

November 16, 2020

Recruit Holdings Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Six Months Ended September 30, 2020 (IFRS, Unaudited)

Tokyo, November 16, 2020 — Recruit Holdings Co., Ltd. announced today its consolidated financial results for the six months ended September 30, 2020 (April 1, 2020 to September 30, 2020).

(Amounts are rounded down to the nearest million yen)

Consolidated Operating Results

(In millions of yen, unless otherwise stated)	Six Months Ended September 30,		% change
	2019	2020	
Revenue	1,201,201	1,044,621	-13.0%
Adjusted EBITDA	177,757	123,422	-30.6%
Operating income	142,659	74,729	-47.6%
Profit before tax	157,834	78,490	-50.3%
Profit for the period	114,946	63,121	-45.1%
Profit attributable to owners of the parent	114,148	62,533	-45.2%
Profit available for dividends	105,770	62,058	-41.3%
Total comprehensive income	83,063	84,263	1.4%
Basic EPS (yen)	68.32	37.92	-
Diluted EPS (yen)	68.19	37.87	-
Adjusted EPS (yen)	67.96	41.83	-38.4%

Note: Revenue for the six months ended September 30, 2020 includes 29.5 billion yen from the Rent Assistance Program by The Small and Medium Enterprise Agency of the Ministry of Economy in Japan.

Consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2020	As of September 30, 2020
Total assets	1,998,917	2,070,539
Total equity	995,743	1,053,995
Equity attributable to owners of the parent	988,449	1,046,080
Ratio of equity attributable to owners of the parent (%)	49.4%	50.5%

Dividends

(In yen)	FY2019	FY2020	FY2020 (Forecast)
At the end of Q1	-	-	-
At the end of Q2	15.00	9.50	-
At the end of Q3	-	-	-
At the end of Q4	15.00	-	9.50
Total	30.00	-	19.00

The Company is providing FY2020 dividend forecast for the first time.

Consolidated Financial Guidance for FY2020

The Company provides guidance of key financial metrics for FY2020 as below:

(In millions of yen, unless otherwise stated)	The Year Ending March 31, 2021		Year on year % change	
	Expected range			
Revenue	2,149,647	- 2,244,647	-10.4%	- 6.5%
Adjusted EBITDA	210,022	- 245,022	-35.4%	- 24.6%
Operating income	111,729	- 146,729	-45.8%	- 28.8%
Profit before tax	115,990	- 150,990	-48.7%	- 33.2%
Profit for the period	94,121	- 119,121	-48.1%	- 34.3%
Profit attributable to owners of the parent	93,033	- 118,283	-48.3%	- 34.2%
Adjusted EPS (yen)	62.83	- 77.83	-48.1%	- 35.7%

Please refer to page 10, Qualitative Information on Consolidated Financial Guidance for more details.

Changes in Significant Subsidiaries Resulting from Change in Scope of Consolidation

There was no change in specific subsidiaries accompanying a change in the scope of consolidation.

Changes in Accounting Policies and Changes in Accounting Estimates

There has been no change in: (1) accounting policies required by IFRS, (2) accounting policies other than the foregoing item (1), and (3) accounting estimates.

Number of Issued Shares - Common Stock

	As of March 31, 2020	As of September 30, 2020
Number of issued shares including treasury stock	1,695,960,030	1,695,960,030
Number of treasury stock	47,574,459	46,646,631

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
Average number of shares during the period	1,670,791,887	1,648,950,058

Definition of the Abbreviation

Abbreviation	Definition
Recruit Holdings, the Holding Company	Recruit Holdings Co., Ltd. on a standalone basis
the Company, Recruit Group	Recruit Holdings Co., Ltd. and its consolidated subsidiaries
SBU	Strategic Business Unit
Q1	Three-month period from April 1 to June 30
Q2	Three-month period from July 1 to September 30
Q3	Three-month period from October 1 to December 31
Q4	Three-month period from January 1 to March 31
FY2020	Fiscal year from April 1, 2020 to March 31, 2021
FY2019	Fiscal year from April 1, 2019 to March 31, 2020

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

Average exchange rate during the period

(In yen)	FY2019				FY2020	
	Q1	Q2 cumulative	Q3 cumulative	Q4 cumulative	Q1	Q2 cumulative
US dollar	109.90	108.60	108.65	108.70	107.63	106.93
Euro	123.50	121.40	121.04	120.81	118.59	121.34
Australian dollar	76.95	75.24	74.91	74.11	70.74	73.32

The amount of exchange rate effects on revenue for Q2 FY2020 is calculated by deducting the amount of the three month period of FY2020 from the amount of the six month period of FY2020.

Quarterly 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.

Note Regarding Reference Translation

This document has been translated from the Japanese language original for reference purposes only and may not be used or disclosed for any other purpose without the Company's prior written consent. In the event of any conflict or discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail in all respects. The Company makes no representations regarding the accuracy or completeness of this translation and assumes no responsibility for any losses or damages arising from the use of this translation.

Third-Party Information

This document includes information derived from or based on third-party sources, including information about the markets in which the Company operates. These statements are based on statistics and other information from third-party sources as cited herein, and the Company has not independently verified and cannot assure the accuracy or completeness of any information derived from or based on third-party sources.

A full set of materials regarding Q2 FY2020 results announcement is posted on <https://recruit-holdings.com/ir/library/report/>

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1. Management's Discussion and Analysis

Consolidated Results of Operations

The Company's consolidated revenue for Q2 FY2020 was 569.1 billion yen, a decrease of 6.2% year on year. Excluding revenue of 29.5 billion yen from the Rent Assistance Program by The Small and Medium Enterprise Agency of the Ministry of Economy in Japan ("Rent Assistance Program"), consolidated revenue for Q2 decreased 11.1% year on year. The global spread of COVID-19 and measures to help prevent the spread had a broad impact on business performance, resulting in year on year revenue decreases in all three segments. However, revenue growth rates improved quarter on quarter in all three segments. Excluding the positive impact of foreign exchange rate movements of 2.2 billion yen during the quarter, consolidated revenue decreased 6.6% year on year. Consolidated revenue for the six months ended September 30, 2020 was 1.04 trillion yen, a decrease of 13.0% year on year (excluding the negative impact of foreign exchange rate movements of 5.5 billion yen, a decrease of 12.6%).

