Financial Results for Q2 FY2018





Recruit Holdings Co., Ltd.

Keiichi Sagawa

CFO and Senior Managing Corporate Executive Officer

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FY2018 1st Half Highlights

Consolidated revenue +7.5%, EBITDA +11.5%, Adjusted EPS +21.4%

Revenue and EBITDA increased in all three segments:
HR Technology, Media & Solutions, and Staffing

Strong YoY revenue growth continued in HR Technology

Revenue increased +59.2% in US dollar terms, assuming IFRS 15 applied in FY2017 (1)
Profits and losses of Glassdoor were included in the consolidated results in Q2 FY2018

(1) These are the financial results of operating companies in the HR Technology segment, which differ from the consolidated financial results of Recruit Holdings Co., Ltd. Assuming IFRS 15 was applied in FY2017 on a pro forma basis.

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FY2018 1st Half Consolidated Financial Results

(in billions of yen, unless otherwise stated)	FY2017 1st Half	FY2018 1st Half	FY2018 YoY
Revenue	1,063.0	1,143.3	+7.5%
EBITDA	139.2	155.2	+11.5%
EBITDA margin	13.1%	13.6%	+0.5pt
Operating income	108.3	126.5	+16.8%
Profit attributable to owners of the parent	82.0	92.6	+12.9%
Adjusted profit	80.6	97.9	+21.4%
Adjusted EPS (yen)	48.30	58.64	+21.4%

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FY2018 Q2 Consolidated Financial Results

(in billions of yen, unless otherwise stated)	FY2017 Q2	FY2018 Q2	FY2018 YoY
Revenue	538.6	577.8	+7.3%
EBITDA	67.3	76.5	+13.6%
EBITDA margin	12.5%	13.2%	+0.7pt
Operating income	52.0	58.7	+12.8%
Profit attributable to owners of the parent	41.8	45.3	+8.3%
Adjusted profit	38.3	48.8	+27.4%
Adjusted EPS (yen)	22.97	29.26	+27.4%

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Q2 FY2018 Financial Results by Segment

	FY2017	FY2018			
Revenue (in billions of yen)	Q2	Q2	YoY	1st Half	YoY
Consolidated results	538.6	577.8	+7.3%	1,143.3	+7.5%
HR Technology	52.7	82.4	+56.4%	151.7	+52.9%
Media & Solutions	166.7	175.8	+5.5%	349.4	+5.3%
Staffing	324.6	325.8	+0.4%	654.9	+1.9%
Eliminations and Adjustments	-5.4	-6.2	-	-12.7	-
EBITDA (in billions of yen)					
Consolidated results	67.3	76.5	+13.6%	155.2	+11.5%
HR Technology	8.4	14.3	+69.9%	23.7	+46.7%
Media & Solutions	39.0	44.0	+12.9%	91.4	+11.2%
Staffing	20.1	20.1	-0.1%	44.1	+8.4%
Eliminations and Adjustments	-0.2	-1.9	-	-4.1	-
EBITDA margin					
Consolidated results	12.5%	13.2%	+0.7pt	13.6%	+0.5pt
HR Technology	16.0%	17.4%	+1.4pt	15.7%	-0.7pt
Media & Solutions	23.4%	25.0%	+1.6pt	26.2%	+1.4pt
Staffing	6.2%	6.2.%	0.0pt	6.7%	+0.4pt

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HR Technology

(in billions of yen, unless otherwise stated)	FY2017	FY2018			
	Q2	Q2	YoY	1st Half	YoY
Revenue	52.7	82.4	+56.4%	151.7	+52.9%
Reference: (in millions of US dollars) **Revenue in US dollars** (1)	476	739	+55.1%	1,373	+53.5%
Revenue in US dollars (1) **IFRS15 applied** (2)	460	739	+60.6%	1,373	+59.2%
EBITDA	8.4	14.3	+69.9%	23.7	+46.7%
EBITDA margin	16.0%	17.4%	+1.4pt	15.7%	-0.7pt

(1) These are the financial results of operating companies in the HR Technology segment, which differ from the consolidated financial results of Recruit Holdings Co., Ltd.
(2) Assuming IFRS15 was applied in the previous fiscal year on a pro forma basis.

