

Financial Results for Q2 FY2019



Recruit Holdings Co., Ltd.

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CFO and Senior Managing Corporate Executive Officer

November 13, 2019

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Secondary Offering

Secondary Offering of 121.5 million shares of common stock

Offering price of 3,079 yen per share

Share Repurchase

Conducting as open market purchases in line with our capital allocation policy to enhance shareholder returns

- **Maximum total number of shares: 30 million shares**
- **Maximum total purchase amount: 80.0 billion yen**
- **Time period: September 19 to November 29, 2019**
- **As of October 31, 2019, 14.2 million shares repurchased at the total price of 49.2 billion yen**

Consolidated

Revenue +5.1%, Adjusted EBITDA +14.5%, Adjusted EPS +15.9%

: Revenue and Adjusted EBITDA increased in HR Technology and Media & Solutions

: Revenue and Adjusted EBITDA decreased in Staffing, impacted by uncertain economic environment in Europe

HR Technology

Strong yoy revenue growth continued: +40.1%⁽¹⁾ in US dollar terms

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.
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FY2019 Q2 Consolidated Financial Results

3. FY2019 Q2 Financial Results

| | FY2018 | FY2019 | | FY2018 | FY2019 | |
|--|--------------|--------------|---------------|----------------|----------------|---------------|
| | Q2 | Q2 | yoy | 1st Half | 1st Half | yoy |
| (in billions of yen, unless otherwise stated) | | | | | | |
| Revenue | 577.8 | 606.7 | +5.0% | 1,143.3 | 1,201.2 | +5.1% |
| Adjusted EBITDA | 76.5 | 90.3 | +18.1% | 155.2 | 177.7 | +14.5% |
| Adjusted EBITDA margin | 13.2% | 14.9% | +1.7pt | 13.6% | 14.8% | +1.2pt |
| Operating income | 58.7 | 71.4 | +21.6% | 126.5 | 142.6 | +12.7% |
| Profit attributable to owners of the parent | 45.3 | 54.8 | +21.0% | 92.6 | 114.1 | +23.2% |
| Adjusted profit | 48.8 | 57.8 | +18.3% | 97.9 | 113.4 | +15.8% |
| Adjusted EPS (yen) | 29.26 | 34.67 | +18.5% | 58.64 | 67.96 | +15.9% |

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

(in billions of yen, unless otherwise stated)

| | FY2018 | FY2019 | | FY2018 | FY2019 | |
|--|--------|--------|--------|--------|--------|--------|
| | Q2 | Q2 | yoy | Q2 | Q2 | yoy |
| Revenue | | | | | | |
| HR Technology | 82.4 | 106.8 | +29.6% | 151.7 | 209.0 | +37.8% |
| Reference: Revenue in million of US dollars ⁽¹⁾ | 739 | 996 | +34.8% | 1,373 | 1,925 | +40.1% |
| Adjusted EBITDA | | | | | | |
| HR Technology | 14.3 | 24.4 | +70.5% | 23.7 | 43.7 | +84.1% |
| Adjusted EBITDA margin | | | | | | |
| HR Technology | 17.4% | 22.9% | +5.5pt | 15.7% | 20.9% | +5.3pt |

