 9, 2019

Recruit Holdings Announces First Quarter FY2019 Results

TOKYO, JAPAN (August 9, 2019) - Recruit Holdings Co., Ltd. (“Recruit Holdings” or the “Company”) today announced financial results for the three months ended June 30, 2019 (unaudited).

1. 3 Months FY2019 Consolidated Financial Highlights

- Consolidated revenue +5.1%, Adjusted EBITDA(1) +11.0%, Adjusted EPS +13.3%
  - Quarterly revenue and adjusted EBITDA increased in HR Technology and Media & Solutions segments
  - Quarterly revenue and adjusted EBITDA decreased in Staffing segment
- HR Technology segment continued its strong growth
  - Revenue increased +47.5% yoy, +46.3% in US dollar terms (2)

(In billion yen, unless otherwise stated)	FY2018	FY2019	
	Q1	Q1	YoY
Revenue	**565.4**	**594.4**	**+5.1%**
Adjusted EBITDA(1)	**78.7**	**87.3**	**+11.0%**
Adjusted EBITDA margin(1)	**13.9%**	**14.7%**	**+0.8pt**
Operating income	**67.8**	**71.2**	**+5.0%**
Profit attributable to owners of the parent	**47.3**	**59.3**	**+25.2%**
Adjusted EPS (yen)	**29.37**	**33.29**	**+13.3%**

2. Q1 FY2019 Segment Highlights

HR Technology Segment:

- Quarterly revenue for Q1 FY2019 increased by 47.5% yoy (year on year) and by 46.3% yoy in US dollar terms(2); the increase was mainly due to increased sponsored job advertising revenue and ongoing strong demand for recruiting solutions by Indeed. Revenue from the acquisition of Glassdoor, which was included since Q2 FY2018, also contributed to revenue growth.
- Quarterly adjusted EBITDA for Q1 FY2019 increased by 104.7% yoy. Adjusted EBITDA margin was 18.9% for Q1 FY2019, an increase from 13.6% for Q1 FY2018 primarily due to lower growth in sales and marketing expenses compared to revenue growth and the one time transaction related expense for Glassdoor which was incurred in Q1 FY2018.
- As of Q1 FY2019, Indeed and Glassdoor attract more than 250 million and 60 million monthly unique visitors(3) and had approximately 9,500 and 960 employees, respectively.

Media & Solutions Segment:

- Quarterly revenue for Q1 FY2019 increased by 8.2% 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 Q1 FY2019 increased by 5.8% yoy driven mainly by higher adjusted EBITDA in Marketing 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 enterprise clients in non-urban areas and the outskirts of metropolitan areas.
- Travel benefited from 10 consecutive holidays in Japan. The online booking fee on its platform *Jalan* was increased from April 1, 2019.
- Recruiting in Japan continued to focus on enhancing its brand value, strengthening user attractiveness, and reinforcing its sales structure amid the extremely tight labor market in Japan.

Staffing Segment:

- Quarterly revenue for Q1 FY2019 decreased by 5.0% (ex FX impact: -2.9%). Quarterly revenue for Japan operations increased by 1.5% and for Overseas operations decreased by 9.6% (ex FX impact: -5.9%) yoy.
- Quarterly adjusted EBITDA for Q1 FY2019 decreased by 17.5% (Japan -12.4%, Overseas -24.0%) yoy. Adjusted EBITDA margin for Q1 FY2019 was 6.3%.
- For Japan operations, quarterly revenue for Q1 increased despite the number of working days being 3 days less than Q1 FY2018, as demand for agency workers continued to be strong. Adjusted EBITDA margin was 8.5%, decreased from 9.9% for Q1 FY2018, mainly due to decreased adjusted EBITDA from increased investments in advertising to grow the number of registered agency workers and investments in system upgrades to accommodate the changes from the revisions of Japanese laws related to the staffing industry.
- For Overseas operations, quarterly revenue and adjusted EBITDA for Q1 decreased. Adjusted EBITDA margin was 4.6%, decreased from 5.5% for Q1 FY2018, primarily because the negative impact from decreased adjusted EBITDA as a result of lower revenue outweighed the positive impact from the improvement through the Unit Management System.