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Media & Solutions

(in billions of yen, unless otherwise stated)

Revenue	FY2017 Q2	FY2018 Q2	YoY	FY2018 1st Half	YoY
Segment total	166.7	175.8	+5.5%	349.4	+5.3%
Marketing Solutions	96.8	100.8	+4.1%	194.4	+3.1%
Housing and Real Estate	25.1	25.2	+0.3%	49.4	-0.7%
Bridal	13.9	13.8	-0.7%	27.7	-0.2%
Travel	16.9	17.6	+4.4%	31.6	+3.7%
Dining	8.8	9.2	+4.7%	18.5	+4.7%
Beauty	15.7	17.8	+13.3%	35.0	+13.7%
Others	16.2	16.9	+4.4%	32.0	+0.3%
HR Solutions	68.7	74.4	+8.2%	153.4	+9.6%
Recruiting in Japan	62.2	66.4	+6.7% (1)	136.7	+6.3%
Others	6.4	7.9	+23.0%	16.7	+46.5%
Eliminations and Adjustments	1.1	0.6	-43.1%	1.4	-55.8%
EBITDA					
Segment total	39.0	44.0	+12.9%	91.4	+11.2%
Marketing Solutions	25.2	29.7	+17.9%	57.7	+15.5%
HR Solutions	17.4	18.1	+4.0%	41.5	+8.6%
Eliminations and Adjustments	-3.6	-3.8	-	-7.8	-
EBITDA margin					
Segment total	23.4%	25.0%	+1.6pt	26.2%	+1.4pt
Marketing Solutions	26.1%	29.5%	+3.5pt	29.7%	+3.2pt
HR Solutions	25.4%	24.4%	-1.0pt	27.1%	-0.3pt

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(1) The recruiting assessment business previously recorded in Recruiting in Japan was transferred into Others in HR Solutions, and the placement business for the medical industry previously recorded in Eliminations and Adjustments in Media & Solutions was transferred to Recruiting in Japan from Q1 FY2018. Excluding these one-time factors, revenue in Recruiting in Japan increased 7.3%.

Staffing

(in billions of yen, unless otherwise stated)	FY2017	FY2018			
Revenue	Q2	Q2	YoY	1st Half	YoY
Segment total	324.6	325.8	+0.4%	654.9	+1.9%
Japan	123.9	132.5	+7.0%	268.2	+7.4%
Overseas	200.6	193.2	-3.7%	386.7	-1.6%
EBITDA					
Segment total	20.1	20.1	-0.1%	44.1	+8.4%
Japan	9.0	9.5	+4.5%	22.9	+12.0%
Overseas	11.0	10.6	-3.9%	21.2	+4.7%
EBITDA margin					
Segment total	6.2%	6.2%	0.0pt	6.7%	+0.4pt
Japan	7.3%	7.2%	-0.2pt	8.6%	+0.4pt
Overseas	5.5%	5.5%	0.0pt	5.5%	+0.3pt

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FY2018 Consolidated Financial Forecast

The FY2018 full year forecast has not changed since the announcement 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	-

* Assumed foreign exchange rates for FY2018: 106 yen per US dollar, 131 yen per Euro, 84 yen per Australian dollar.

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Appendix

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HR Technology - Historical Analysis of accounting changes impact -

(in millions of US dollars)

	FY2017				FY2018		FY2017	FY2018
	Q1	Q2	Q3	Q4	Q1	Q2	1st Half	1st Half
Revenue in US dollars (IFRS 15 not applied)	**418**	**476**	**509**	**572**	652	761	**894**	1,413
IFRS15 Impact (1)	-15	-16	-18	-14	-18	-21	-31	-40
Revenue in US dollars (1) (IFRS 15 applied)	402	460	490	557	**634**	**739**	862	**1,373**
YoY (1)	-	-	-	-	+57.6%	+60.6%	-	+59.2%

* The financial results of operating companies are in bold text, which differ from the consolidated financial results of Recruit Holdings Co., Ltd.
(1) Assuming IFRS 15 was applied as of Q1 FY2017 on a pro forma basis.

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Adjustment items for EBITDA and Adjusted Profit

(in billions of yen)

EBITDA	FY2018 Q2
Operating income	58.7
Other operating income	-1.5
Other operating expenses	+0.5
Depreciation and amortization	+18.8
EBITDA	**76.5**

(in billions of yen)

Adjusted Profit	FY2018 Q2
Profit (loss) attributable to owners of the parent	45.3
Amortization of intangible assets arising due to business combinations	+6.6
Non-recurring income	-2.0
Non-recurring losses	+2.4
Tax reconciliation regarding the adjustment items	-3.4
Adjusted Profit	**48.8**

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

Due to the group reorganization, the treatment of intra-group transactions was changed at the beginning of Q1 FY2018, positively impacting EBITDA in some segments.