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

Media & Solutions

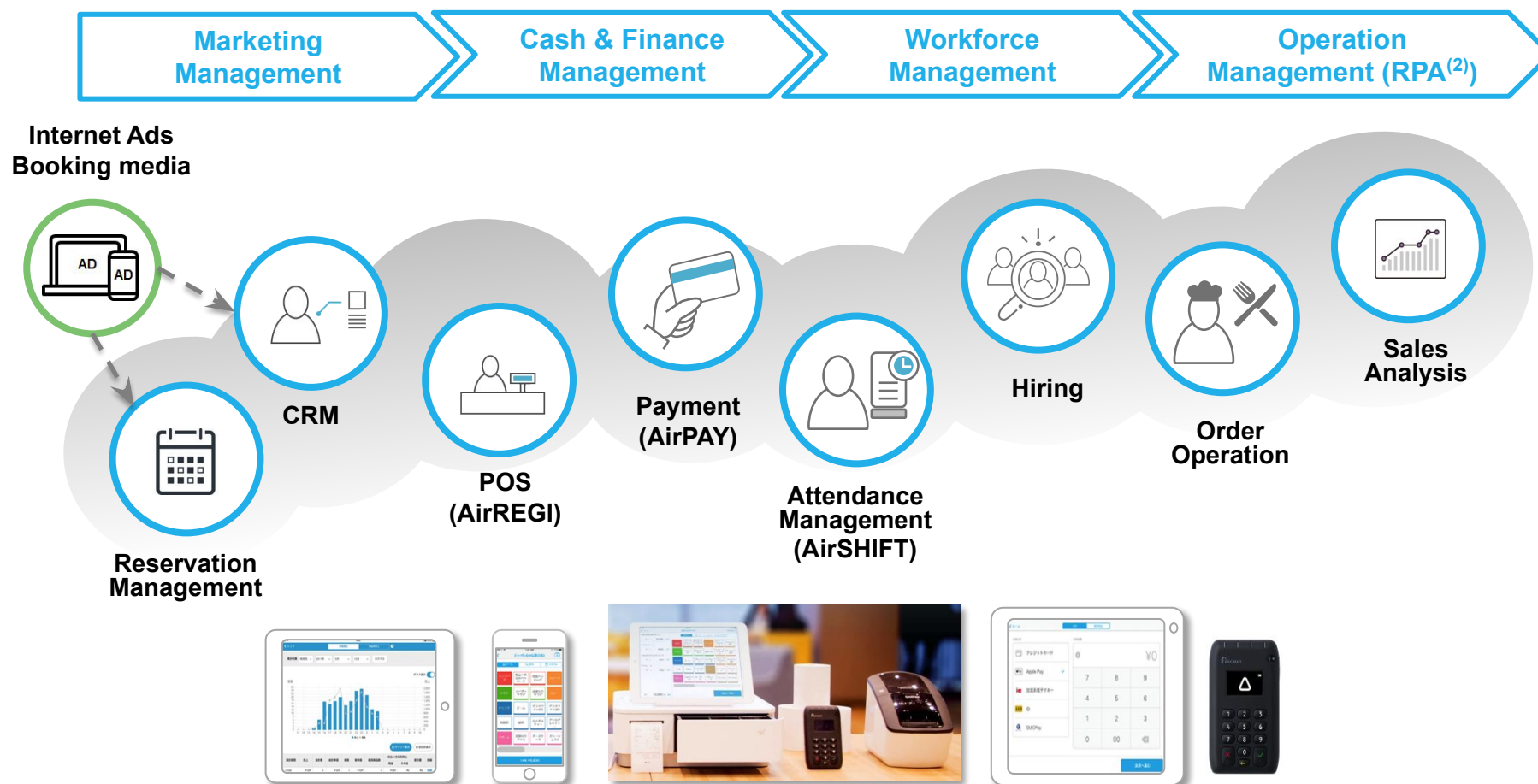
3. FY2019 Q2 Financial Results

| (in billions of yen, unless otherwise stated) Revenue | FY2018 | FY2019 | | FY2018 | FY2019 | |
|--|--------|--------|--------|----------|----------|--------|
| | Q2 | Q2 | yoy | 1st half | 1st half | yoy |
| Segment total | 175.8 | 190.5 | +8.3% | 349.4 | 378.2 | +8.2% |
| Marketing Solutions | 100.8 | 110.6 | +9.7% | 194.4 | 216.3 | +11.3% |
| Housing and Real Estate | 25.2 | 27.5 | +9.2% | 49.4 | 54.3 | +9.8% |
| Bridal | 13.8 | 13.1 | -5.0% | 27.7 | 26.4 | -4.7% |
| Travel | 17.6 | 21.3 | +20.8% | 31.6 | 38.8 | +22.7% |
| Dining | 9.2 | 9.3 | +1.1% | 18.5 | 18.8 | +2.1% |
| Beauty | 17.8 | 20.2 | +13.8% | 35.0 | 39.6 | +13.3% |
| Others | 16.9 | 18.9 | +11.4% | 32.0 | 38.1 | +19.1% |
| HR Solutions | 74.4 | 79.2 | +6.5% | 153.4 | 160.3 | +4.5% |
| Recruiting in Japan | 66.4 | 70.0 | +5.3% | 136.7 | 141.9 | +3.8% |
| Others | 7.9 | 9.2 | +15.9% | 16.7 | 18.4 | +9.9% |
| Eliminations and Adjustments | 0.6 | 0.6 | +1.5% | 1.4 | 1.4 | -0.8% |
| Adjusted EBITDA | | | | | | |
| Segment total | 44.0 | 47.9 | +8.8% | 91.4 | 98.0 | +7.3% |
| Marketing Solutions | 29.7 | 31.3 | +5.2% | 57.7 | 62.1 | +7.6% |
| HR Solutions | 18.1 | 21.3 | +17.7% | 41.5 | 44.9 | +8.1% |
| Eliminations and Adjustments | -3.8 | -4.7 | - | -7.8 | -8.9 | - |
| Adjusted EBITDA margin | | | | | | |
| Segment total | 25.0% | 25.2% | +0.1pt | 26.2% | 25.9% | -0.2pt |
| Marketing Solutions | 29.5% | 28.3% | -1.2pt | 29.7% | 28.7% | -1.0pt |
| HR Solutions | 24.4% | 27.0% | +2.6pt | 27.1% | 28.0% | +0.9pt |

