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

TOKYO, JAPAN (November 16, 2020) – Recruit Holdings Co., Ltd. (TSE 6098) (the "Company") announced today that the Company's Board of Directors resolved to implement an Equity-Based Incentive Plan ("Plan") with awards to be granted and settled in shares of the Company's common stock. The primary awardees under the Plan will be employees of the HR Technology SBU (Strategic Business Unit). Some of the details of the Plan are disclosed below:

## 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.

## 2. Details of the Plan

The target recipients of the Plan will be mainly employees of the HR Technology SBU.

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 the Company's shares acquired by the Trust to employees based on the terms set forth in the Plan.

With the introduction of this Plan, using cash contributed by the Company, the Trust plans to acquire approximately 500 to 600 million USD of the Company's common stock in February or May 2021. The Company expects to continue this Plan annually, and expects to acquire shares in future years. The number of shares to be acquired each year depends on various factors such as the number of target recipients and the stock price level of the Company in the future years. The Trust may use one of two possible methods for the acquisition of the shares by the Trust: acquiring shares through the stock market or using the existing treasury stock of the Company. However, the Company will determine the appropriate method at the time of acquisition. Employees will not be required to pay any consideration in relation to the acquisition of shares for the Plan.

## 3. Impact of the Plan

Impact on consolidated adjusted EBITDA, a management key performance indicator

The expense for the current cash-based long-term incentive plan that has been used in the HR Technology SBU has been apportioned through to the time that the awards vest. Since the cash-based long term incentive will no longer be awarded going forward at the same time that the Plan is intended to be implemented, the Company does not expect that the total expense for the Plan through to the time that the awards vest will rise significantly, compared to the expense the Company would have incurred if the cash-based long term incentive continued. Changes in the expense recording method and vesting schedule and subsequent changes in expense throughout the fiscal year is expected to affect adjusted EBITDA, however the impact is expected to be insignificant.

Impact on adjusted EPS, a management key performance indicator

The implementation of the Plan will impact the total number of shares used to calculate adjusted EPS. If the Company's shares are acquired by the Trust through the open market, the amount of shares considered to be treasury stock in the adjusted EPS calculation will increase, which would result in a decrease in the total number of shares used in the adjusted EPS calculation, increasing the adjusted EPS as a result. However, the impact will be offset when the shares are delivered to employees. On the other hand, if the shares are acquired through the treasury stock of the Company, the amount of treasury stock in the adjusted EPS calculation will not change when acquired through the Trust, but decrease when the shares are delivered to employees, which would result in an increase in the total number of shares used in the adjusted EPS calculation, diluting the adjusted EPS as a result.

Given the acquisition amount currently envisioned in calendar year 2021, at the current stock price, the impact on the number of shares used to calculate adjusted EPS in the future years is expected to be less than 1%.

Impact on voting rights

If the Trust acquires shares of the Company through the open market, there will be no impact on the number of voting rights. On the other hand, if the Company's shares are acquired through the treasury stock of the Company, the total number of voting rights will increase when the Trust acquires the Company's shares, resulting in a dilution of voting rights of existing shareholders. However, given the current acquisition price and today's stock price, the dilution ratio is expected to be less than 1% and the impact is expected to be insignificant and the Trust will not exercise the voting rights on the Company shares.

Impact on the consolidated financial guidance for FY2020

The Company released the Financial Results for the Second Quarter of the Fiscal Year ending March 2021 [IFRS] (Consolidated) today, and provided its consolidated financial guidance for FY2020, which takes the financial impact of the Plan for FY2020 into account. The impact of the Plan is insignificant on the Company's FY2020 consolidated financial guidance.

For the formulas for consolidated adjusted EBITDA and adjusted EPS, please refer to the Financial Results for the Second Quarter of the Fiscal Year ending March 2021 [IFRS] (Consolidated) disclosed separately today.

This document is not an offer to sell or a solicitation of any offer to buy securities of Recruit Holdings Co., Ltd. in the United States, and states within the United States, or any other jurisdiction. The securities referenced in this press release have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The securities will not be publicly offered or sold in the United States.

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 forward-looking statements will be achieved. 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.