

February 13, 2023

Recruit Holdings Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Nine Months Ended December 31, 2022 (IFRS, Unaudited)

Tokyo, February 13, 2023 — Recruit Holdings Co., Ltd. announced today its consolidated financial results for the nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)

Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

(In millions of yen, unless otherwise stated)	Nine Months Ended December 31,		% change
	2021	2022	
Revenue	2,111,963	2,601,768	23.2%
Adjusted EBITDA	420,552	435,937	3.7%
Operating income	333,586	324,838	-2.6%
Profit before tax	336,507	336,073	-0.1%
Profit for the period	249,010	249,366	0.1%
Profit attributable to owners of the parent	248,422	247,634	-0.3%
Total comprehensive income	277,075	326,565	17.9%
Basic EPS (yen)	152.01	154.05	-
Diluted EPS (yen)	151.27	152.98	-
Adjusted EPS (yen)	157.72	160.05	1.5%

Consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2022	As of December 31, 2022
Total assets	2,423,542	2,708,782
Total equity	1,376,294	1,586,920
Equity attributable to owners of the parent	1,363,776	1,573,142
Ratio of equity attributable to owners of the parent (%)	56.3%	58.1%

Dividends

(In yen, unless otherwise stated)	FY2021	FY2022	FY2022 (Guidance)
At the end of Q1	-	-	-
At the end of Q2	10.50	11.00	-
At the end of Q3	-	-	-
At the end of Q4	10.50	-	11.00
Total	21.00	-	22.00

Consolidated Financial Guidance for FY2022

The Company has revised the financial guidance for FY2022 from the figures announced on May 16, 2022 as below.

(In millions of yen, unless otherwise stated)	FY2022 (Guidance)	Year over year % change
Revenue	3,425,000	19.3%
Adjusted EBITDA	525,000	2.6%
Adjusted EPS (yen)	180.00	-4.7%

Please refer to page 10, 2. 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, 2022	As of December 31, 2022
Number of issued shares including treasury stock	1,695,960,030	1,695,960,030
Number of treasury stock	86,686,390	114,720,414

	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2022
Average number of shares during the period	1,634,221,538	1,607,517,750

Definition of the Abbreviation

Abbreviation	Definition
Recruit Holdings, the Holding Company	Recruit Holdings Co., Ltd. on a standalone basis
the Company, Recruit Group, We, Our	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
FY2021	Fiscal year from April 1, 2021 to March 31, 2022
FY2022	Fiscal year from April 1, 2022 to March 31, 2023
FY2023	Fiscal year from April 1, 2023 to March 31, 2024

Definition of the Financial Measures

Financial Measures	Definition
Adjusted EBITDA	Operating income + depreciation and amortization (excluding depreciation of right-of-use assets) + share-based payment expenses ± other operating income/expenses
Adjusted EPS	Adjusted profit / ((number of issued shares at the beginning of the period + number of issued shares at the end of the period)/2 - (number of treasury stock at the beginning of the period + number of treasury stock at the end of the period)/2)
Adjusted profit	Profit attributable to owners of the parent ± non-recurring income/losses (excluding non-controlling interests) ± tax reconciliation related to certain 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

Effective from Q1 FY2022, the Company has changed the adjustment items for adjusted EBITDA and adjusted EPS.

Supplementary Information

- All comparisons in this report are year over year unless otherwise stated. The current definitions of adjusted EBITDA and adjusted EPS are applied retroactively to FY2021. Please refer to "Definition of the Financial Measures" for the current definitions.
- Beginning in Q1 FY2022 the name of the *Media & Solutions* SBU has been changed to *Matching & Solutions* SBU.

Average exchange rate during the period

(In yen)	FY2021				FY2022		
	Q1	Q2 cumulative	Q3 cumulative	Q4 cumulative	Q1	Q2 cumulative	Q3 cumulative
US dollar	109.52	109.81	111.14	112.39	129.73	134.03	136.49
Euro	131.94	130.88	130.60	130.55	138.26	138.76	140.60
Australian dollar	84.30	82.61	82.68	83.06	92.69	93.59	93.34

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 business clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, climate change or other changes in the natural environment, the impact of the spread of COVID-19, the occurrence of large-scale natural disasters, 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.

U.S. Disclaimer – Un-sponsored American Depositary Receipt (“ADR”)

The Company does not support or encourage, and has not consented to, the creation of any un-sponsored ADR facilities in respect of its securities and in any event disclaims any liability in connection with an un-sponsored ADR. The Company does not represent to any depository institution, bank or anyone nor should any such entity rely on a belief that the Web site of the Company includes all published information in English, currently, and on an ongoing basis, required to claim an exemption under U.S. Exchange Act Rule 12g3-2(b).

A full set of materials regarding Q3 FY2022 results announcement is posted on
<https://recruit-holdings.com/en/ir/financials/>

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1. Management's Discussion and Analysis

Consolidated Results of Operations

The following table summarizes the consolidated financial results for the three months and the nine months ended December 31, 2021 and 2022.