Consolidated operating income for Q2 FY2020 was 48.0 billion yen, a decrease of 32.7% year on year. The Company focused on reducing selling, general and administrative expenses centered on advertising expenses, however decreased revenue resulted in decreased operating income. Consolidated operating income for the six month period was 74.7 billion yen, a decrease of 47.6% year on year.

Profit before tax for Q2 FY2020 was 49.9 billion yen, a decrease of 33.8% year on year. Profit for the period for Q2 FY2020 was 40.6 billion yen, a decrease of 26.5% year on year. Profit attributable to owners of the parent for Q2 FY2020 was 40.2 billion yen, a decrease of 26.7% year on year. For the six month period, profit before tax was 78.4 billion yen, a decrease of 50.3%, profit for the period was 63.1 billion yen, a decrease of 45.1%, and profit attributable to owners of the parent was 62.5 billion yen, a decrease of 45.2%.

Consolidated adjusted EBITDA for Q2 FY2020 was 69.9 billion yen, a decrease of 22.6% year on year, and adjusted EBITDA margin for Q2 FY2020 was 12.3%. The Company managed its operating expenses strategically and reduced selling, general and administrative expenses by 21.8 billion yen. The year on year decrease in these expenses was driven mainly by reduced advertising expenses and promotion expenses, as well as lower sales commissions which are directly correlated to revenue. Consolidated adjusted EBITDA for the six month period was 123.4 billion yen, a decrease of 30.6% year on year, and adjusted EBITDA margin was 11.8%.

Adjusted EPS for Q2 FY2020 was 24.35 yen, a decrease of 29.8% year on year. Quarterly profit available for dividends was 36.2 billion yen, a decrease of 30.3% year on year. For the six month period, adjusted EPS was 41.83 yen, a decrease of 38.4% year on year, and profit available for dividends was 62.0 billion yen, a decrease of 41.3%.

Research and development expenses in Q2 FY2020 and for the six month period were 17.1 billion yen and 34.1 billion yen, respectively.

(In billions of yen, unless otherwise stated)	Three Months		% change	Six Months		% change
	Ended September 30,			Ended September 30,		
	2019	2020		2019	2020	
Consolidated operating results						
Revenue	606.7	569.1	-6.2%	1,201.2	1,044.6	-13.0%
Operating income	71.4	48.0	-32.7%	142.6	74.7	-47.6%
Profit before tax	75.4	49.9	-33.8%	157.8	78.4	-50.3%
Profit for the period	55.3	40.6	-26.5%	114.9	63.1	-45.1%
Profit attributable to owners of the parent	54.8	40.2	-26.7%	114.1	62.5	-45.2%
Management Key Performance Indicators						
Adjusted EBITDA	90.3	69.9	-22.6%	177.7	123.4	-30.6%
Adjusted EBITDA margin	14.9%	12.3%	-	14.8%	11.8%	-
Adjusted EPS (yen)	34.67	24.35	-29.8%	67.96	41.83	-38.4%

Note: Revenue for the three months and six months ended September 30, 2020 includes 29.5 billion yen from the Rent Assistance Program.

Results of Operations by Segment

HR Technology

Revenue for Q2 FY2020 was 103.4 billion yen, a decrease of 3.1% year on year. On a US dollar basis, reported revenue declined 2.3% for Q2 FY2020 as a reduction in hiring activity due to COVID-19 led to decreased demand year on year for sponsored job advertising, candidate sourcing and screening solutions, and employer branding products.

During the second quarter, many businesses resumed operations as several of the restrictions and measures put in place to limit the spread of COVID-19 were eased. This supported a continued rebound of recruiting and hiring activity and improving revenue trends that began in the latter half of Q1, particularly in the US. Additionally, job seeker activity on Indeed and Glassdoor rebounded to near pre-COVID-19 levels.

Segment adjusted EBITDA for Q2 FY2020 declined by 39.5% year on year to 14.7 billion yen, primarily driven by a decrease in revenue and increased investments in product and technology initiatives to develop solutions that serve the changing needs of enterprise clients and individual users. Adjusted EBITDA margin was 14.3% for Q2 FY2020, a decrease from 22.9% for Q2 FY2019.

Despite continued economic uncertainty, in reaction to Q2 FY2020 revenue trends, HR Technology increased marketing investments compared to Q1 FY2020 and resumed limited hiring in the latter half of the second quarter. HR Technology also continued to invest in innovative and differentiated product enhancements to dramatically simplify recruiting processes and significantly reduce the cost and time to hire for employers.

For the six month period, revenue was 177.5 billion yen, a decrease of 15.0% year on year, adjusted EBITDA was 22.6 billion yen, a decrease of 48.3% year on year, and adjusted EBITDA margin was 12.7%.

(In billions of yen, unless otherwise stated)	Three Months Ended September 30,		% change	Six Months Ended September 30,		% change
	2019	2020		2019	2020	
Revenue	106.8	103.4	-3.1%	209.0	177.5	-15.0%
Adjusted EBITDA	24.4	14.7	-39.5%	43.7	22.6	-48.3%
Adjusted EBITDA margin	22.9%	14.3%	-	20.9%	12.7%	-
Revenue in million US dollars ¹	\$996	\$973	-2.3%	\$1,925	\$1,662	-13.7%

Note1: 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.

Note2: Indeed and Glassdoor product availability varies by country.

Media & Solutions

Revenue for Q2 FY2020 was 172.8 billion yen, a decrease of 9.3% year on year. Excluding revenue of 29.5 billion yen from the Rent Assistance Program, revenue for Q2 FY2020 decreased by 24.8% year on year. Revenue in Media & Solutions, excluding the Rent Assistance Program, continued to slowly recover since June through the second quarter following the lifting of the state of emergency in Japan at the end of May, however, it remained lower than the same period of the previous year.

Adjusted EBITDA for Q2 FY2020 was 34.3 billion yen, a decrease of 28.4% year on year, mainly due to the decline in HR Solutions. Adjusted EBITDA margin was 19.8%

For the six month period, revenue was 305.8 billion yen, a decrease of 19.1% year on year, adjusted EBITDA was 61.6 billion yen, a decrease of 37.1% year on year, and adjusted EBITDA margin was 20.2%.