(in billions of yen)

EBITDA	FY2017		FY2018		
	Q2 Results (A)	Q2 Adjusted (1) (B)	Q2 Results (C)	YoY Change (C)/(A)	YoY Change Adjusted (1) (C)/(B)
Consolidated results	67.3	-	76.5	+13.6%	-
HR Technology	8.4	-	14.3	+69.9%	-
Media & Solutions	39.0	40.5	44.0	+12.9%	+8.6%
Marketing Solutions	25.2	26.1	29.7	+17.9%	+14.1%
HR Solutions	17.4	17.8	18.1	+4.0%	+1.8%
Eliminations and Adjustments	-3.6	-3.3	-3.8	-	-
Staffing	20.1	20.7	20.1	-0.1%	-3.0%
Japan	9.0	9.6	9.5	+4.5%	-2.0%
Overseas	11.0	-	10.6	-3.9%	-
Eliminations and Adjustments	-0.2	-2.3	-1.9	-	-

(1) Assuming the change in intra-group transactions such as management service fees and general administrative fees was applied in Q2 FY2017. Calculated based on managerial accounting figures.

* There is no impact on the HR Technology segment and overseas operations of the Staffing segment from this change in treatment of intra-group transactions.

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Other Data

	FY2017				FY2018	
	Q1e	Q2e	Q3e	Q4e	Q1e	Q2e
Hot Pepper Gourmet # of seats reserved online (1) (million)	14.48	28.28	52.75	71.21	19.05	37.18
Hot Pepper Beauty # of online reservations (1) (million)	18.24	37.95	57.58	78.23	22.72	47.19
AirREGI # of accounts (thousand)	292	30.5	318	333	349	364
Study Sapuri (2) # of paying subscribers (thousand)	404	444	454	476	559	586

(1) Based on number of reservations, cancels are not counted.
(2) Figures indicate the total number of users of high school, junior high school, elementary school and English courses. The figures disclosed in the results presentations in FY2017 and before only included users of high school courses.

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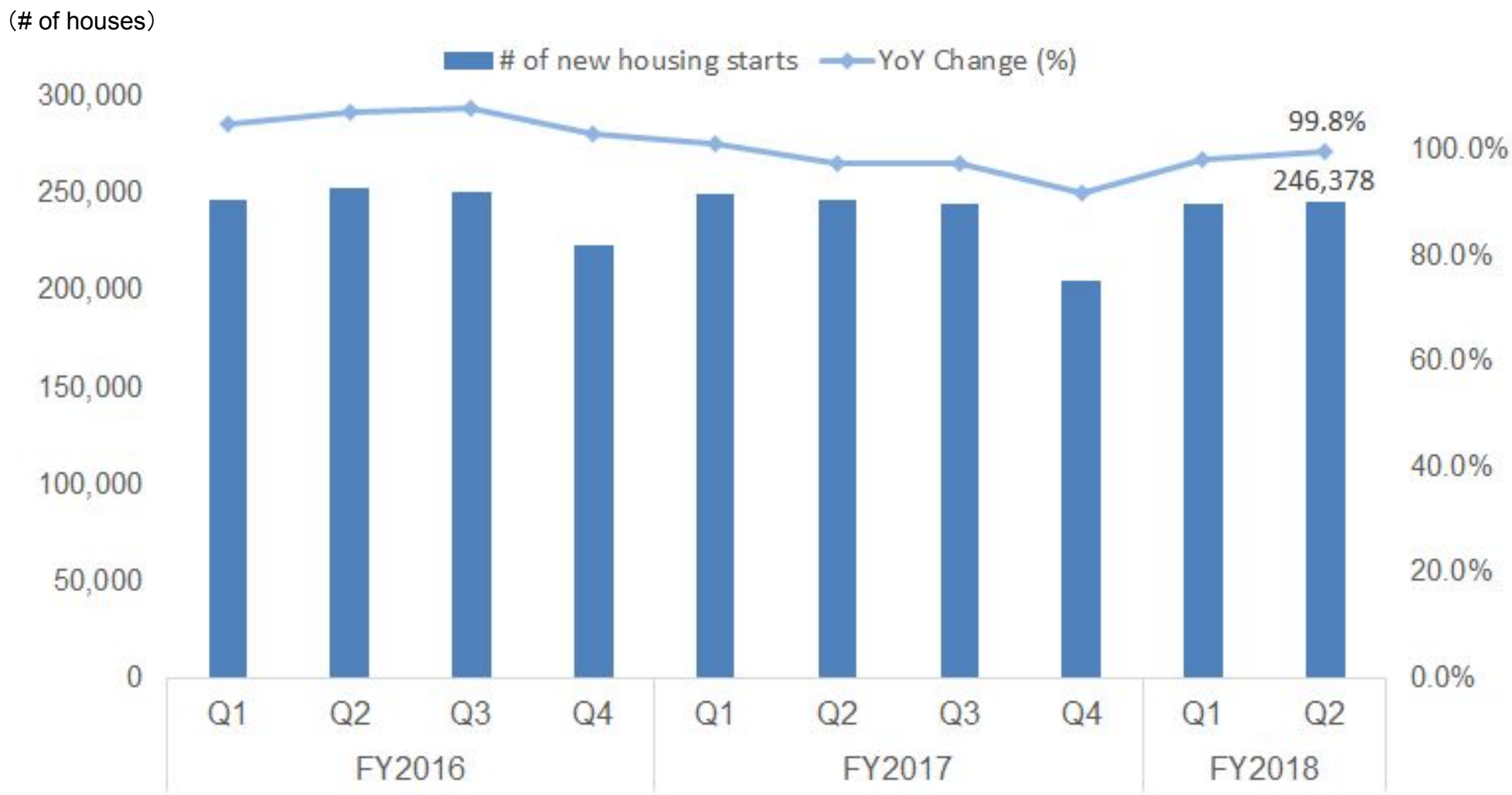
Market Conditions: Housing and Real Estate