(In billions of yen, unless otherwise stated)	Three Months		% change	Nine Months		% change
	Ended December 31, 2021	2022		Ended December 31, 2021	2022	
Consolidated operating results						
Revenue	746.0	880.1	18.0%	2,111.9	2,601.7	23.2%
Operating income	110.6	96.8	-12.4%	333.5	324.8	-2.6%
Profit before tax	112.6	105.6	-6.2%	336.5	336.0	-0.1%
Profit for the period	83.5	78.4	-6.1%	249.0	249.3	0.1%
Profit attributable to owners of the parent	83.2	77.8	-6.4%	248.4	247.6	-0.3%
Management Key Performance Indicators						
Adjusted EBITDA ¹	142.0	138.2	-2.6%	420.5	435.9	3.7%
Adjusted EBITDA margin	19.0%	15.7%	-	19.9%	16.8%	-
Adjusted EPS (yen) ²	53.33	50.27	-5.7%	157.72	160.05	1.5%

1 From FY2022, share-based payment expenses are included as an adjustment item. The new definition is applied retroactively to the three months and the nine months ended December 31, 2021.

2 From FY2022, amortization of intangible assets arising due to business combinations is removed as an adjustment item. The new definition is applied retroactively to the three months and the nine months ended December 31, 2021.

Consolidated revenue for Q3 FY2022 increased 18.0% as revenue in each segment, HR Technology, Matching & Solutions and Staffing increased. Excluding the positive impact of exchange rate fluctuations of 85.3 billion yen, revenue increased 6.5%.

Consolidated adjusted EBITDA margin decreased 3.3 percentage points to 15.7% as adjusted EBITDA margin in each segment decreased. Adjusted EBITDA decreased 2.6% and adjusted EPS was 50.27 yen, a decrease of 5.7%.

For the nine month period, consolidated revenue increased 23.2%, or 11.8% excluding the positive impact of exchange rate fluctuations of 239.6 billion yen. Consolidated adjusted EBITDA margin was 16.8%, consolidated adjusted EBITDA increased 3.7%, and adjusted EPS was 160.05 yen, an increase of 1.5%.

The following table presents the selling, general and administrative expenses for the three months and the nine months ended December 31, 2021 and 2022.

(In billions of yen)	Three Months		% change	Nine Months		% change
	Ended December 31, 2021	2022		Ended December 31, 2021	2022	
Sales commission	8.1	9.2	13.5%	22.4	26.2	17.3%
Promotion expenses	14.5	20.4	40.2%	33.5	56.4	68.0%
Advertising expenses	57.7	57.7	-0.0%	150.1	200.7	33.7%
Employee benefit expenses	143.0	197.8	38.3%	393.6	556.6	41.4%
Service outsourcing expenses	39.4	58.5	48.5%	107.2	161.7	50.8%
Rent expenses	5.6	7.4	32.0%	15.8	21.4	35.8%
Depreciation and amortization	29.4	30.0	2.0%	88.7	88.4	-0.3%
Other	18.4	26.0	40.7%	56.0	76.3	36.2%
Total	316.5	407.3	28.7%	867.7	1,188.3	37.0%

The following table presents the share-based payment expenses as well as research and development expenses for the three months and the nine months ended December 31, 2021 and 2022.

(In billions of yen)	Three Months		% change	Nine Months		% change
	Ended December 31, 2021	2022		Ended December 31, 2021	2022	
Share-based payment expenses ¹	7.1	21.0	193.9%	19.3	51.0	163.9%
Research and development expenses ²	24.9	39.6	58.9%	62.9	108.7	72.7%

1 Included in employee benefit expenses.

2 Consisted primarily of compensation expenses for engineering and other technical employees of HR Technology responsible for the development of new products and enhancement of existing products using new technologies, which is accounted as employee benefit expenses.

Results of Operations by Segment

HR Technology

The following table presents the financial results for the three months and the nine months ended December 31, 2021 and 2022 for the HR Technology segment.

(In billions of yen, unless otherwise stated)	Three Months			Nine Months		
	Ended December 31, 2021	2022	% change	Ended December 31, 2021	2022	% change
Revenue						
US	166.6	203.0	21.8%	470.9	635.7	35.0%
Non-US	59.1	77.4	30.9%	153.8	229.0	48.9%
Total	225.8	280.5	24.2%	624.7	864.8	38.4%
Adjusted EBITDA ¹	78.5	78.8	0.3%	245.7	265.6	8.1%
Adjusted EBITDA margin	34.8%	28.1%	-	39.3%	30.7%	-
Revenue in million US dollars (\$)						
US	1,464	1,435	-2.0%	4,234	4,664	10.1%
Non-US	521	548	5.3%	1,383	1,680	21.5%
Total	1,986	1,984	-0.1%	5,618	6,345	12.9%

¹ From FY2022, share-based payment expenses are included as an adjustment item. The new definition is applied retroactively to the three months and the nine months ended December 31, 2021.

Revenue for Q3 FY2022 increased 24.2%. On a US dollar basis, revenue decreased 0.1%. While the labor market remained tight globally, the supply and demand mismatch between job seekers and employers continued to ease. Total job postings on Indeed, composed of free and sponsored job postings, returned approximately to the levels of one year ago and job seeker activity as measured by traffic to, and applies on, Indeed and Glassdoor increased year over year.