(In billions of yen)	Three Months Ended September 30,		% change	Six Months Ended September 30,		% change
	2019	2020		2019	2020	
Revenue						
Marketing Solutions	110.6	123.7	11.9%	216.3	200.8	-7.2%
HR Solutions	79.2	48.5	-38.7%	160.3	103.6	-35.3%
Eliminations and Adjustments	0.6	0.5	-21.4%	1.4	1.2	-13.0%
Total	190.5	172.8	-9.3%	378.2	305.8	-19.1%
Adjusted EBITDA						
Marketing Solutions	31.3	30.7	-1.7%	62.1	48.0	-22.7%
HR Solutions	21.3	8.8	-58.5%	44.9	23.8	-47.0%
Eliminations and Adjustments	(4.7)	(5.3)	-	(8.9)	(10.1)	-
Total	47.9	34.3	-28.4%	98.0	61.6	-37.1%
Adjusted EBITDA margin						
Marketing Solutions	28.3%	24.9%	-	28.7%	23.9%	-
HR Solutions	27.0%	18.3%	-	28.0%	23.0%	-
Media & Solutions	25.2%	19.8%	-	25.9%	20.2%	-

Note: Revenue in Media & Solutions and in Marketing Solutions for the three months and six months ended September 30, 2020 includes 29.5 billion yen from the Rent Assistance Program.

Marketing Solutions

Revenue in Marketing Solutions was 123.7 billion yen, an increase of 11.9% year on year. Revenue excluding the Rent Assistance Program was 94.2 billion yen, a decrease of 14.8% year on year.

In both Housing & Real Estate and Beauty, the spread of COVID-19 had a minor impact on individual consumption behavior compared to the other Marketing Solutions subsegments, and as a result revenue increased 6.1% and 1.7% year on year, respectively. The increase in revenue in Housing & Real Estate was driven by a growing interest in the residential living environment as individual users spend more time at home. In Beauty, as individual users' beauty salon based activities resumed, the demand for advertisements from enterprise clients recovered. The number of online reservations for the six month period on Hot Pepper Beauty was 51.42 million, approximately 90% of the total during the same period in the previous year.

Revenue in Bridal decreased 45.2% year on year due to a decline in enterprise clients' advertising as lower demand for wedding ceremonies continued to affect their businesses. In Travel, although revenue in Q2 FY2020 decreased 26.3% year on year, both the number of hotel guests booked and the price per night, compared to Q1 FY2020, have been positively impacted by the Go To Travel campaign initiated by the Japanese government that began in late July and the elevated demand for travel during the summer vacation season.

In Dining, due to COVID-19 related restrictions, the reduced demand for dining out and reduced number of tables continued to severely affect enterprise clients. As a result, advertising demand declined resulting in a 66.6% decrease in revenue year on year in Q2. The number of seats reserved online for the six month period on Hot Pepper Gourmet was 10.92 million, approximately 26% of the total during the same period in the previous year, although the number of seats reserved online per month has been improving since June.

Despite the challenging business environment, the number of AirPAY accounts, a SaaS solution for accepting cashless payments, continued to grow steadily, as individual users' preference for contactless payments increased in response to COVID-19. The number of AirPAY accounts was approximately 171,000, an increase of 68.8% year on year, at the end of September, 2020. Of the AirPAY registered accounts as of September 30, approximately 116,000 accounts also subscribe to other Air BusinessTools solutions. The number of paid users for Study Sapuri, an online learning platform for students and adults, was 1.52 million at the end of Q2 FY2020, up 100.6% year on year, as increased demand for online education continued following temporary school closures in Q1 FY2020. Revenue from these services, other miscellaneous services, and revenue of 29.5 billion yen from the Rent Assistance Program are included in Others.

Adjusted EBITDA in Marketing Solutions was 30.7 billion yen, a decrease of 1.7% year on year. Marketing Solutions continued to manage its operating expenses strategically and flexibly, mainly by reducing marketing expenses, and as a result, adjusted EBITDA margin was 24.9%. Excluding the Rent Assistance Program, adjusted EBITDA margin for Marketing Solutions improved year on year.

For the six month period, revenue was 200.8 billion yen, a decrease of 7.2% year on year, adjusted EBITDA was 48.0 billion yen, a decrease of 22.7% year on year, and adjusted EBITDA margin was 23.9%.

(In billions of yen)	Three Months		% change	Six Months		% change
	Ended September 30,			Ended September 30,		
Marketing Solutions	2019	2020		2019	2020	
Revenue						
Housing & Real Estate	27.5	29.2	6.1%	54.3	54.2	-0.1%
Beauty	20.2	20.6	1.7%	39.6	38.1	-3.9%
Bridal	13.1	7.2	-45.2%	26.4	14.3	-45.6%
Travel	21.3	15.7	-26.3%	38.8	21.8	-43.9%
Dining	9.3	3.1	-66.6%	18.8	4.9	-74.0%
Others	18.9	47.8	152.4%	38.1	67.3	76.7%
Total	110.6	123.7	11.9%	216.3	200.8	-7.2%
Adjusted EBITDA	31.3	30.7	-1.7%	62.1	48.0	-22.7%
Adjusted EBITDA margin	28.3%	24.9%	-	28.7%	23.9%	-

Note: Revenue in Marketing Solutions and in Others for the three months and six months ended September 30, 2020 includes 29.5 billion yen from the Rent Assistance Program.

HR Solutions

Revenue in HR Solutions was 48.5 billion yen, a decrease of 38.7% year on year. The reduced hiring demand from enterprise clients in response to the spread of COVID-19 that began in Q1 FY2020 continued, and as a result, revenue in Recruiting in Japan decreased significantly.

Among the several job boards operated in HR Solutions, revenue from the part-time job boards declined most significantly year on year. This was due to a concentration of enterprise clients from the hospitality sector, which were especially impacted by the spread of COVID-19 and whose demand for hiring sharply decreased and remained low throughout Q2 FY2020.

The placement business operates on a pay-per-hire model in which revenue is recognized when a candidate is hired by an enterprise client. As a result, revenue from the placement business in Q2 FY2020 declined year on year due to reduced hiring demand in the midst of the pandemic during Q1 FY2020.