Offering Comprehensive SaaS Solutions to SMEs in Japan

3. FY2019 Q2 Financial Results

Air BusinessTools⁽¹⁾



1. Air BusinessTools is collectively renamed from AirSeries.

2. RPA indicates "Robotics Process Automation."

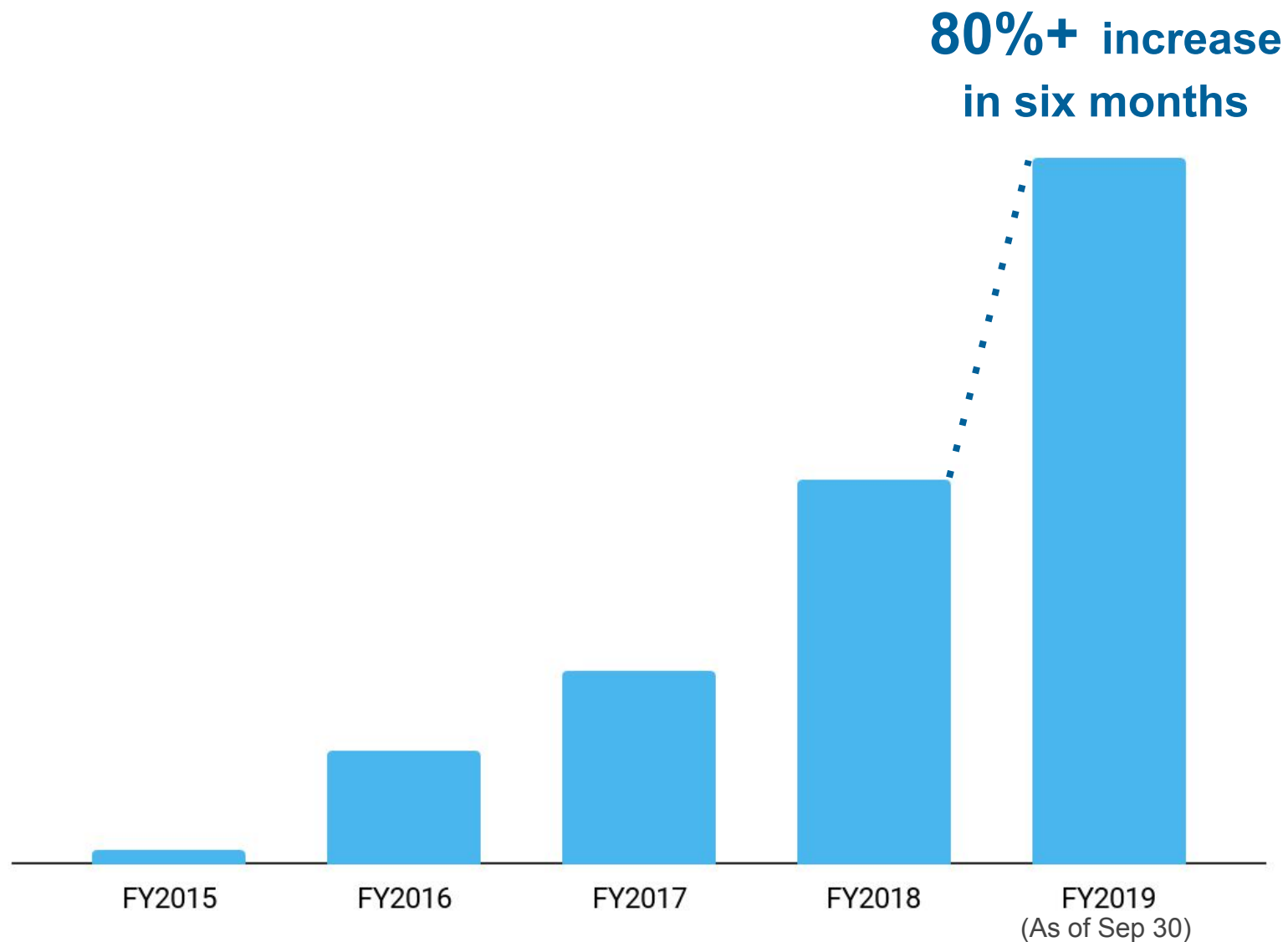
Total Number of Accounts⁽¹⁾



1. Registered accounts for SaaS include multiple accounts of the same enterprise clients including SMEs for different types of SaaS solutions offered mainly through Air BusinessTools. The accounts of classified ads and SaaS include the freemium users. The accounts are as of fiscal year end.

Number of AirPAY Accounts

3. FY2019 Q2 Financial Results



1. The accounts are as of fiscal year end for FY2015 to FY2018 and as of the end of September 2019 for FY2019.
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(in billions of yen, unless otherwise stated)

| | FY2018 | FY2019 | | FY2018 | FY2019 | |
|-------------------------------|--------|--------|--------|----------|----------|--------|
| | Q2 | Q2 | yoy | 1st Half | 1st Half | yoy |
| Revenue | | | | | | |
| Segment total | 325.8 | 317.5 | -2.6% | 654.9 | 630.1 | -3.8% |
| Japan | 132.5 | 139.8 | +5.5% | 268.2 | 277.5 | +3.5% |
| Overseas | 193.2 | 177.7 | -8.0% | 386.7 | 352.5 | -8.8% |
| Adjusted EBITDA | | | | | | |