On a US dollar basis, revenue in the US decreased 2.0%, as the demand for sponsored job postings, from both small and medium sized businesses and large enterprises, declined year over year. Revenue outside of the US increased 5.3%.

Adjusted EBITDA margin for Q3 FY2022 decreased 6.7 percentage points to 28.1% as personnel costs grew more than revenue primarily due to hiring in the first half of this fiscal year. During Q3, HR Technology controlled expenses in light of the business environment and advertising expenses decreased.

For the nine month period, revenue increased 38.4%, adjusted EBITDA margin was 30.7%, and adjusted EBITDA increased 8.1%.

Matching & Solutions

The following table presents the financial results for the three months and the nine months ended December 31, 2021 and 2022 for the Matching & Solutions segment.

(In billions of yen)	Three Months			Nine Months		
	Ended December 31, 2021	2022	% change	Ended December 31, 2021	2022	% change
Revenue						
Marketing Solutions	102.1	115.4	13.1%	292.0	332.3	13.8%
HR Solutions	62.8	73.7	17.5%	176.9	216.6	22.5%
Others and Eliminations	3.5	2.7	-23.6%	9.2	8.6	-6.9%
Total	168.5	191.9	13.9%	478.2	557.6	16.6%
Adjusted EBITDA ¹	36.4	31.6	-13.3%	100.4	90.8	-9.5%
Adjusted EBITDA margin	21.6%	16.5%	-	21.0%	16.3%	-

¹ From FY2022, share-based payment expenses are included as an adjustment item. The new definition is applied retroactively to the three months and the nine months ended December 31, 2021.

Revenue in Matching & Solutions for Q3 FY2022 increased 13.9%.

Revenue in Marketing Solutions increased 13.1% as revenue in Housing & Real Estate, Beauty, Travel, Bridal, and Dining all increased. Housing & Real Estate and Beauty continued to account for more than 50% of revenue in Marketing Solutions.

Revenue in HR Solutions increased 17.5% as revenue in the job advertising service and the placement service both increased. Hiring demand recovered year over year in the part-time job advertising service, particularly in the retail and dining industries. Hiring demand for the placement service increased across many of the industries which utilize placement services while some business clients began to act cautiously on hiring.

Adjusted EBITDA margin in Matching & Solutions for Q3 FY2022 decreased 5.2 percentage points to 16.5% as marketing expenses, mainly including advertising expenses, grew more than revenue.

For the nine month period, revenue increased 16.6%, adjusted EBITDA margin was 16.3%, and adjusted EBITDA decreased 9.5%.

Matching & Solutions' strategy is to "Help Businesses Work Smarter", including by improving clients' business results and productivity through their use of our ecosystem of matching platforms and SaaS solutions centered on Air BusinessTools.

The current priority for Air BusinessTools is to increase the number of SaaS accounts. As of December 31, 2022, the number of SaaS registered accounts¹, the number of AirPAY registered accounts and the number of accounts using both AirPAY and another Air BusinessTools solution (cross-use) increased year over year. Revenue from Air BusinessTools is included in Marketing Solutions, the details of which are presented in the following table.

(In thousand of accounts)	FY2021				FY2022			
	As of	June 30	September 30	December 31	March 31	June 30	September 30	December 31
Registered accounts ¹		1,960	2,090	2,260	2,450	2,640	2,830	3,000
YoY % Change		33.7%	34.4%	34.2%	33.9%	34.4%	35.4%	32.7%
AirPAY		228	241	260	281	304	329	359
YoY % Change		41.6%	40.3%	39.1%	33.6%	32.8%	36.4%	37.8%
Cross-use of AirPAY and other Air BusinessTools ²		146	154	165	176	188	199	212
YoY % Change		34.6%	34.1%	33.6%	30.8%	29.0%	28.7%	28.1%
AirWORK ATS		-	265	-	380	-	524	594
YoY % Change		-	-	-	-	-	97.5%	89.5%

1 Registered accounts refer to the number of stores and business locations that have registered for each relevant service including both active and non-active accounts.

2 Cross-use of AirPAY and other Air BusinessTools accounts that use AirPAY and at least one of the following solutions: AirREGI, AirRESERVE, AirWAIT, AirSHIFT, AirREGI ORDER, or AirMATE.

Staffing

The following table presents the financial results for the three months and the nine months ended December 31, 2021 and 2022 for the Staffing segment.

(In billions of yen)	Three Months			Nine Months		
	Ended December 31, 2021	Ended December 31, 2022	% change	Ended December 31, 2021	Ended December 31, 2022	% change
Revenue						
Japan	155.7	174.4	12.1%	448.3	505.7	12.8%
Europe, US, and Australia	202.0	241.1	19.4%	580.1	695.9	20.0%
Total	357.7	415.6	16.2%	1,028.5	1,201.6	16.8%
Adjusted EBITDA ¹						
Japan	14.8	15.7	6.2%	43.7	47.4	8.6%
Europe, US, and Australia	13.7	14.0	2.0%	35.2	37.5	6.6%
Total	28.6	29.8	4.2%	78.9	85.0	7.7%
Adjusted EBITDA margin						
Japan	9.5%	9.1%	-	9.8%	9.4%	-
Europe, US, and Australia	6.8%	5.8%	-	6.1%	5.4%	-
Staffing	8.0%	7.2%	-	7.7%	7.1%	-

1 From FY2022, share-based payment expenses are included as an adjustment item. The new definition is applied retroactively to the three months and the nine months ended December 31, 2021.