Adjusted EBITDA in HR Solutions was 8.8 billion yen, a decrease of 58.5% year on year, and adjusted EBITDA margin was 18.3%. Although HR Solutions strategically reduced operating costs, and its sales commissions lowered as a result of the decline in revenue, adjusted EBITDA margin in HR Solutions declined year on year mainly due to weak performance in the placement business.

For the six month period, revenue was 103.6 billion yen, a decrease of 35.3% year on year, adjusted EBITDA was 23.8 billion yen, a decrease of 47.0% year on year, and adjusted EBITDA margin was 23.0%.

(In billions of yen)	Three Months		% change	Six Months		% change
	Ended September 30,			Ended September 30,		
HR Solutions	2019	2020		2019	2020	
Revenue						
Recruiting in Japan	70.0	41.9	-40.1%	141.9	91.0	-35.8%
Others	9.2	6.6	-28.1%	18.4	12.6	-31.5%
Total	79.2	48.5	-38.7%	160.3	103.6	-35.3%
Adjusted EBITDA	21.3	8.8	-58.5%	44.9	23.8	-47.0%
Adjusted EBITDA margin	27.0%	18.3%	-	28.0%	23.0%	-

Staffing

Revenue for Q2 FY2020 was 298.5 billion yen, a decrease of 6.0% year on year. Excluding the positive impact of foreign exchange rate movements of 3.0 billion yen, revenue decreased 7.0% year on year. Revenue for the six month period was 572.7 billion yen, a decrease of 9.1% year on year. Excluding the negative impact of foreign exchange rate movements of 3.1 billion yen, revenue decreased 8.6% year on year.

Revenue in Japan operations for Q2 FY2020 was 138.8 billion yen, a decrease of 0.7% year on year, mainly due to one less business day in the quarter compared to the previous year, and lower demand for new orders since Q1 amid the economic uncertainty caused by the spread of COVID-19 and a decreased number of temporary staff in Q2, partially offset by an increase in billing prices following the implementation of the "equal pay for equal work" regulations beginning April 1, 2020. Revenue for the six month period was 284.6 billion yen, an increase of 2.6% year on year.

Revenue in Overseas operations for Q2 FY2020 was 159.6 billion yen, a decrease of 10.2% year on year, primarily due to continued restrictions on enterprise clients' business operations in order to mitigate the spread of COVID-19, partially offset by the positive impact of foreign exchange rate movements. These conditions, as well as uncertainty about the future, led to a significant decline in demand from enterprise clients for temporary staff. Excluding the positive impact of foreign exchange rate movements of 3.0 billion yen, revenue in Overseas operations decreased 11.9% year on year. Although the operating environment and results differed by country within Overseas operations, the year on year decline in monthly revenue gradually improved throughout the quarter. Revenue for the six month period was 288.0 billion yen, a decrease of 18.3% year on year. Excluding the negative impact of foreign exchange rate movements of 3.1 billion yen, revenue decreased 17.4% year on year.

Adjusted EBITDA for Q2 FY2020 was 22.4 billion yen, an increase of 6.3% year on year, and adjusted EBITDA margin was 7.5%. Adjusted EBITDA for the six month period was 42.3 billion yen, an increase of 3.4% year on year, and adjusted EBITDA margin was 7.4%.

Adjusted EBITDA for Japan operations for Q2 FY2020 was 13.8 billion yen, an increase of 20.7% year on year, mainly due to ongoing cost control measures, which included COVID-19 related reductions in travel costs, all while continuing to monitor costs in relation to labor market supply and demand. Adjusted EBITDA margin was 9.9% in Q2 FY2020. Adjusted EBITDA for the six month period was 30.8 billion yen, an increase of 32.8% year on year, and adjusted EBITDA margin was 10.8%.

Adjusted EBITDA for Overseas operations for Q2 FY2020 was 8.6 billion yen, a decrease of 10.6% year on year, and adjusted EBITDA margin was 5.4%. Even in an uncertain global economic environment, Overseas operations maintained a positive adjusted EBITDA

margin by taking prompt and appropriate actions in response to labor market trends and government programs in each overseas market, and by strengthening ongoing cost control initiatives. Adjusted EBITDA for the six month period was 11.5 billion yen, a decrease of 35.2% year on year, and adjusted EBITDA margin was 4.0%.

(In billions of yen)	Three Months		% change	Six Months		% change
	Ended September 30,			Ended September 30,		
	2019	2020		2019	2020	
Revenue						
Japan	139.8	138.8	-0.7%	277.5	284.6	2.6%
Overseas	177.7	159.6	-10.2%	352.5	288.0	-18.3%
Total	317.5	298.5	-6.0%	630.1	572.7	-9.1%
Adjusted EBITDA						
Japan	11.4	13.8	20.7%	23.2	30.8	32.8%
Overseas	9.6	8.6	-10.6%	17.7	11.5	-35.2%
Total	21.1	22.4	6.3%	40.9	42.3	3.4%
Adjusted EBITDA margin						
Japan	8.2%	9.9%	-	8.4%	10.8%	-
Overseas	5.5%	5.4%	-	5.0%	4.0%	-
Staffing	6.7%	7.5%	-	6.5%	7.4%	-

Management Actions for Q2 FY2020

The Company's Response to the Spread of COVID-19

Amidst the spread of COVID-19, the Company has continued to prioritize the health and safety of its employees, their families, and their communities. The Company has also focused on supporting individual users, enterprise clients, and business partners, and operates its businesses while implementing measures to help prevent the spread of COVID-19. In addition, each SBU has leveraged new and existing tools to continue to support all of their stakeholders facing new and unique challenges during this period. Please find more information regarding the Company's response to COVID-19 on the website below:

<https://recruit-holdings.com/newsroom/covid19.html>

Equity-Based Incentive Plan for Employees primarily in HR Technology SBU

The Company announced on November 16, 2020 that it will implement an equity-based incentive plan using Recruit Holdings' stock for employees primarily in its HR Technology SBU and will cease awarding the current long-term cash-based incentive plan in the future. Through this plan, the Company seeks to emphasize to its employees in the HR Technology SBU the significance of the contributions they make toward enhancing corporate value in the mid- to long-term.

Please refer to the following releases for more details.