| Segment total | 20.1 | 21.1 | +5.0% | 44.1 | 40.9 | -7.3% |
| Japan | 9.5 | 11.4 | +20.4% | 22.9 | 23.2 | +1.2% |
| Overseas | 10.6 | 9.6 | -8.7% | 21.2 | 17.7 | -16.4% |
| Adjusted EBITDA margin | | | | | | |
| Segment total | 6.2% | 6.7% | +0.5pt | 6.7% | 6.5% | -0.2pt |
| Japan | 7.2% | 8.2% | +1.0pt | 8.6% | 8.4% | -0.2pt |
| Overseas | 5.5% | 5.5% | -0.0pt | 5.5% | 5.0% | -0.5pt |

FY2019 Consolidated Financial Guidance has not changed since the announcement on May 14, 2019:

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

Annual 30 yen (planned): 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 Japan operations and may decrease in Overseas operations

Adjusted EBITDA margin is expected to increase slightly



Appendix

Our HR Matching business⁽¹⁾:
Approximately 870 billion yen in FY2018⁽¹⁾

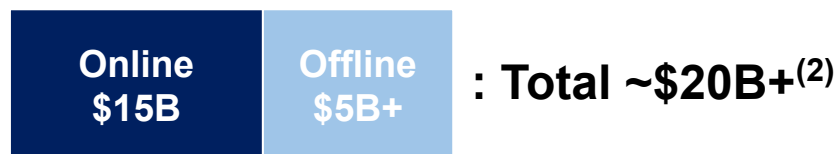
HR Matching business



1. The HR Matching business comprised of (i) revenue of the HR Technology segment, (ii) revenue of the HR Solutions in the Media & Solutions segment and (iii) gross profit derived from revenue minus salary for agency workers, etc. of the Staffing segment.
2. "Total" comprised of businesses in note 1 above and revenue of the Marketing Solutions in the Media & Solutions segment.