Revenue for Q3 FY2022 increased 16.2% with an increase in revenue for both *Japan* and *Europe, US, and Australia*. Excluding the positive impact of exchange rate fluctuations of 31.4 billion yen, revenue increased 7.4%.

Adjusted EBITDA margin for Q3 FY2022 decreased 0.8 percentage points to 7.2% as adjusted EBITDA margin in both *Japan* and *Europe, US, and Australia* decreased.

Revenue in *Japan* increased 12.1% due to an increase in the number of temporary staff on assignment as continued demand for staffing services grew year over year. Adjusted EBITDA margin for Q3 FY2022 decreased 0.5 percentage points to 9.1%.

Revenue in *Europe, US, and Australia* increased 19.4%. Excluding the positive impact of exchange rate fluctuations of 31.4 billion yen, revenue increased 3.8% due to continued growth in demand for staffing services in each region, despite a slowdown in demand related to supporting COVID-19 mitigation efforts that existed in the European region in FY2021.

Adjusted EBITDA margin for Q3 FY2022 in *Europe, US, and Australia* decreased 1.0 percentage point to 5.8%, as expenses grew more than revenue due to the impact of inflationary effects and increased headcount.

For the nine month period, revenue increased 16.8%. Excluding the positive impact of exchange rate fluctuations of 80.6 billion yen, revenue increased 9.0%. Adjusted EBITDA margin was 7.1%, and adjusted EBITDA increased 7.7%.

Management Actions for Q3 FY2022

Completion of Share Repurchase Program

The Company completed its share repurchase program (the “Share Repurchases”) on January 6, 2023 which had been announced on October 17, 2022. The Share Repurchases were conducted in line with the Company’s capital allocation policy and upon consideration of multiple factors including the capacity to pursue strategic business investments, the stock price level, the market environment, and the outlook for its financial position. Upon completion of the Share Repurchases, the total number of shares repurchased was 35,004,100 shares and the total purchase price was 149,999,334,300 yen.

Please find more information on the website:

“Notification of Status and Completion of Share Repurchases” released on January 10, 2023:

https://recruit-holdings.com/en/newsroom/20230110_0001/

Analysis of Consolidated Financial Position

(In billions of yen)	As of March 31, 2022	As of December 31, 2022	Variance	% Change
Assets				
Total current assets	1,182.0	1,429.6	247.6	20.9%
Total non-current assets	1,241.4	1,279.1	37.6	3.0%
Total assets	2,423.5	2,708.7	285.2	11.8%
Liabilities				
Total current liabilities	695.5	749.3	53.7	7.7%
Total non-current liabilities	351.6	372.5	20.8	5.9%
Total liabilities	1,047.2	1,121.8	74.6	7.1%
Equity				
Total equity attributable to owners of the parent	1,363.7	1,573.1	209.3	15.4%
Non-controlling interests	12.5	13.7	1.2	10.1%
Total equity	1,376.2	1,586.9	210.6	15.3%

Total current assets as of December 31, 2022 increased by 247.6 billion yen compared to the end of FY2021 mainly due to an increase in cash and cash equivalents from increased operating cash flows and from the sale of a portion of shares as part of the going private transaction of 51job.

The maximum amount of borrowings under overdraft agreements was 113.0 billion yen as of December 31, 2022, and the entire amount remained unused. In addition, committed credit facilities with a total maximum borrowing amount of 200.0 billion yen, for which the Company entered into an agreement on March 31, 2021, remained unused as of December 31, 2022.

Also, the Company has registered a maximum 200.0 billion yen worth of corporate bonds for potential issuances in Japan, the full amount of which is unissued as of December 31, 2022.

The following table presents cash and cash equivalents, interest-bearing debt and net cash, the amount calculated by subtracting interest-bearing debt from cash and cash equivalents.

(In billions of yen)	As of March 31, 2022	As of December 31, 2022	Variance	% Change
Cash and cash equivalents	669.5	814.9	145.3	21.7%
Interest-bearing debt	60.6	48.9	(11.6)	-19.2%
Net cash	608.9	765.9	157.0	25.8%

As of December 31, 2022, cash and cash equivalents and interest-bearing debt which includes bonds and borrowings, excluding lease liabilities, on a consolidated basis was 814.9 billion yen and 48.9 billion yen, respectively. Net cash, the amount calculated by subtracting interest-bearing debt from cash and cash equivalents, was 765.9 billion yen, an increase of 157.0 billion yen compared to the end of FY2021.

