

Recruit Holdings Announces FY2020 Q1 Results

1. 3 Months FY2020 Consolidated Financial Highlights

- Consolidated revenue of 475.4 billion yen (-20.0%), adjusted EBITDA of 53.4 billion yen (-38.8%), adjusted EPS of 17.49 yen (-47.5%).
 - Operating income significantly decreased due to decreased revenue and 9.8 billion yen of other operating expenses. Other operating expenses include additional non-recurring expenses arising from COVID-19 related measures and a loss on the sale of a subsidiary.
 - Reduced SG&A expenses by 44.0 billion yen yoy which was driven mainly by reduced advertising expenses and promotion expenses, as well as lower sales commissions which were directly correlated to revenue.

(In billions of yen, unless otherwise stated)	FY2019	FY2020	
	Q1	Q1	YoY
Revenue	594.4	475.4	-20.0%
Adjusted EBITDA	87.3	53.4	-38.8%
Adjusted EBITDA margin	14.7%	11.2%	-
Operating income	71.2	26.6	-62.6%
Profit attributable to owners of the parent	59.3	22.3	-62.4%
Adjusted EPS (yen)	33.29yen	17.49yen	-47.5%

2. Q1 FY2020 Segment Highlights

HR Technology:

- Revenue decreased by 27.5% yoy and by 25.8%⁽¹⁾ yoy in US dollar terms. Revenue decline was primarily driven by a decrease in sponsored job advertising and reduced demand for recruiting solutions.
- Adjusted EBITDA decreased by 59.4% yoy, primarily driven by the decline in revenue. Adjusted EBITDA margin was 10.6% (18.9% in Q1 FY2019).
- Continued reduction of investments in sales and marketing and hiring pause since March.

(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.

Media & Solutions:

- Revenue decreased by 29.1% yoy. Revenue in both Marketing Solutions and HR Solutions decreased.
- Adjusted EBITDA decreased by 45.4% yoy, primarily due to decreased revenue in both operations. Adjusted EBITDA margin was 20.6% (26.7% in Q1 FY2019).
- Implemented quick and flexible cost controls, mainly by reducing marketing expenses while focusing on capturing enterprise clients' present and future demand for resuming their advertising and hiring activities.

Staffing:

- Revenue decreased by 12.3% (-10.3% ex FX impact) yoy. Revenue for Japan operations increased by 5.9% and for Overseas operations decreased by 26.6% (-23.0% ex FX impact) yoy.
- Adjusted EBITDA increased by 0.2% (Japan +44.7%, Overseas -64.8%) yoy. Adjusted EBITDA margin was 7.2%.
- For Japan operations, both revenue and adjusted EBITDA increased yoy, primarily due to an additional two business days in the quarter compared to the previous year, and increased billing prices following the implementation of the equal pay for equal work regulations beginning April 1, 2020. Adjusted EBITDA margin was 11.7% (8.5% in Q1 FY2019).
- For Overseas operations, both revenue and adjusted EBITDA decreased yoy, primarily due to restrictions on enterprise clients' business operations and the negative impact of FX movements. These conditions, as well as uncertainty about the future, led to a significant decline in demand from enterprise clients for temporary staff. Adjusted EBITDA margin was 2.2% (4.6% in Q1 FY2019). Overseas operations maintained a positive adjusted EBITDA margin by strengthening ongoing cost control initiatives.

3. Consolidated Financial Guidance for FY2020

Due to the uncertainty and rapidly evolving conditions around the world, the Company is unable at this time to reliably predict the impact that the global spread of COVID-19 will have on its FY2020 financial performance. As a result, the Company is not providing consolidated financial guidance for FY2020. The Company plans to provide consolidated financial guidance for FY2020 when the Company is able to reasonably estimate the magnitude of the impact of the global spread of COVID-19 on its business.

4. Latest Business Operation Update

The Company's consolidated monthly revenue for July exceeded that of June. However, monthly revenue decreased approximately 15% year on year, which was slightly worse than that of June.

Monthly revenue for July in HR Technology decreased approximately 7% yoy on a US dollar basis, in Media & Solutions decreased approximately 26% yoy, and in Staffing decreased approximately 10% yoy.

The global economic outlook remains uncertain, and lockdowns and other restrictions may continue or may be implemented again in many countries. Therefore, the Company expects that the global spread of COVID-19 will continue to have a significant adverse impact on financial performance in Q2 FY2020 and beyond.

Note:
Consolidated monthly revenue reporting represents the unaudited financial results of operating companies as reported on a monthly basis (before applying intercompany eliminations or adjustments) and monthly revenue reporting for segments represents the unaudited financial results of operating companies as reported on a monthly basis (excluding the impact of foreign exchange rate movements and before applying intercompany eliminations or adjustments). These figures 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.

