

Recruit Holdings Announces Third Quarter FY2018 Results

TOKYO, JAPAN (February 13, 2019) - Recruit Holdings Co., Ltd. ("Recruit Holdings") today announced financial results for the nine months ended December 31, 2018 (unaudited).

9 Months FY2018 Consolidated Financial Highlights

- Consolidated revenue +7.0%, EBITDA +11.3%, Adjusted EPS +23.1%
 - Revenue and EBITDA increased in all three segments: HR Technology, Media & Solutions, and Staffing
- Strong YoY revenue growth continued in HR Technology
 - Revenue increased +57.2% in US dollar terms, assuming accounting policy change was applied in FY2017 ⁽¹⁾

(In billions of yen, unless otherwise stated)	FY2018			
	Q3	YoY	9M	YoY
Revenue	587.0	+6.0%	1,730.4	+7.0%
EBITDA	84.8	+11.1%	240.1	+11.3%
EBITDA margin	14.5%	+0.7pt	13.9%	+0.5pt
Operating income	65.6	+12.6%	192.1	+15.3%
Profit attributable to owners of the parent	53.3	+14.7%	146.0	+13.6%
Adjusted profit	53.1	+26.3%	151.0	+23.1%
Adjusted EPS (yen)	31.79	+26.3%	90.43	+23.1%

Q3 FY2018 Segment Highlights

(Q3 refers to the three-month period from October 1, 2018 to December 31, 2018)

HR Technology Segment:

- Quarterly revenue increased by 48.4% year on year and by 53.7% in US dollar terms, assuming application of an accounting policy change to the previous year's quarter on a pro forma basis⁽¹⁾; the increase was mainly due to increased sponsored job advertising revenue from new and existing clients at Indeed and the inclusion of Glassdoor, which was acquired during Q1.
- Quarterly EBITDA increased by 84.9%.
- Indeed attracts approximately 250 million monthly unique visitors⁽²⁾ and job seeker traffic continued to grow double digits year on year during the quarter. Indeed had approximately 8,000 employees located in 29 cities in 14 countries as of December 31, 2018.
- Glassdoor attracts approximately 64 million monthly unique visitors⁽²⁾ and traffic grew double digits year on year during the quarter. Glassdoor had approximately 800 employees as of December 31, 2018.

Media & Solutions Segment:

- Quarterly revenue increased by 6.9%, primarily driven by increased revenue in the Housing and Real Estate and Beauty subsegments in Marketing Solutions and in the Recruiting in Japan subsegment in HR Solutions.
- Quarterly EBITDA increased by 5.5%.
- Housing and Real Estate revenue grew, primarily driven by improved usability of its online platform, various marketing efforts to attract more users, and sales initiatives to offer solutions to clients.
- Beauty revenue continued to grow double digits mainly by extending its reach to clients in non-urban areas and the outskirts of metropolitan areas.
- Recruiting in Japan revenue continued to grow at high single digits, mainly due to the increase in placement revenue, reflecting the extremely tight labor market in Japan.

Staffing Segment:

- Quarterly revenue decreased by 1.5%. Revenue for Japan operations increased by 7.8% as demand for agency workers continued to be strong. Revenue for Overseas operations decreased by 7.4% mainly due to an uncertain outlook for the European economy, the negative impact of foreign exchange rate movements and the adoption of IFRS 15. Excluding the impact of foreign exchange rate movements and the adoption of IFRS 15, quarterly revenue for Overseas decreased by 2.5%.
- Quarterly EBITDA increased by 13.4%.
- Japan operations recorded an increase in placement revenue, which has higher profitability than staffing revenue, as a result of revisions to Japanese laws.
- Overseas operations continued to focus on profitability improvement and simplifying the operational governance model in Europe.

(1) The Group adopted IFRS 15 in Q1 FY2018, and changed its accounting policy. Revenues from certain customers which were previously presented on a gross basis with agent commissions classified in cost of sales are now presented on a net basis. FY2017 numbers assume the same accounting policy change was applied on a pro forma basis.

(2) Internal data based on Google Analytics, Monthly Unique Visitors, October 2018

Q3 and 9 Months FY2018 Segment Highlights (continued)