Analysis of Consolidated Cash Flows

(In billions of yen)	Nine Months Ended December 31,		Variance
	2021	2022	
Net cash flows from operating activities	332.2	338.8	6.6
Net cash flows from investing activities	(54.5)	(13.8)	40.7
Net cash flows from financing activities	(79.9)	(230.8)	(150.8)
Effect of exchange rate changes on cash and cash equivalents	20.4	51.1	30.6
Net increase (decrease) in cash and cash equivalents	218.1	145.3	(72.7)
Cash and cash equivalents at the beginning of the period	501.0	669.5	168.5
Cash and cash equivalents at the end of the period	719.1	814.9	95.7

During Q3, cash outflows from financing activities significantly increased due to the cash outflows of 129.0 billion yen for the Share Repurchases by resolution of the Board of Directors on October 17, 2022. However, cash and cash equivalents as of December 31, 2022 was 814.9 billion yen, an increase of 145.3 billion yen from the end of FY2021 as cash inflows from operating activities exceeded cash outflows from financing activities.

2. Qualitative Information on Consolidated Financial Guidance

During Q3, the tight labor market continued to moderate and this environment of gradual labor market normalization is expected to continue in Q4. As the Company assumes foreign exchange rates for Q4 of 132 yen per US dollar, 138 yen per Euro, and 89 yen per Australian dollar, and based on its updated outlook, the Company determined it is appropriate to revise the FY2022 consolidated financial guidance announced on May 16, 2022.

Consolidated Financial Guidance

Consolidated revenue for FY2022 is expected to be approximately 3.425 trillion yen
Consolidated adjusted EBITDA and adjusted EPS, which are both target management key performance indicators, are expected to be 525 billion yen and 180.00 yen respectively

HR Technology

For HR Technology, the Company expects the labor market imbalance will continue to ease in Q4 and that revenue on a US dollar basis will decrease compared to Q3. Also, the strong US dollar has had a negative impact on US dollar based revenue outside of the US for the first nine months of the fiscal year and the Company anticipates it will continue to impact its year over year US dollar basis growth rate in Q4.

The Company has now decided to revise its initial FY2022 outlook for US dollar based year over year revenue growth of approximately 10% to 20%. Due to the negative impact of exchange rate fluctuations and expectations for US dollar based revenue in Q4 to be lower than its initial outlook, its revised outlook is for year over year USD based revenue growth of approximately 8%.

While carefully monitoring the business environment and controlling operating expenses, the Company expects adjusted EBITDA margin for FY2022 to be approximately 29% due to lower than expected revenue, a slight revision from its initial outlook of approximately 30%.

Matching & Solutions

For Matching & Solutions, the Company expects a recovery of economic activities in Japan to continue in Q4.

Revenue in Marketing Solutions for FY2022 is expected to increase by approximately 13% year over year, within its initial outlook range of an increase of approximately 9% to 14% year over year, and revenue in HR Solutions for FY2022 is expected to increase by approximately 18.5% year over year, also within its initial guidance range of an increase of approximately 16% to 23% year over year.

While revenue for this fiscal year in both Marketing Solutions and HR Solutions is expected to be within the Company's initial outlook, strategic investments to realize its long term business strategy are expected to exceed its initial outlook. As a result, the Company expects adjusted EBITDA margin for FY2022 to be approximately 14%, a slight revision from its initial outlook of approximately 14.5%.

Staffing

For Staffing, the Company expects the business environment experienced during the first nine months of the fiscal year to continue in Q4 in *Japan* and *Europe, US, and Australia*.

As a result, the Company has revised its FY2022 revenue outlook for *Japan* from an increase of approximately 9% to 12% year over year to an increase of approximately 13% year over year.

The FY2022 revenue outlook for *Europe, US, and Australia* has also been revised from an increase of approximately 5.5% to 7% year over year to an increase of approximately 17.5%, due in part to the foreign exchange impact from the large discrepancy between the assumed exchange rates in the initial outlook and the actual rates for the first nine months of the current fiscal year and the assumed rates for Q4, caused by the weaker yen.

The Company expects adjusted EBITDA margin for FY2022 for the Staffing SBU to be approximately 6%, in line with its initial outlook. While the segment revenue growth rate will exceed its initial outlook range, the Company expects advertising expenses including recruitment expense in Q4 is expected to exceed its initial outlook in order to meet demand for staffing services from April onward.

3. Condensed Quarterly Consolidated Financial Statements and Primary Notes

Condensed Quarterly Consolidated Statements of Financial Position

(In millions of yen)	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	669,551	814,917
Trade and other receivables	468,032	538,372
Other financial assets	1,903	7,279
Other assets	42,558	69,099
Total current assets	1,182,045	1,429,669
Non-current assets		
Property and equipment	73,559	77,697
Right-of-use assets	187,060	181,429
Goodwill	436,017	460,746
Intangible assets	194,129	196,745
Investments in associates and joint ventures	86,916	18,261
Other financial assets	182,240	210,614
Deferred tax assets	76,685	128,649
Other assets	4,888	4,967
Total non-current assets	1,241,496	1,279,112
Total assets	2,423,542	2,708,782