Revenue (In billion yen)	FY2018 Q1	FY2019 Q1	FY2019 YoY
Consolidated results[4]	565.4	594.4	+5.1%
HR Technology	69.3	102.1	+47.5%
Reference: (In million US dollars) **Revenue in US dollars**[2]	634	928	+46.3%
Media & Solutions	173.5	187.6	+8.2%
Marketing Solutions	93.6	105.7	+12.9%
Housing and Real Estate	24.2	26.7	+10.5%
Bridal	13.9	13.2	-4.5%
Travel	14.0	17.5	+25.1%
Dining	9.2	9.5	+3.0%
Beauty	17.2	19.3	+12.7%
Others	15.0	19.1	+27.9%
HR Solutions	79.0	81.1	+2.6%
Recruiting in Japan	70.2	71.9	+2.4%
Others	8.8	9.1	+4.4%
Eliminations and Adjustments	0.8	0.7	-2.7%
Staffing	329.1	312.5	-5.0%
Japan	135.6	137.7	+1.5%
Overseas	193.4	174.8	-9.6%
Eliminations and Adjustments	(6.4)	(8.0)	-
Adjusted EBITDA (In billion yen)			
Consolidated results[1,4]	78.7	87.3	+11.0%
HR Technology[1]	9.4	19.3	+104.7%
Media & Solutions[1]	47.3	50.1	+5.8%
Marketing Solutions[1,5]	27.9	30.8	+10.1%
HR Solutions[1,5]	23.3	23.5	+0.7%
Eliminations and Adjustments[1,5]	(3.9)	(4.2)	-
Staffing[1]	24.0	19.8	-17.5%
Japan[1]	13.4	11.7	-12.4%
Overseas[1]	10.5	8.0	-24.0%
Eliminations and Adjustments[1]	(2.1)	(1.9)	-
Adjusted EBITDA margin			
Consolidated results[1]	13.9%	14.7%	+0.8pt
HR Technology[1]	13.6%	18.9%	+5.3pt
Media & Solutions[1]	27.3%	26.7%	-0.6pt
Marketing Solutions[1,5]	29.9%	29.1%	-0.7pt
HR Solutions[1,5]	29.6%	29.0%	-0.6pt
Staffing[1]	7.3%	6.3%	-1.0pt
Japan[1]	9.9%	8.5%	-1.4pt
Overseas[1]	5.5%	4.6%	-0.9pt

(1) EBITDA and EBITDA margin for Q1 FY2018, adjusted EBITDA and adjusted EBITDA margin for Q1 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, Q1 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) In Q1 FY2019, the segment profit of some subsidiaries in Marketing Solutions and HR Solutions was not adjusted for the impact of the adoption of IFRS 16 and such amount is included in Eliminations and Adjustments, but the effect of this is not material.

3. Consolidated Financial Guidance for FY2019

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

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

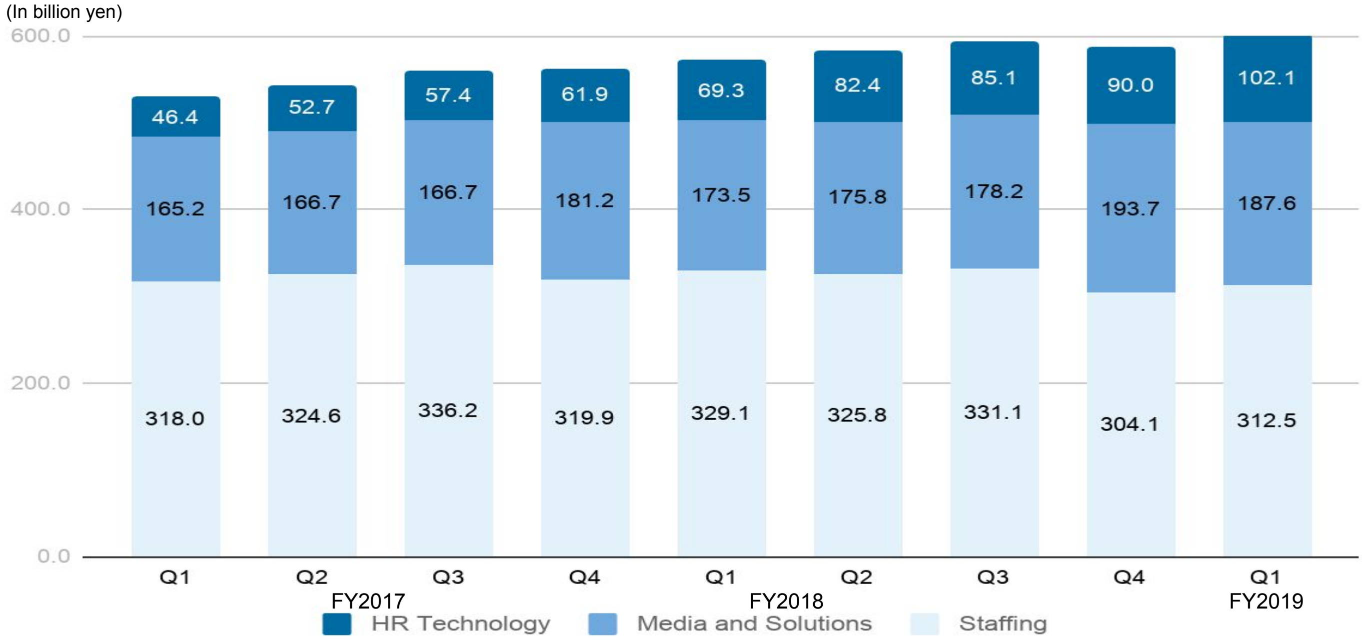
The HR Technology segment revenue on a US dollar basis is expected to grow approximately 35% plus or minus a few percent. Adjusted EBITDA margin for the segment is expected to be approximately the same level as FY2018 plus or minus a few percent mainly due to continued investment in sales and marketing 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.