November 16, 2020

Recruit Holdings Announces Equity-Based Incentive Plan primarily for HR Technology SBU employees

https://recruit-holdings.com/ir/ir_news/2020/20201116_02.html

Analysis of Consolidated Financial Position

As of the end of Q2 FY2020, cash and cash equivalents and interest-bearing debt which includes bonds and borrowings, excluding lease liabilities, on a consolidated basis were 466.9 billion yen and 123.2 billion yen, respectively. Net cash, the amount calculated by subtracting interest-bearing debt from cash and cash equivalents, was 343.7 billion yen, an increase of 59.2 billion yen compared to the end of FY2019.

Total current assets as of September 30, 2020 increased by 45.9 billion yen from the end of FY2019. This was mainly due to a temporary increase of cash and cash equivalents related to the Rent Assistance Program. Total non-current assets increased by 25.6 billion yen year on year. This was due to an increase in investment securities of 43.2 billion yen due to an increase in the market value of securities held.

Total current liabilities as of September 30, 2020 increased 19.4 billion yen from the end of FY2019. This was mainly due to an increase of deposits of 30.7 billion yen related to the Rent Assistance Program, while trade and other payables decreased by 13.0 billion yen

The maximum amount of borrowings under overdraft agreements was 113.0 billion yen as of September 30, 2020, and the entire amount remained unused. In addition, committed credit facilities with a total maximum borrowing amount of 399.9 billion yen, for which the Company entered into an agreement on April 30, 2020, remained unused as of September 30, 2020.

Also, the Company has registered a maximum 200.0 billion yen worth of corporate bonds for potential issuances, the full amount of which is unissued as of September 30, 2020.

(In billions of yen)	As of March 31, 2020	As of September 30, 2020	Variance
Assets			
Total current assets	829.9	875.9	45.9
Total non-current assets	1,168.9	1,194.5	25.6
Total assets	1,998.9	2,070.5	71.6
Liabilities			
Total current liabilities	511.7	531.1	19.4
Total non-current liabilities	491.4	485.4	(6.0)
Total liabilities	1,003.1	1,016.5	13.3
Equity			
Total equity attributable to owners of the parent	988.4	1,046.0	57.6
Non-controlling interests	7.2	7.9	0.6
Total equity	995.7	1,053.9	58.2

Analysis of Consolidated Cash Flows

Cash and cash equivalents as of September 30, 2020 were 466.9 billion yen, an increase of 45.7 billion yen from the end of FY2019, since cash inflows from operating activities exceeded cash outflows of investing and financing activities.

Net cash provided by operating activities was 149.6 billion yen, an increase of 13.0 billion yen year on year. This was primarily due to an increase in deposits related to the Rent Assistance Program and collection of trade and other receivables, while profit before tax decreased by 79.3 billion yen.

Net cash used in investing activities was 39.7 billion yen, a decrease of 8.0 billion yen year on year. This was primarily attributable to payments for the purchase of intangible assets such as software.

Net cash used in financing activities was 55.5 billion yen, a decrease of 1.2 billion yen year on year.

(In billions of yen)	Six Months Ended September 30,		Variance
	2019	2020	
Net cash flows from operating activities	136.5	149.6	13.0
Net cash flows from investing activities	(47.7)	(39.7)	8.0
Net cash flows from financing activities	(56.8)	(55.5)	1.2
Effect of exchange rate changes on cash and cash equivalents	(3.5)	(8.5)	(5.0)
Net increase (decrease) in cash and cash equivalents	28.4	45.7	17.2
Cash and cash equivalents at the beginning of the period	402.9	421.2	18.3
Cash and cash equivalents at the end of the period	431.3	466.9	35.5

2. Qualitative Information on Consolidated Financial Guidance

The global spread of COVID-19 and restrictions implemented by governments in many countries may continue to impact most of the Company's business.

The Company's consolidated revenue and adjusted EBITDA for the six months ended September 30, 2020 decreased by 13.0% and 30.6% year on year, respectively. Excluding the revenue from the Rent Assistance Program, consolidated revenue for the six month period decreased 15.5% year on year.

The global economic outlook remains uncertain as some countries are experiencing a second wave of COVID-19 and new restrictions which may impact the Company's business are being implemented. The Company's consolidated financial guidance for FY2020 is based on the assumption that the spread of COVID-19 will not worsen to the extent it causes severe and prolonged lockdowns of major cities, and the business environment will not deteriorate significantly during the remainder of the fiscal year.

The Company expects the global HR Matching market's recovery and stabilization will be gradual, despite the recent strength in recruiting

demand in some industries and increased consumer spending. Some countries and regions have already started to reimplement lockdowns and the Company's business environment continues to evolve rapidly. Therefore the Company's outlook remains cautious.

Consolidated Financial Guidance:

- Consolidated revenue for the six months ending March 31, 2021 is expected to be in the range of 1.10 trillion yen to 1.20 trillion yen, and is expected to be in the range of 2.14 trillion yen to 2.24 trillion yen for FY2020.
- Consolidated adjusted EBITDA for the six months ending March 31, 2021 is expected to be in the range of 86.6 billion yen to 121.6 billion yen, and is expected to be in the range of 210.0 billion yen to 245.0 billion yen for FY2020.
- Adjusted EPS for FY2020 is expected to be in the range of 62.83 yen to 77.83 yen, assuming the amount of depreciation and amortization and other adjustment items for the six months ending March 31, 2021 to be similar to the six months ended September 30, 2020. Adjusted EBITDA and adjusted EPS are the Company's target management key performance indicators.

Assumptions of the foreign exchange rates for the consolidated financial guidance for FY2020 are as follows: 107 yen per US dollar, 121 yen per Euro, 74 yen per Australian dollar.

SBU Financial Guidance:

- HR Technology's revenue, on a US dollar basis, for the six months ending March 31, 2021 is expected to be in the range of a decrease of 5% to an increase of 9% from the same period of the previous year. Adjusted EBITDA margin for the six months ending March 31, 2021 for HR Technology is expected to be in the mid-teens. In order to improve its revenue trend globally in the short-term and to accelerate revenue growth in the mid-term, HR Technology will invest in sales and marketing activities to acquire new users and clients, and in product enhancements to increase user and client engagement.
- In Media & Solutions, revenue for Marketing Solutions, excluding the Rent Assistance Program, for the six months ending March 31, 2021, is expected to be in the range of a decrease of 9% to an increase of 6% year on year. Including the Rent Assistance Program, revenue for the same period is expected to increase approximately 15% to 30% year on year.