**Appendix:
Q1 Segment Highlights**

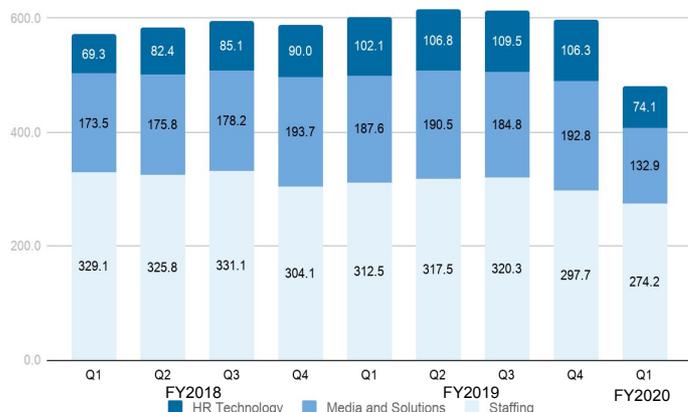
(In billions of yen)	FY2019		FY2020	
	Q1	Q1	YoY	
Revenue				
HR Technology	102.1	74.1	-27.5%	
Revenue in US dollars ⁽¹⁾ (In millions of US dollars)	\$928	\$689	-25.8%	
Media & Solutions				
Marketing Solutions				
Housing and Real Estate	26.7	24.9	-6.6%	
Beauty	19.3	17.4	-9.7%	
Bridal	13.2	7.1	-46.0%	
Travel	17.5	6.0	-65.3%	
Dining	9.5	1.7	-81.3%	
Others	19.1	19.5	+2.1%	
Total	105.7	77.1	-27.1%	
HR Solutions				
Recruiting in Japan	71.9	49.1	-31.7%	
Others	9.1	5.9	-34.9%	
Total	81.1	55.1	-32.1%	
Eliminations and Adjustments	0.7	0.7	-6.0%	
Total	187.6	132.9	-29.1%	
Staffing				
Japan	137.7	145.8	+5.9%	
Overseas	174.8	128.4	-26.6%	
Total	312.5	274.2	-12.3%	
Eliminations and Adjustments	(8.0)	(5.8)	-	
Consolidated Revenue⁽²⁾	594.4	475.4	-20.0%	
Adjusted EBITDA				
HR Technology	19.3	7.8	-59.4%	
Media & Solutions				
Marketing Solutions	30.8	17.2	-44.1%	
HR Solutions	23.5	14.9	-36.6%	
Eliminations and Adjustments	(4.2)	(4.7)	-	
Total	50.1	27.3	-45.4%	
Staffing				
Japan	11.7	17.0	+44.7%	
Overseas	8.0	2.8	-64.8%	
Total	19.8	19.8	+0.2%	
Eliminations and Adjustments	(1.9)	(1.6)	-	
Consolidated Adjusted EBITDA⁽²⁾	87.3	53.4	-38.8%	
Adjusted EBITDA Margin				
HR Technology	18.9%	10.6%	-	
Media & Solutions				
Marketing Solutions	29.1%	22.3%	-	
HR Solutions	29.0%	27.1%	-	
Staffing				
Japan	8.5%	11.7%	-	
Overseas	4.6%	2.2%	-	
Consolidated Adjusted EBITDA Margin	14.7%	11.2%	-	

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

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

Revenue

(In billions of yen)



Adjusted EBITDA and adjusted EBITDA margin

(In billions of yen)



(1) The total sum of the three segments does not correspond with consolidated revenue and adjusted 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 and FY2020.

Adjusted items for Adjusted EBITDA and Adjusted Profit

(In billions of yen)

	FY2020
	Q1
Adjusted EBITDA	
Operating income	26.6
Other operating income	(2.8)
Other operating expenses	+9.8
Depreciation and amortization	+29.5
EBITDA	63.1
Depreciation and amortization (right-of-use-assets)	(9.7)
Adjusted EBITDA	53.4

(In billions of yen)

	FY2020
	Q1
Adjusted Profit	
Profit (loss) attributable to owners of the parent	22.3
Amortization and intangible assets arising due to business combination	+4.6
Non-recurring income	(2.5)
Non-recurring losses	+9.7
Tax reconciliation regarding the adjusted items	(4.9)
Adjusted Profit	29.2

Definition of the Financial Measures

Financial Measures	Definition
Adjusted EBITDA	Operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses
Adjusted profit	Profit attributable to owners of the parent ± adjustment items (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
Adjusted EPS	Adjusted profit / (number of issued shares 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 ± non-recurring income/losses ± tax reconciliation related to certain non-recurring income/losses
Adjustment items	Amortization of intangible assets arising due to business combinations ± non-recurring income/losses
Non-recurring income/losses	Gains or losses from disposals of shares of associates, expenses relating to company restructuring, gains or losses from the sale or impairment of property and equipment, and income and expense items that the Company believes are unusual or non-recurring in nature which do not reflect the Company's underlying results of operations

Full set of material regarding Q1 FY2020 results announcement is posted on <https://recruit-holdings.com/ir/>.

Investor relations inquiries:
Recruit_HD_IR@r.recruit.co.jp

This document is based on the Company's earnings release for Q1 FY2020, and earnings releases are not subject to review by a certified public accountant nor an independent auditor.

Forward-Looking Statements:

This document contains forward-looking statements, which reflect the Company's assumptions and outlook for the future and estimates based on information available to the Company and the Company's plans and expectations as of the date of this document or other date indicated. There can be no assurance that the relevant forecasts and other forward-looking statements will be achieved. Please note that significant differences between the forecasts and other forward-looking statements and actual results may arise due to various factors, including changes in economic conditions, changes in individual users' preferences and enterprise clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other factors. Accordingly, readers are cautioned against placing undue reliance on any such forward-looking statements. The Company has no obligation to update or revise any information contained in this document based on any subsequent developments except as required by applicable law or stock exchange rules and regulations.