*Source: MLIT housing start statistics

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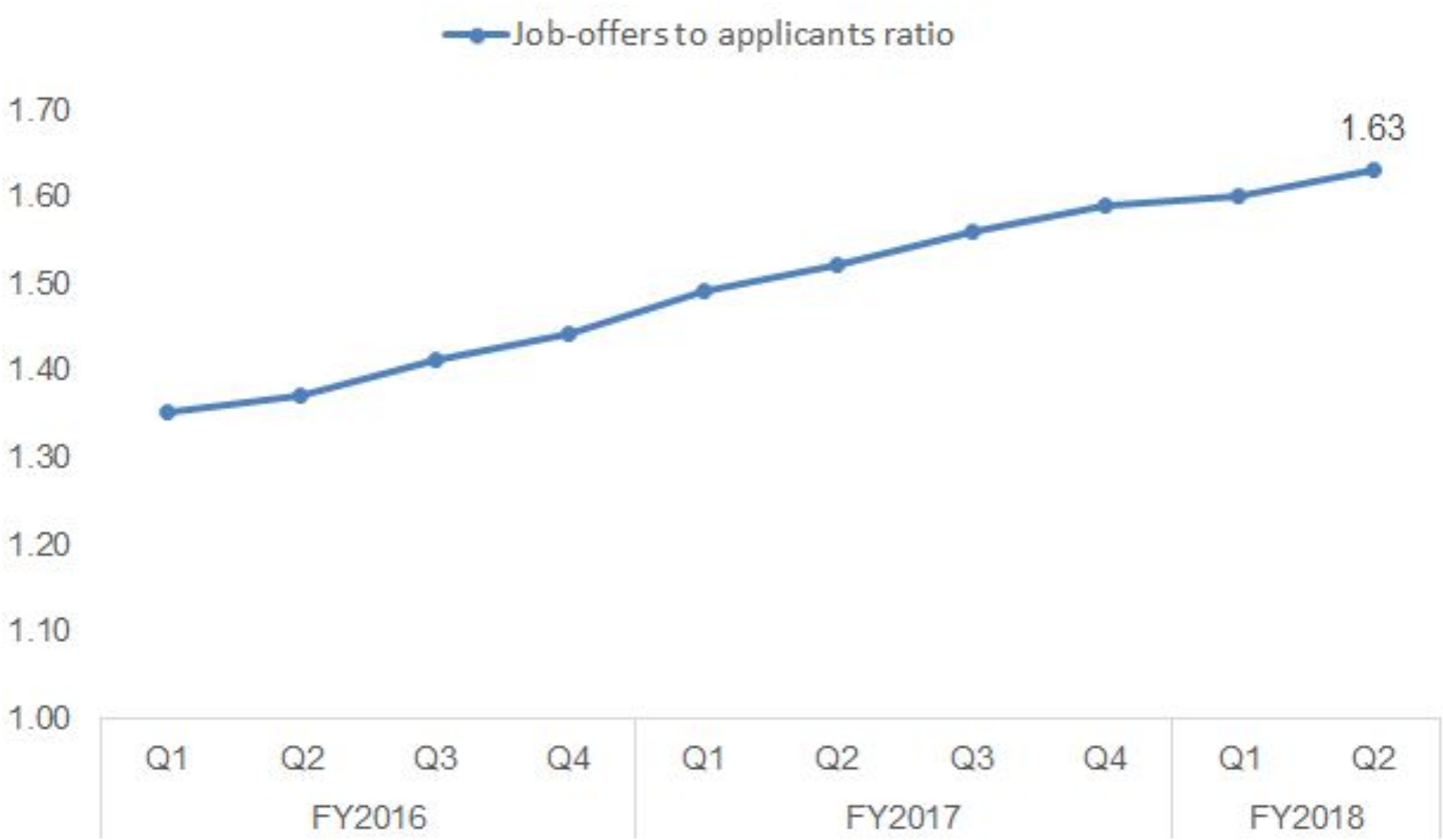
Market Conditions: Recruiting in Japan