(In millions of yen)	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	283,849	316,166
Bonds and borrowings	26,236	27,575
Lease liabilities	38,433	40,141
Other financial liabilities	111	3,225
Income tax payables	38,037	38,908
Provisions	13,147	8,585
Other liabilities	295,776	314,736
Total current liabilities	695,592	749,339
Non-current liabilities		
Bonds and borrowings	34,400	21,402
Lease liabilities	172,355	167,018
Other financial liabilities	525	607
Provisions	11,334	12,709
Net liability for retirement benefits	59,994	61,166
Deferred tax liabilities	62,592	100,692
Other liabilities	10,452	8,925
Total non-current liabilities	351,654	372,522
Total liabilities	1,047,247	1,121,862
Equity		
Equity attributable to owners of the parent		
Common stock	40,000	40,000
Share premium	20,640	26,726
Retained earnings	1,464,947	1,678,022
Treasury stock	(298,457)	(421,384)
Other components of equity	136,644	249,777
Total equity attributable to owners of the parent	1,363,776	1,573,142
Non-controlling interests	12,518	13,778
Total equity	1,376,294	1,586,920
Total liabilities and equity	2,423,542	2,708,782

Condensed Quarterly Consolidated Statements of Profit or Loss

For the Nine-Month Period

(In millions of yen, unless otherwise stated)	Nine Months Ended December 31,	
	2021	2022
Revenue	2,111,963	2,601,768
Cost of sales	903,052	1,087,661
Gross profit	1,208,911	1,514,106
Selling, general and administrative expenses	867,709	1,188,329
Other operating income	1,936	2,532
Other operating expenses	9,552	3,470
Operating income	333,586	324,838
Share of profit (loss) of associates and joint ventures	2,963	1,079
Finance income	2,814	13,919
Finance costs	2,856	3,763
Profit before tax	336,507	336,073
Income tax expense	87,497	86,707
Profit for the period	249,010	249,366
Profit attributable to:		
Owners of the parent	248,422	247,634
Non-controlling interests	588	1,732
Profit for the period	249,010	249,366
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	152.01	154.05
Diluted earnings per share (yen)	151.27	152.98

For the Three-Month Period

(In millions of yen, unless otherwise stated)	Three Months Ended December 31,	
	2021	2022
Revenue	746,056	880,119
Cost of sales	314,468	375,582
Gross profit	431,588	504,536
Selling, general and administrative expenses	316,576	407,354
Other operating income	530	1,399
Other operating expenses	4,884	1,696
Operating income	110,657	96,884
Share of profit (loss) of associates and joint ventures	874	1,006
Finance income	1,764	8,968
Finance costs	633	1,183
Profit before tax	112,663	105,675
Income tax expense	29,138	27,264
Profit for the period	83,525	78,411
Profit attributable to:		
Owners of the parent	83,252	77,889
Non-controlling interests	273	521
Profit for the period	83,525	78,411
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	50.95	48.60
Diluted earnings per share (yen)	50.67	48.24

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the Nine-Month Period

(In millions of yen)	Nine Months Ended December 31,	
	2021	2022
Profit for the period	249,010	249,366
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	(7,924)	174
Remeasurements of defined retirement benefit plans	31	250
Share of other comprehensive income of associates and joint ventures	(217)	(32)
Subtotal	(8,110)	392
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	36,178	76,633
Effective portion of changes in fair value of cash flow hedges	(3)	172
Subtotal	36,175	76,806
Other comprehensive income (loss) for the period, net of tax	28,065	77,199
Comprehensive income for the period	277,075	326,565
Comprehensive income attributable to:		
Owners of the parent	276,316	324,042
Non-controlling interests	759	2,523
Comprehensive income for the period	277,075	326,565

For the Three-Month Period

(In millions of yen)	Three Months Ended December 31,	
	2021	2022
Profit for the period	83,525	78,411
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	(2,611)	(3,062)
Remeasurements of defined retirement benefit plans	31	250
Share of other comprehensive income of associates and joint ventures	(252)	(158)
Subtotal	(2,832)	(2,970)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	22,845	(97,350)
Effective portion of changes in fair value of cash flow hedges	34	133
Subtotal	22,880	(97,216)
Other comprehensive income (loss) for the period, net of tax	20,047	(100,186)
Comprehensive income for the period	103,572	(21,775)
Comprehensive income attributable to:		
Owners of the parent	103,180	(21,767)
Non-controlling interests	392	(8)
Comprehensive income for the period	103,572	(21,775)

Condensed Quarterly Consolidated Statements of Changes in Equity

For the Nine Months Ended December 31, 2021

	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, 2021	40,000	17,422	1,201,573	(180,148)	8,987	3,548	187
Profit for the period			248,422				
Other comprehensive income						36,015	(3)
Comprehensive income for the period	-	-	248,422	-	-	36,015	(3)
Transfer from other components of equity to retained earnings			(8,117)				
Purchase of treasury stock		(26)		(2,850)			
Disposal of treasury stock		(227)		1,038	(661)		
Dividends			(34,316)				
Share-based payments					21,757		
Equity transactions with non-controlling interests							
Other			48				
Transactions with owners - total	-	(254)	(42,385)	(1,812)	21,095	-	-
Balance at December 31, 2021	40,000	17,168	1,407,610	(181,960)	30,083	39,563	183