For the Staffing segment, the Company previously announced segment revenue is expected to grow low single digits, comprised of an increase in both Japan and Overseas operations. However, the Company expects the uncertain outlook mainly in Europe to continue, and will further improve productivity by implementing the Unit Management System. As a result, the Company decided to revise the revenue outlook for Overseas operations to decrease for FY2019. The Company continues to expect revenue of the Staffing segment and Japan operations to increase low single digits and adjusted EBITDA margin for the Staffing segment to improve slightly for FY2019.

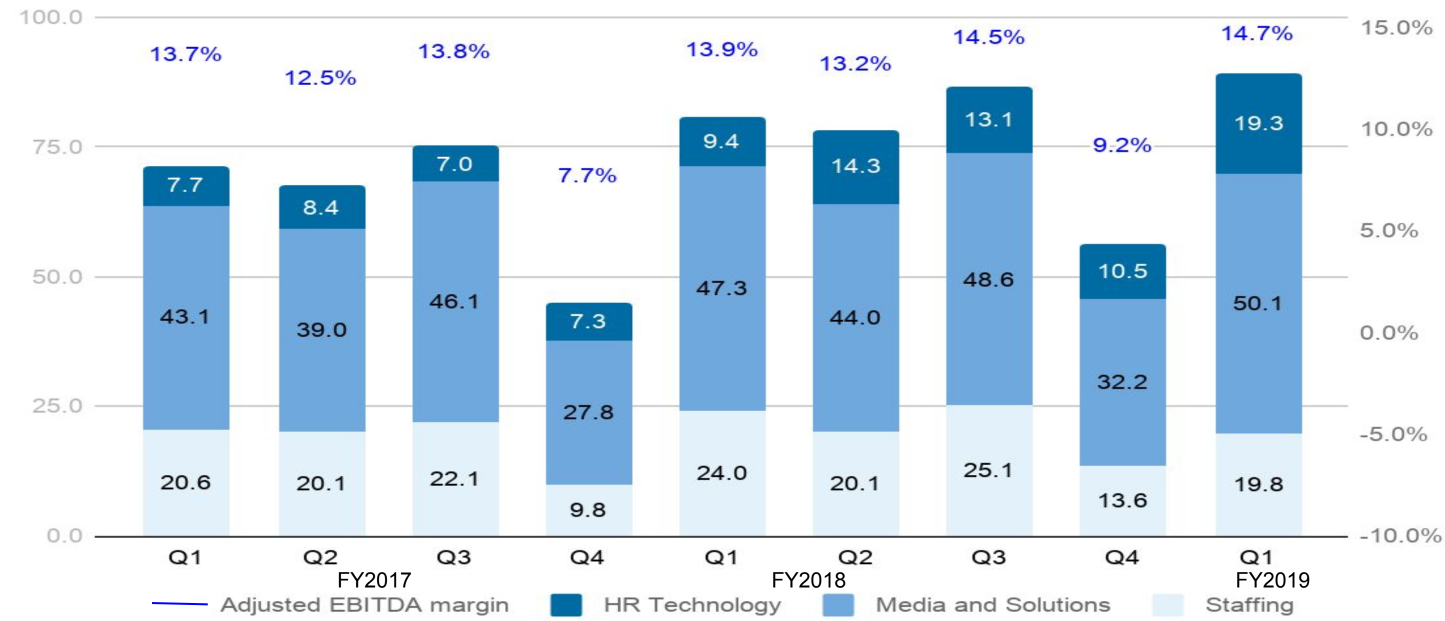
Appendix:
Quarterly Revenue by segment[1]

(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 Q1 FY2019.

Adjusted items for Adjusted EBITDA and Adjusted Profit (for Adjusted EPS)

（In billion yen）	FY2019
Adjusted EBITDA	**Q1**
Operating income	**71.2**
Other operating income	**-3.7**
Other operating expenses	**+1.6**
Depreciation and amortization	**+26.6**
EBITDA	**95.8**
Depreciation and amortization (right-of-use-assets)	**-8.4**
Adjusted EBITDA	**87.3**

（In billion yen）	FY2019
Adjusted Profit	**Q1**
Profit (loss) attributable to owners of the parent	**59.3**
Amortization and intangible assets arising due to business combination	**+4.9**
Non-recurring income	**-15.5**
Non-recurring losses	**+6.1**
Tax reconciliation regarding the adjusted items	**+0.6**
Adjusted Profit	**55.6**

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 Q1 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 Q1 FY2019, and earnings releases are not subject to review by a certified public accountant nor an independent auditor.