*Source: Ministry of Health, Labour and Welfare

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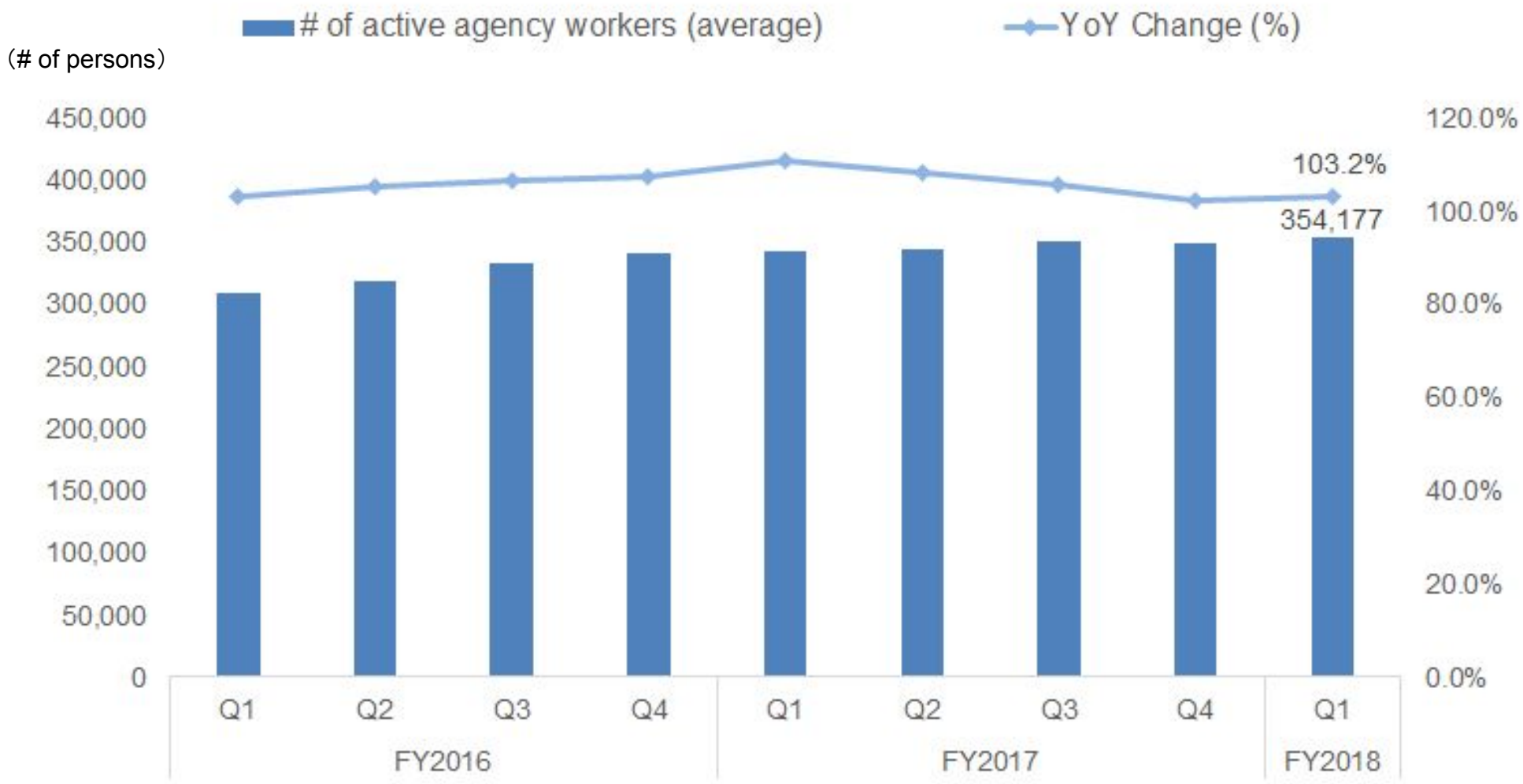
Market Conditions: Staffing (Japan Operations)



*Source: Japan Staffing Services Association

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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.

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