Revenue (In billions of yen)	FY2017	FY2018			
	Q3	Q3	YoY	9M	YoY
Consolidated results	553.8	587.0	+6.0%	1,730.4	+7.0%
HR Technology	57.4	85.1	+48.4%	236.9	+51.3%
Reference: (In millions of US dollars) Revenue in US dollars with accounting policy change applied ⁽¹⁾	490	754	+53.7%	2,128	+57.2%
Media & Solutions	166.7	178.2	+6.9%	527.6	+5.8%
Marketing Solutions	93.4	100.7	+7.9%	295.2	+4.7%
Housing and Real Estate	23.5	26.5	+12.8%	76.0	+3.6%
Bridal	14.4	14.1	-2.2%	41.9	-0.9%
Travel	14.0	15.0	+6.7%	46.7	+4.6%
Dining	9.9	10.2	+3.4%	28.7	+4.2%
Beauty	16.2	19.1	+18.1%	54.1	+15.3%
Others	15.1	15.5	+2.9%	47.5	+1.1%
HR Solutions	71.3	76.7	+7.5%	230.2	+8.9%
Recruiting in Japan	65.1	69.0	+5.9%	205.7	+6.2%
Others	6.1	7.7	+24.7%	24.4	+38.8%
Eliminations and Adjustments	1.9	0.7	-62.1%	2.2	-58.1%
Staffing	336.2	331.1	-1.5%	986.1	+0.7%
Japan	130.6	140.8	+7.8%	409.0	+7.6%
Overseas	205.6	190.3	-7.4%	577.0	-3.6%
Eliminations and Adjustments	(6.6)	(7.4)	-	(20.2)	-
EBITDA (In billions of yen)					
Consolidated results	76.4	84.8	+11.1%	240.1	+11.3%
HR Technology	7.0	13.1	+84.9%	36.8	+58.4%
Media & Solutions⁽²⁾	46.1	48.6	+5.5%	140.1	+9.2%
Marketing Solutions⁽²⁾	29.7	33.1	+11.6%	90.9	+14.1%
HR Solutions⁽²⁾	19.8	19.7	-0.2%	61.3	+5.6%
Eliminations and Adjustments	(3.3)	(4.2)	-	(12.1)	-
Staffing⁽²⁾	22.1	25.1	+13.4%	69.2	+10.1%
Japan⁽²⁾	10.6	13.4	+26.6%	36.3	+17.0%
Overseas	11.5	11.6	+1.2%	32.8	+3.4%
Eliminations and Adjustments	1.0	(2.0)	-	(6.1)	-
EBITDA margin					
Consolidated results	13.8%	14.5%	+0.7pt	13.9%	+0.5pt
HR Technology	12.3%	15.4%	+3.0pt	15.6%	+0.7pt
Media & Solutions	27.7%	27.3%	-0.4pt	26.6%	+0.8pt
Marketing Solutions	31.8%	32.9%	+1.1pt	30.8%	+2.5pt
HR Solutions	27.8%	25.8%	-2.0pt	26.6%	-0.8pt
Staffing	6.6%	7.6%	+1.0pt	7.0%	+0.6pt
Japan	8.1%	9.5%	+1.4pt	8.9%	+0.7pt
Overseas	5.6%	6.1%	+0.5pt	5.7%	+0.4pt

(1) The Group adopted IFRS 15 in Q1 FY2018, and changed its accounting policy. Revenues from certain customers which were previously presented on a gross basis with agent commissions classified in cost of sales are now presented on a net basis. FY2017 numbers assume the same accounting policy change was applied on a pro forma basis.

(2) The treatment of cost allocations in intra-group transactions was changed at the beginning of Q1 FY2018, resulting in a positive impact to segment EBITDA for Q3 and the nine-month period of FY2018. Please refer to Appendix.

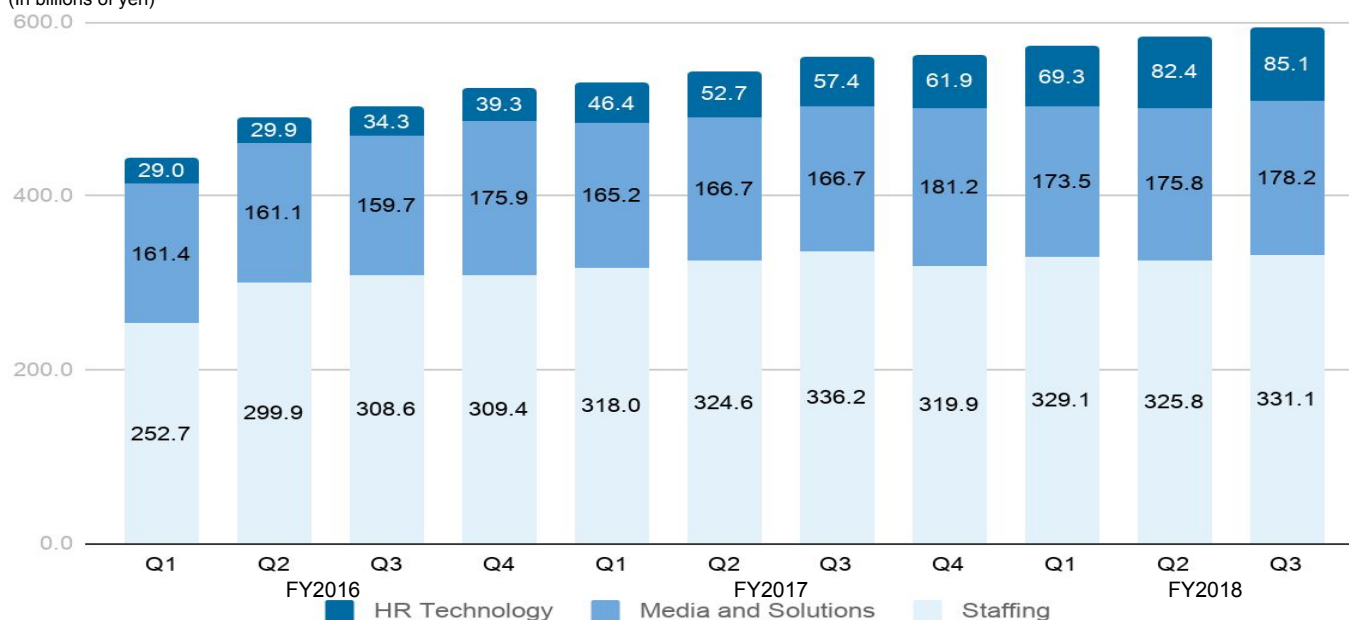
FY2018 Full Year Consolidated Financial Forecast