The challenging business environment is expected to continue for Bridal and Dining, while continued stable performance is expected for Housing & Real Estate and Beauty. In addition, the continued revenue recovery of Travel compared to the six months ended September 30, 2020, supported by the Go To Travel campaign by the Japanese government, is expected.

Revenue for HR Solutions for the six months ending March 31, 2021 is expected to decrease approximately 25% year on year, mainly due to the expectation for continued weak demand for placement services, while the part-time job board services have seen recent signs of recovery.

Adjusted EBITDA margin for the six months ending March 31, 2021 for Media & Solutions is expected to be approximately 12%. Media & Solutions expects to continue reducing operating expenses such as advertising, while resuming strategic investments in businesses which have started to show recovery in their revenue trends.

Revenue from the Rent Assistance Program, which is recorded in Others under Marketing Solutions in Media & Solutions for FY2020 is expected to be 93.2 billion yen including tax. However, the total revenue recorded in FY2020 may be lower depending on the number of applicants and recipients of the program.

- In Staffing, revenue for Japan operations for the six months ending March 31, 2021 is expected to decrease approximately 10% to 5% year on year mainly due to weak demand for new orders, and revenue for Overseas operations for the same period is expected to decrease approximately 12% to 8%. Adjusted EBITDA margin for the six months ending March 31, 2021 for Staffing is expected to be approximately 5% primarily due to a decline in adjusted EBITDA margin in Japan operations caused by the decline in revenue and an increase in advertising expense, partially offset by continued cost control measures.

3. Condensed Quarterly Consolidated Financial Statements and Primary Notes

Condensed Quarterly Consolidated Statements of Financial Position

(In millions of yen)	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	421,253	466,971
Trade and other receivables	327,614	294,650
Other financial assets	40,119	59,462
Other assets	40,991	54,869
Total current assets	829,979	875,953
Non-current assets		
Property and equipment	92,200	91,162
Right-of-use assets	258,230	245,890
Goodwill	383,163	382,329
Intangible assets	216,388	208,284
Investments in associates and joint ventures	64,614	66,118
Other financial assets	120,656	161,434
Deferred tax assets	27,931	33,867
Other assets	5,752	5,498
Total non-current assets	1,168,938	1,194,585
Total assets	1,998,917	2,070,539

(In millions of yen)	As of March 31, 2020	As of September 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	219,021	205,955
Bonds and borrowings	24,551	24,069
Lease liabilities	31,459	33,695
Other financial liabilities	816	1,349
Income tax payables	16,850	21,082
Provisions	5,810	5,124
Other liabilities	213,223	239,860
Total current liabilities	511,733	531,137
Non-current liabilities		
Bonds and borrowings	112,148	99,134
Lease liabilities	240,254	228,883
Other financial liabilities	2,043	2,292
Provisions	9,489	9,799
Net liability for retirement benefits	53,459	54,379
Deferred tax liabilities	52,912	60,875
Other liabilities	21,132	30,042
Total non-current liabilities	491,440	485,406
Total liabilities	1,003,174	1,016,543
Equity		
Equity attributable to owners of the parent		
Common stock	40,000	40,000
Share premium	18,904	17,458
Retained earnings	1,067,492	1,131,213
Treasury stock	(113,244)	(111,685)
Other components of equity	(24,702)	(30,906)
Total equity attributable to owners of the parent	988,449	1,046,080
Non-controlling interests	7,293	7,914
Total equity	995,743	1,053,995
Total liabilities and equity	1,998,917	2,070,539

Condensed Quarterly Consolidated Statements of Profit or Loss

For the Six-Month Period

(In millions of yen, unless otherwise stated)	Six Months Ended September 30,	
	2019	2020
Revenue	1,201,201	1,044,621
Cost of sales	559,586	525,608
Gross profit	641,615	519,012
Selling, general and administrative expenses	501,111	435,247
Other operating income	5,692	7,442
Other operating expenses	3,536	16,477
Operating income	142,659	74,729
Share of profit (loss) of associates and joint ventures	223	3,066
Gain (loss) on change in ownership interests in associates	12,247	125
Finance income	4,226	2,425
Finance costs	1,522	1,856
Profit before tax	157,834	78,490
Income tax expense	42,888	15,369
Profit for the period	114,946	63,121
Profit attributable to:		
Owners of the parent	114,148	62,533
Non-controlling interests	797	587
Profit for the period	114,946	63,121
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	68.32	37.92
Diluted earnings per share (yen)	68.19	37.87

For the Three-Month Period

(In millions of yen, unless otherwise stated)	Three Months Ended September 30,	
	2019	2020
Revenue	606,792	569,132
Cost of sales	282,209	287,619
Gross profit	324,583	281,512
Selling, general and administrative expenses	253,238	231,423
Other operating income	1,939	4,641
Other operating expenses	1,857	6,671
Operating income	71,426	48,058
Share of profit (loss) of associates and joint ventures	2,662	1,751
Gain (loss) on change in ownership interests in associates	193	72
Finance income	1,958	969
Finance costs	743	909
Profit before tax	75,498	49,942
Income tax expense	20,162	9,279
Profit for the period	55,336	40,663
Profit attributable to:		
Owners of the parent	54,837	40,209
Non-controlling interests	499	453
Profit for the period	55,336	40,663
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	32.82	24.38
Diluted earnings per share (yen)	32.76	24.33

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the Six-Month Period

(In millions of yen)	Six Months Ended September 30,	
	2019	2020
Profit for the period	114,946	63,121
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	(5,196)	25,747
Remeasurements of defined retirement benefit plans	—	—
Share of other comprehensive income of associates and joint ventures	(44)	316
Subtotal	(5,241)	26,064
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(26,341)	(4,846)
Effective portion of changes in fair value of cash flow hedges	(300)	(75)
Subtotal	(26,641)	(4,922)
Other comprehensive income (loss) for the period, net of tax	(31,883)	21,142
Comprehensive income for the period	83,063	84,263
Comprehensive income attributable to:		
Owners of the parent	82,351	83,763
Non-controlling interests	711	499
Total comprehensive income	83,063	84,263