Total Addressable Market Estimated at \$150 billion+⁽¹⁾

Job Advertising & Talent Sourcing Tools Market



Placement & Search Market



Temp Staffing Market



1. The \$150 billion+ total addressable market is the total of the Job Advertising & Talent Sourcing Tools Market, the Placement & Search Market and the Temp Staffing Market shown on this page. The Company has estimated the size of its addressable markets based on a combination of internal and external data, estimates, market research and assumptions, which are inherently subject to a number of uncertainties. Accordingly, the estimated size of the Company's addressable markets may differ materially from the actual size of such markets, and you should not place undue reliance on this information.
2. Estimated market size in 2018 based on internal estimates, assumptions and market research by the Company. The online job advertising and talent sourcing tools market is defined to include (i) revenue of Indeed and competing job advertising boards in the Company's target operating markets and (ii) revenue of the talent solutions business of LinkedIn in the Company's target operating markets. The offline job advertising and talent sourcing market is defined to include newspaper, magazine and other print channels only and excludes television, cinema, radio and other non-print channels and is derived by applying the proportion of online to offline spending in the overall advertising market to the Company's estimated size of the online job advertising and talent sourcing tools market.
3. Source: SIA (Staffing Industry Analysts), www.staffingindustry.com, Global Staffing Industry Market Estimates and Forecast: May 2019 Update
4. Gross profit for the temporary staffing market is estimated by multiplying (i) the market size by revenue in 2018 of \$436 billion as estimated by SIA, Global Staffing Industry Market Estimates and Forecast: May 2019 Update, by (ii) 18.3%, which was the weighted average gross profit margin of the top three public staffing companies in terms of revenue in 2018.

Q2 FY2019 Financial Results by Segment

| | FY2018 | FY2019 | | FY2018 | FY2019 | |
|---|--------|--------|--------|----------|----------|--------|
| Revenue (in billions of yen) | Q2 | Q2 | yoy | 1st Half | 1st Half | yoy |
| Consolidated | 577.8 | 606.7 | +5.0% | 1,143.3 | 1201.2 | +5.1% |
| HR Techonology | 82.4 | 106.8 | +29.6% | 151.7 | 209.0 | +37.8% |
| Media & Solutions | 175.8 | 190.5 | +8.3% | 349.4 | 378.2 | +8.2% |
| Staffing | 325.8 | 317.5 | -2.6% | 654.9 | 630.1 | -3.8% |
| Eliminations and Adjustments | -6.2 | -8.0 | - | -12.7 | -16.1 | - |
| Adjusted EBITDA (in billions of yen) | | | | | | |
| Consolidated | 76.5 | 90.3 | +18.1% | 155.2 | 177.7 | +14.5% |
| HR Techonology | 14.3 | 24.4 | +70.5% | 23.7 | 43.7 | +84.1% |
| Media & Solutions | 44.0 | 47.9 | +8.8% | 91.4 | 98.0 | +7.3% |
| Staffing | 20.1 | 21.1 | +5.0% | 44.1 | 40.9 | -7.3% |
| Eliminations and Adjustments | -1.9 | -3.0 | - | -4.1 | -5.0 | - |
| Adjusted EBITDA margin | | | | | | |
| Consolidated | 13.2% | 14.9% | +1.7pt | 13.6% | 14.8% | +1.2pt |
| HR Techonology | 17.4% | 22.9% | +5.5pt | 15.7% | 20.9% | +5.3pt |
| Media & Solutions | 25.0% | 25.2% | +0.1pt | 26.2% | 25.9% | -0.2pt |
| Staffing | 6.2% | 6.7% | +0.5pt | 6.7% | 6.5% | -0.2pt |

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

Adjustment items for Adjusted EBITDA and Adjusted Profit

(in billions of yen, unless otherwise stated)

| Adjusted EBITDA | FY2019 | |
|---|--------|----------|
| | Q2 | 1st Half |
| 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 billions of yen, unless otherwise stated)

| Adjusted Profit | FY2019 | |
|--|--------|----------|
| | Q2 | 1st Half |
| Profit (loss) attributable to owners of the parent | 54.8 | 114.1 |
| Amortization of intangible assets arising due to business combinations | +5.2 | +10.2 |
| Non-recurring income | -1.3 | -16.8 |
| Non-recurring losses | +1.7 | +7.9 |
| Tax reconciliation regarding the adjustment 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) \pm other operating income/expenses

Adjusted EBITDA margin = Adjusted EBITDA / Revenue

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.