	Equity attributable to owners of the parent				Other components of equity		Total equity
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined retirement benefit plans	Total	Total	Non-controlling interests		
Balance at April 1, 2021	-	-	12,723	1,091,571	9,717	1,101,289	
Profit for the period			-	248,422	588	249,010	
Other comprehensive income	(8,149)	31	27,894	27,894	170	28,065	
Comprehensive income for the period	(8,149)	31	27,894	276,316	759	277,075	
Transfer from other components of equity to retained earnings	8,149	(31)	8,117	-		-	
Purchase of treasury stock			-	(2,877)		(2,877)	
Disposal of treasury stock			(661)	149		149	
Dividends			-	(34,316)	(501)	(34,817)	
Share-based payments			21,757	21,757		21,757	
Equity transactions with non-controlling interests			-	-	1,928	1,928	
Other			-	48		48	
Transactions with owners - total	8,149	(31)	29,213	(15,238)	1,427	(13,811)	
Balance at December 31, 2021	-	-	69,831	1,352,649	11,904	1,364,553	

For the Nine Months Ended December 31, 2022

	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, 2022	40,000	20,640	1,464,947	(298,457)	34,682	101,909	52
Profit for the period			247,634				
Other comprehensive income						76,180	172
Comprehensive income for the period	-	-	247,634	-	-	76,180	172
Transfer from other components of equity to retained earnings			54				
Purchase of treasury stock		(103)		(131,145)			
Disposal of treasury stock		5,933		8,218	(13,969)		
Dividends			(34,614)				
Share-based payments					50,749		
Equity transactions with non-controlling interests		255					
Transactions with owners - total	-	6,085	(34,559)	(122,927)	36,779	-	-
Balance at December 31, 2022	40,000	26,726	1,678,022	(421,384)	71,462	178,090	225

	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	Total	Total		
Balance at April 1, 2022	-	-	136,644	1,363,776	12,518	1,376,294
Profit for the period			-	247,634	1,732	249,366
Other comprehensive income	(196)	250	76,407	76,407	791	77,199
Comprehensive income for the period	(196)	250	76,407	324,042	2,523	326,565
Transfer from other components of equity to retained earnings	196	(250)	(54)	-		-
Purchase of treasury stock			-	(131,249)		(131,249)
Disposal of treasury stock			(13,969)	182		182
Dividends			-	(34,614)	(828)	(35,443)
Share-based payments			50,749	50,749		50,749
Equity transactions with non-controlling interests			-	255	(435)	(180)
Transactions with owners - total	196	(250)	36,725	(114,676)	(1,264)	(115,940)
Balance at December 31, 2022	-	-	249,777	1,573,142	13,778	1,586,920

Condensed Quarterly Consolidated Statements of Cash Flows

(In millions of yen)	Nine Months Ended December 31,	
	2021	2022
Cash flows from operating activities		
Profit before tax	336,507	336,073
Depreciation and amortization	92,042	91,730
Share-based payment expenses	19,354	51,086
(Increase) decrease in trade and other receivables	(37,394)	(57,484)
Increase (decrease) in trade and other payables	3,489	25,969
Other	34,014	(19,111)
Subtotal	448,014	428,264
Interest and dividends received	1,728	8,983
Interest paid	(2,711)	(2,852)
Income taxes paid	(114,805)	(95,505)
Net cash provided by operating activities	332,225	338,890
Cash flows from investing activities		
Payment for purchase of property and equipment	(9,041)	(16,717)
Payment for purchase of intangible assets	(38,278)	(40,633)
Proceeds from sales of investments in associates and joint ventures	-	39,531
Other	(7,247)	4,017
Net cash provided by (used in) investing activities	(54,566)	(13,803)
Cash flows from financing activities		
Repayments of long-term borrowings	(12,478)	(12,483)
Repayments of lease liabilities	(32,442)	(34,326)
Payment for purchase of treasury stock	(2,877)	(131,282)
Dividends paid	(34,271)	(34,592)
Other	2,134	(18,144)
Net cash used in financing activities	(79,936)	(230,829)
Effect of exchange rate changes on cash and cash equivalents	20,427	51,108
Net increase (decrease) in cash and cash equivalents	218,149	145,366
Cash and cash equivalents at the beginning of the period	501,043	669,551
Cash and cash equivalents at the end of the period	719,193	814,917

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, HR Technology, Matching & Solutions, and Staffing, which are also the reportable segments. Beginning in Q1 FY2022 the segment name of Media & Solutions has been changed to Matching & Solutions.

HR Technology consists of two operations, the US and outside of the US. Matching & Solutions consists of two operations, Marketing Solutions and HR Solutions. Staffing consists of two operations, *Japan*, and *Europe, US and Australia*.

(2) Information on Reportable Segments

Previously, segment profit (loss) denoted adjusted EBITDA (operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses). However, starting from the three months ended June 30, 2022, the Company changed the calculation method of segment profit (loss) and included share-based payment expenses as an adjustment item to better reflect its cash flow generation and to enhance comparability with other companies globally. Accordingly, segment profit (loss) after the change denotes adjusted EBITDA (operating income + depreciation and amortization (excluding depreciation of right-of-use assets) + share-based payment expenses ± other operating income/expenses). Segment information for the nine months ended December 31, 2021 and the three months ended December 31, 2021 have also been prepared using the calculation method after the change.