For the Three-Month Period

(In millions of yen)	Three Months Ended September 30,	
	2019	2020
Profit for the period	55,336	40,663
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	(1,012)	20,471
Remeasurements of defined retirement benefit plans	—	—
Share of other comprehensive income of associates and joint ventures	(74)	349
Subtotal	(1,087)	20,820
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(7,225)	(6,077)
Effective portion of changes in fair value of cash flow hedges	(502)	(399)
Subtotal	(7,728)	(6,476)
Other comprehensive income (loss) for the period, net of tax	(8,815)	14,343
Comprehensive income for the period	46,520	55,006
Comprehensive income attributable to:		
Owners of the parent	46,015	54,613
Non-controlling interests	504	393
Total comprehensive income	46,520	55,006

Condensed Quarterly Consolidated Statements of Changes in Equity

For the Six Months Ended September 30, 2019

	Equity attributable to owners of the parent				Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of changes in fair value of cash flow hedges
(In millions of yen)							
Balance at April 1, 2019	10,000	49,136	942,449	(32,378)	4,132	(8,198)	635
Profit for the period			114,148				
Other comprehensive income						(26,255)	(300)
Comprehensive income for the period	-	-	114,148	-	-	(26,255)	(300)
Transfer from share premium to common stock	30,000	(30,000)					
Transfer from other components of equity to retained earnings			(5,241)				
Purchase of treasury stock		(23)		(4,473)			
Disposal of treasury stock		(2)		248	(16)		
Dividends			(24,226)				
Share-based payments					554		
Other		(2)	(63)				
Transactions with owners - total	30,000	(30,028)	(29,531)	(4,224)	538	-	-
Balance at September 30, 2019	40,000	19,108	1,027,066	(36,603)	4,670	(34,454)	334

	Equity attributable to owners of the parent		Other components of equity		Non-controlling interests	Total equity
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined retirement benefit plans	Total	Total		
Balance at April 1, 2019	-	-	(3,431)	965,775	6,475	972,251
Profit for the period			-	114,148	797	114,946
Other comprehensive income	(5,241)		(31,797)	(31,797)	(85)	(31,883)
Comprehensive income for the period	(5,241)	-	(31,797)	82,351	711	83,063
Transfer from share premium to common stock			-	-		-
Transfer from other components of equity to retained earnings	5,241		5,241	-		-
Purchase of treasury stock			-	(4,497)		(4,497)
Disposal of treasury stock			(16)	229		229
Dividends			-	(24,226)		(24,226)
Share-based payments			554	554		554
Other			-	(65)	34	(31)
Transactions with owners - total	5,241	-	5,780	(28,004)	34	(27,969)
Balance at September 30, 2019	-	-	(29,448)	1,020,122	7,222	1,027,344

For the Six Months Ended September 30, 2020

	Equity attributable to owners of the parent				Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of changes in fair value of cash flow hedges
(In millions of yen)							
Balance at April 1, 2020	40,000	18,904	1,067,492	(113,244)	5,584	(30,557)	271
Profit for the period			62,533				
Other comprehensive income						(4,758)	(75)
Comprehensive income for the period	-	-	62,533	-	-	(4,758)	(75)
Transfer from other components of equity to retained earnings			26,064				
Purchase of treasury stock		(24)		(1,927)			
Disposal of treasury stock		(1,297)		3,487	(2,195)		
Dividends			(24,725)				
Share-based payments					826		
Equity transactions with non-controlling interests							
Other		(123)	(151)				
Transactions with owners - total	-	(1,445)	1,187	1,559	(1,369)	-	-
Balance at September 30, 2020	40,000	17,458	1,131,213	(111,685)	4,214	(35,316)	195

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Total	Total		
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined retirement benefit plans				
Balance at April 1, 2020	-	-	(24,702)	988,449	7,293	995,743
Profit for the period			-	62,533	587	63,121
Other comprehensive income	26,064		21,230	21,230	(87)	21,142
Comprehensive income for the period	26,064	-	21,230	83,763	499	84,263
Transfer from other components of equity to retained earnings	(26,064)		(26,064)	-		-
Purchase of treasury stock			-	(1,952)		(1,952)
Disposal of treasury stock			(2,195)	(6)		(6)
Dividends			-	(24,725)		(24,725)
Share-based payments			826	826		826
Equity transactions with non-controlling interests			-	-	100	100
Other			-	(274)	20	(253)
Transactions with owners - total	(26,064)	-	(27,434)	(26,132)	121	(26,011)
Balance at September 30, 2020	-	-	(30,906)	1,046,080	7,914	1,053,995

Condensed Quarterly Consolidated Statements of Cash Flows

(In millions of yen)	Six Months Ended September 30,	
	2019	2020
Cash flows from operating activities		
Profit before tax	157,834	78,490
Depreciation and amortization	55,764	59,222
(Gain) loss on change in ownership interests in associates	(12,247)	(125)
(Increase) decrease in trade and other receivables	12,392	35,713
Increase (decrease) in trade and other payables	(25,394)	(15,266)
Other	(14,351)	10,738
Subtotal	173,997	168,773
Interest and dividends received	3,651	1,520
Interest paid	(1,535)	(1,760)
Income taxes paid	(39,524)	(18,859)
Net cash provided by operating activities	136,589	149,674
Cash flows from investing activities		
Payment for purchase of property and equipment	(16,545)	(9,252)
Payment for purchase of intangible assets	(24,590)	(22,128)
Other	(6,655)	(8,403)
Net cash used in investing activities	(47,791)	(39,785)
Cash flows from financing activities		
Repayments of long-term borrowings	(12,478)	(12,478)
Repayments of lease liabilities	(16,681)	(18,184)
Payment for purchase of treasury stock	(4,497)	(1,952)
Dividends paid	(24,231)	(24,719)
Other	1,081	1,748
Net cash used in financing activities	(56,807)	(55,586)
Effect of exchange rate changes on cash and cash equivalents	(3,508)	(8,585)
Net increase (decrease) in cash and cash equivalents	28,482	45,717
Cash and cash equivalents at the beginning of the period	402,911	421,253
Cash and cash equivalents at the end of the period	431,394	466,971

Going Concern Assumption

Not applicable.