There is no revision to the financial forecasts for FY2018 due to the possibility of variances to forecasts in Q4 FY2018. In view of the recent performance, the financial results for FY2018 are expected to exceed the original forecasts previously announced on May 15, 2018.

(In billions of yen, unless otherwise stated)	FY2017	FY2018	
	Full-year	Full-year	YoY
Revenue	2,173.3	2,302.0	+5.9%
EBITDA	258.4	285.0	+10.3%
Operating income	191.7	210.0	+9.5%
Profit attributable to owners of the parent	151.6	153.0	+0.9%
Adjusted profit	144.9	170.0	+17.3%
Adjusted EPS (yen)	86.74	101.76	+17.3%
Profit available for dividends	131.8	153.0	+16.1%
Dividend per share (yen)	23.00	27.00	-

Appendix: Quarterly Revenue (Segments)⁽¹⁾

(In billions of yen)



Quarterly EBITDA/EBITDA margin (Segments)⁽¹⁾

(In billions of yen)



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

Impact from Accounting Policy Change⁽¹⁾ in HR Technology Segment

(In millions of US dollars)	FY2017				FY2018			FY2017	FY2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	9M	9M
Revenue (Accounting policy change applied) ⁽¹⁾	402	460	490	557	634	739	754	1,353	2,128
YoY	-	-	-	-	+57.6%	+60.6%	+53.7%	-	+57.2%

(1) The Group adopted IFRS 15 in Q1 FY2018, and changed its accounting policy. Revenues from certain customers which were previously presented on a gross basis with agent commissions classified in cost of sales are now presented on a net basis. FY2017 numbers assume the same accounting policy change was applied on a pro forma basis. These were previously reported in FY2017 on a gross basis.

Impact to Segment EBITDA YoY due to Change in Intra-Group Transactions

(In billions of yen)	FY2018			
	Q3 reported	Q3 adjusted	9M reported	9M adjusted
EBITDA YoY				
Media & Solutions	+5.5%	+2.1%	+9.2%	+5.4%
Marketing Solutions	+11.6%	+8.5%	+14.1%	+10.6%
HR Solutions	-0.2%	-2.1%	+5.6%	+3.5%
Staffing	+13.4%	+10.4%	+10.1%	+7.1%
Japan	+26.6%	+19.8%	+17.0%	+10.6%

Adjusted items for EBITDA and Adjusted Profit

(In billions of yen)	FY2018		(In billions of yen)	FY2019	
	Q3	9M		Q3	9M
EBITDA			Adjusted Profit		
Operating income	65.6	192.1	Profit (loss) attributable to owners of the parent	53.3	146.0
Other operating income	-0.2	-8.9	Amortization and intangible assets arising due to business combination	+5.1	+17.2
Other operating expenses	+1.9	+3.5	Non-recurring income	-3.5	-8.7
Depreciation and amortization	+17.6	+53.3	Non-recurring losses	+1.8	+5.5
EBITDA	84.8	240.1	Tax reconciliation regarding the adjusted items	-3.5	-9.0
			Adjusted Profit	53.1	151.0

Notes:

EBITDA = operating income + depreciation and amortization ± other operating income/expenses

Adjusted profit = Profit (loss) attributable to owners of the parent ± adjustment items* (excluding non-controlling interests)

± tax reconciliation regarding the adjustment items

*amortization of intangible assets arising due to business combinations ± non-recurring income/losses

Adjusted EPS = adjusted profit / (number of shares issued at the end of the period - number of treasury shares at the end of the period)

Profit available for dividends = Profit (loss) attributable to owners of the parent ± non-recurring income/losses, etc.

Figures in US Dollars are the financial results of operating companies in HR Technology segment, which differ from the consolidated financial results of Recruit Holdings.

Full set of material regarding Q3 FY2018 results announcement is posted on <https://recruit-holdings.com/ir/>.

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