Revenue from external customers in Adjustments includes revenue that is not allocated to a specific reportable segment, and segment profit (loss) of Adjustments includes 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 and liabilities are not stated as they are not subject to review for the purpose of deciding on the allocation of operating resources and assessing business performance.

For the Nine Months Ended December 31, 2021

(In millions of yen)	Reportable Segment				Adjustments	Consolidated
	HR Technology	Matching & Solutions	Staffing	Total		
Revenue						
Revenue from external customers	620,926	475,157	1,015,879	2,111,963	-	2,111,963
Intersegment revenue or transfers	3,841	3,066	12,652	19,559	(19,559)	-
Total	624,767	478,223	1,028,531	2,131,523	(19,559)	2,111,963
Segment profit (loss)	245,749	100,451	78,963	425,164	(4,612)	420,552
Depreciation and amortization (Note)						59,995
Share-based payment expenses						19,354
Other operating income						1,936
Other operating expenses						9,552
Operating income						333,586
Share of profit (loss) of associates and joint ventures						2,963
Finance income						2,814
Finance costs						2,856
Profit before tax						336,507

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

For the Nine Months Ended December 31, 2022

(In millions of yen)	Reportable Segment				Adjustments	Consolidated
	HR Technology	Matching & Solutions	Staffing	Total		
Revenue						
Revenue from external customers	862,016	552,889	1,185,503	2,600,409	1,359	2,601,768
Intersegment revenue or transfers	2,835	4,761	16,161	23,758	(23,758)	-
Total	864,852	557,650	1,201,664	2,624,167	(22,399)	2,601,768
Segment profit (loss)	265,604	90,880	85,056	441,542	(5,604)	435,937
Depreciation and amortization (Note)						59,074
Share-based payment expenses						51,086
Other operating income						2,532
Other operating expenses						3,470
Operating income						324,838
Share of profit (loss) of associates and joint ventures						1,079
Finance income						13,919
Finance costs						3,763
Profit before tax						336,073

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

For the Three Months Ended December 31, 2021

(In millions of yen)	Reportable Segment				Adjustments	Consolidated
	HR Technology	Matching & Solutions	Staffing	Total		
Revenue						
Revenue from external customers	225,226	167,744	353,086	746,056	-	746,056
Intersegment revenue or transfers	631	756	4,658	6,047	(6,047)	-
Total	225,857	168,501	357,745	752,104	(6,047)	746,056
Segment profit (loss)	78,580	36,451	28,648	143,680	(1,668)	142,011
Depreciation and amortization (Note)						19,826
Share-based payment expenses						7,173
Other operating income						530
Other operating expenses						4,884
Operating income						110,657
Share of profit (loss) of associates and joint ventures						874
Finance income						1,764
Finance costs						633
Profit before tax						112,663

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

For the Three Months Ended December 31, 2022

(In millions of yen)	Reportable Segment				Adjustments	Consolidated
	HR Technology	Matching & Solutions	Staffing	Total		
Revenue						
Revenue from external customers	279,611	190,231	409,793	879,637	481	880,119
Intersegment revenue or transfers	922	1,753	5,843	8,519	(8,519)	-
Total	280,534	191,985	415,636	888,156	(8,037)	880,119
Segment profit (loss)	78,827	31,607	29,853	140,288	(2,000)	138,287
Depreciation and amortization (Note)						20,025
Share-based payment expenses						21,079
Other operating income						1,399
Other operating expenses						1,696
Operating income						96,884
Share of profit (loss) of associates and joint ventures						1,006
Finance income						8,968
Finance costs						1,183
Profit before tax						105,675

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

2. Significant Subsequent Events

Share repurchase

The Company, by resolution of its Board of Directors on October 17, 2022, implemented the following share repurchase program (the "Share Repurchases"), pursuant to Article 156 of the Companies Act as applied by replacing certain terms pursuant to Article 165, Paragraph 3 of the said Act.

The Share Repurchases based on the above resolution were completed on January 6, 2023.

(1) Details of the shares repurchased on and after January 1, 2023

(i) Class of shares repurchased	Common stock
(ii) Total number of shares repurchased	4,897,800 shares
(iii) Total purchase price	20,919 million yen
(iv) Period for the Share Repurchases	From January 1, 2023 to January 6, 2023

(2) Details of the purchase resolved by the Board of Directors on October 17, 2022

(i) Class of shares to be repurchased	Common stock
(ii) Total number of shares to be repurchased	42,000,000 shares (maximum) (up to 2.55% of total number of shares issued (excludes treasury stock))
(iii) Total purchase price	150,000 million yen (maximum)
(iv) Period for the Share Repurchases	From October 18, 2022 to March 14, 2023
(v) Method of repurchases	Market purchases on the Tokyo Stock Exchange, Inc. through an appointed securities dealer with transaction discretion

* The ratio to the total number of shares issued (excludes treasury shares) above includes the number of shares of the Company held in the trust account of the BIP Trust and the equity-settled ESOP Trust.

(3) Total number of shares repurchased pursuant to the above resolution of the Board of Directors

(i) Class of shares repurchased	Common stock
(ii) Total number of shares repurchased	35,004,100 shares
(iii) Total purchase price	149,999 million yen