Notes to Condensed Quarterly Consolidated Financial Statements

1. Operating Segments

(1) Overview of Reportable Segments

The Company's operating segments are those components of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance. The Company has three operating segments by type of business, namely, HR Technology, Media & Solutions, and Staffing, which are also the reportable segments.

HR Technology consists of the operations of Indeed, Glassdoor and the other related businesses. Media & Solutions consists of two business operations, namely, Marketing Solutions and HR Solutions. Staffing consists of two business operations, which are Japan operations and Overseas operations.

(2) Information on Reportable Segments

Segment profit (loss) is adjusted EBITDA (operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses).

Eliminations and Adjustments related to segment profit (loss) include corporate expenses not allocated to any reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not allocable to the segments. Intersegment revenue or transfers are calculated based on a price used in similar transactions with third parties. Segment assets are not stated as they are not reported to management.

For the Six Months Ended September 30, 2019

(In millions of yen)	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	204,121	374,943	622,136	1,201,201	-	1,201,201
Intersegment revenue or transfers	4,895	3,272	7,969	16,137	(16,137)	-
Total	209,016	378,216	630,105	1,217,338	(16,137)	1,201,201
Segment profit (loss)	43,750	98,094	40,956	182,801	(5,044)	177,757
Depreciation and amortization (Note)						37,253
Other operating income						5,692
Other operating expenses						3,536
Operating income						142,659
Share of profit (loss) of associates and joint ventures						223
Gain (loss) on change in ownership interests in associates						12,247
Finance income						4,226
Finance costs						1,522
Profit before tax						157,834

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

For the Six Months Ended September 30, 2020

(In millions of yen)	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	175,684	303,444	565,492	1,044,621	-	1,044,621
Intersegment revenue or transfers	1,909	2,404	7,267	11,581	(11,581)	-
Total	177,594	305,848	572,759	1,056,202	(11,581)	1,044,621
Segment profit (loss)	22,617	61,680	42,342	126,641	(3,218)	123,422
Depreciation and amortization (Note)						39,657
Other operating income						7,442
Other operating expenses						16,477
Operating income						74,729
Share of profit (loss) of associates and joint ventures						3,066
Gain (loss) on change in ownership interests in associates						125
Finance income						2,425
Finance costs						1,856
Profit before tax						78,490

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

For the Three Months Ended September 30, 2019

(In millions of yen)	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	104,244	188,934	313,612	606,792	—	606,792
Intersegment revenue or transfers	2,578	1,587	3,928	8,094	(8,094)	-
Total	106,823	190,522	317,541	614,887	(8,094)	606,792
Segment profit (loss)	24,409	47,949	21,133	93,492	(3,099)	90,393
Depreciation and amortization (Note)						19,048
Other operating income						1,939
Other operating expenses						1,857
Operating income						71,426
Share of profit (loss) of associates and joint ventures						2,662
Gain (loss) on change in ownership interests in associates						193
Finance income						1,958
Finance costs						743
Profit before tax						75,498

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

For the Three Months Ended September 30, 2020

(In millions of yen)	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	102,484	171,612	295,035	569,132	-	569,132
Intersegment revenue or transfers	1,003	1,248	3,490	5,743	(5,743)	-
Total	103,488	172,860	298,526	574,876	(5,743)	569,132
Segment profit (loss)	14,761	34,312	22,474	71,548	(1,557)	69,991
Depreciation and amortization (Note)						19,901
Other operating income						4,641
Other operating expenses						6,671
Operating income						48,058
Share of profit (loss) of associates and joint ventures						1,751
Gain (loss) on change in ownership interests in associates						72
Finance income						969
Finance costs						909
Profit before tax						49,942

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

2. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

For the Six Months Ended September 30, 2019

(In millions of yen)	Six Months Ended September30,	
	2019	2020
Sales commission	20,636	12,051
Promotion expenses	23,592	12,167
Advertising expenses	72,998	43,302
Employee benefit expenses	219,214	215,240
Service outsourcing expenses	50,131	47,780
Rent expenses	9,910	10,137
Depreciation and amortization	53,839	57,112
Other	50,788	37,454
Total	501,111	435,247

For the Three Months Ended September 30, 2020

(In millions of yen)	Three Months Ended September 30,	
	2019	2020
Sales commission	10,233	6,393
Promotion expenses	12,500	8,199
Advertising expenses	38,068	27,196
Employee benefit expenses	108,493	112,516
Service outsourcing expenses	26,312	25,363
Rent expenses	5,362	4,792
Depreciation and amortization	27,562	28,654
Other	24,704	18,306
Total	253,238	231,423

3. Subsequent Events

Introduction of Equity-Based Incentive Plan

The Company resolved at the meeting of its Board of Directors held on November 16, 2020 to implement an Equity-Based Incentive Plan ("Plan") with awards to be granted and settled in shares of common stock of Recruit Holdings. The primary awardees under the Plan will be employees of the HR Technology SBU.

(1) Purpose of the Plan

As the HR Technology SBU has achieved steady growth and has become central to achieving the Company's mid- to long-term strategy, the Company believes that the Plan will emphasize to its employees in the HR Technology SBU the significance of their contributions toward enhancing the Company's corporate value. The Company has decided to implement the Plan, with new grants beginning in calendar year 2021. The cash-based long-term incentive plan award that has previously been offered to employees of the HR Technology SBU companies will not be awarded going forward.

Equity-based incentives have become a standard practice for publicly listed global technology companies. As a result, the Company believes that the implementation of such a plan will be an invaluable tool for recruiting and retaining talent globally.

The Plan operates through an Employee Stock Ownership Plan Trust ("Trust"). The Trust is a mechanism designed with reference to equity incentive schemes. The Plan delivers Recruit Holdings' shares acquired by the Trust to employees based on the terms set forth in the Plan.

(2) Details of the Plan

Trustor

The Holding Company

Trustee

Mitsubishi UFJ Trust and Banking Corporation

Beneficiaries

Mainly employees of the HR Technology SBU

Trust agreement date

February or May, 2021 (tentative)

Exercise of voting rights

Not to be exercised

Class of shares to be acquired

Common stock of Recruit Holdings

Amount of trust funding

500 to 600 million US dollars (tentative)

Share acquisition method

Acquiring shares through the stock market or using the existing treasury stock of Recruit Holdings.
(However, the Company will determine the appropriate method at the time of acquisition.)