February 15, 2021

Recruit Holdings Announces FY2020 Q3 Results

1. 9 Months FY2020 Consolidated Financial Highlights

- Consolidated revenue of 1,656.1 billion yen (-8.5%), revenue excluding the Rent Assistance Program was 1,596.0 billion yen (-11.8%), adjusted EBITDA of 210.9 billion yen (-21.8%), adjusted EPS of 75.78 yen (-26.9%).
  - Business environment gradually improved sequentially from Q2.
  - Reduced SG&A expenses by 16.8 billion yen yoy driven mainly by reduced advertising expenses and promotion expenses, as well as lower sales commissions which were directly correlated to revenue.

(In billions of yen, unless otherwise stated)	FY2020			
	Q3	YoY	9M	YoY
Revenue[1]	**611.5**	**0.5%**	**1,656.1**	**-8.5%**
Revenue (ex Rent Assistance Program)	**580.9**	**-4.5%**	**1,596.0**	**-11.8%**
Adjusted EBITDA	**87.5**	**-5.0%**	**210.9**	**-21.8%**
Adjusted EBITDA margin	**14.3%**	**-0.8 pt**	**12.7%**	**-2.2 pt**
Operating income	**68.5**	**-1.5%**	**143.3**	**-32.5%**
Profit attributable to owners of the parent	**55.0**	**5.1%**	**117.5**	**-29.4%**
Adjusted EPS	**33.95 yen**	**-4.9%**	**75.78 yen**	**-26.9%**

Note 1: Revenue for the three months and nine months ended December 31, 2020 includes 30.6 billion yen and 60.1 billion yen respectively from the Rent Assistance Program.

2. Q3 FY2020 Segment Highlights

HR Technology:

- Revenue increased by 4.6% yoy and by 8.8%[1] yoy in US dollar terms. Revenue increase was primarily driven by increased demand yoy for sponsored job advertising.
- Adjusted EBITDA increased by 40.0% yoy, primarily driven by an increase in revenue and decreased sales, marketing and administrative costs. Adjusted EBITDA margin was 23.4% (17.5% in Q3 FY2019).
- Increased marketing investments compared to Q2 FY2020 and continued to hire engineers and technical employees as revenue trends continued to improve.

Note 1: 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.

Media & Solutions:

- Revenue increased by 1.1% (-15.5% ex revenue from the Rent Assistance Program) yoy. Although revenue continued to slowly recover in Q3 extending the gradual recovery experienced in Q2 and revenue growth rates improved qoq, revenue for both Marketing Solutions and HR Solutions decreased yoy excluding revenue from the Rent Assistance Program.
- Adjusted EBITDA decreased by 25.2% yoy. Adjusted EBITDA margin was 20.2%
- Both Marketing Solutions and HR Solutions partially resumed marketing investments in an attempt to capture demand during an anticipated period of recovery. At the same time, Media & Solutions continuously reduced overall advertising costs and managed its operating expenses strategically and flexibly.

Staffing:

- Revenue decreased by 1.2% (-1.7% ex FX impact) yoy. Revenue for Japan operations decreased by 2.6% and for Overseas operations increased by 0.1% (-1.0% ex FX impact) yoy.
- Adjusted EBITDA increased by 3.0% (Japan +3.3%, Overseas +2.5%) yoy. Adjusted EBITDA margin was 7.8%.
- For Japan operations, revenue decreased primarily due to lower demand for temporary staff amid the economic uncertainty, while adjusted EBITDA increased mainly due to ongoing cost control measures.
- For Overseas operations, both revenue and adjusted EBITDA increased yoy, primarily due to strong revenue growth in certain industries as well as positive impact of FX movements. Overseas operations maintained a positive adjusted EBITDA margin through ongoing cost control initiatives.

3. Consolidated Financial Guidance for FY2020

The Company has determined it is appropriate to revise the consolidated financial guidance for FY2020 in order to reflect the results of Q3 FY2020, and its revised outlook for Q4 FY2020.

Despite the gradual recovery in Q3 FY2020, the Company expects a challenging business environment in Q4 FY2020, mainly due to the state of emergency in Japan which is applied to Tokyo and 10 other prefectures in January 2021, as well as certain restrictions and lockdowns in the US and Europe being reinforced from the latter half of Q3 FY2020.

The Company has also revised its outlook for each SBU and updated its outlook for other operating income and expenses. Please refer to the following for the details.

- Consolidated revenue for the six months ending March 31, 2021 is expected to be approximately 1.18 trillion yen, and is expected to be approximately 2.22 trillion yen for FY2020.
- Consolidated adjusted EBITDA for the six months ending March 31, 2021 is expected to be approximately 108.5 billion yen, and is expected to be approximately 231.9 billion yen for FY2020.
- Adjusted EPS for FY2020 is expected to be approximately 77.08 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.

  Assumptions of FX 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.

4. Segment Financial Guidance for FY2020

HR Technology

- Revenue for HR Technology, on a US dollar basis, for the six months ending March 31, 2021 is expected to increase approximately 11% yoy. HR Technology expects the rebound of recruiting and hiring activity and improving revenue trends seen in Q3 to continue in Q4, assuming the business environment does not deteriorate significantly.
- Adjusted EBITDA margin for the six months ending March 31, 2021 for HR Technology is expected to be in the high-teens.
- In order to continue to improve its revenue trend globally in the short-term and to accelerate revenue growth in the mid-term, HR Technology plans to invest in sales and marketing activities to acquire new users and clients, and in product enhancements to increase user and client engagement.

Media & Solutions

- Revenue for Marketing Solutions, excluding the Rent Assistance Program, for the six months ending March 31, 2021, is expected to decrease approximately 11% yoy. Including the Rent Assistance Program, revenue for the same period is expected to increase approximately 12% yoy.
- For Q4, continued stable performance is expected for Beauty, while revenue of Travel is expected to decrease yoy due to the suspension of the Go To Travel campaign.
- The challenging business environment is expected to continue for Bridal and Dining. Housing & Real Estate is expected to be weaker in Q4 due to a decrease of the number of properties available for sale.
- Revenue for HR Solutions for the six months ending March 31, 2021 is expected to decrease approximately 28% yoy, mainly due to weak hiring demand for the part-time workers, which was negatively impacted by the state of emergency in Japan. The placement service also has seen recent signs of gradual recovery but due to its pay-per-hire model, revenue from recovered demand will be realized sometime in next fiscal year.
- 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 marketing investments targeted at the anticipated period of recovery.
- 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.

Staffing

- Revenue for Japan operations for the six months ending March 31, 2021 is expected to decrease approximately 2.5% yoy mainly due to weak demand for new orders.
- Revenue for Overseas operations for the same period is expected to decrease approximately 1.5%.
- Adjusted EBITDA margin for the six months ending March 31, 2021 for Staffing is expected to be approximately 5% primarily due to the expected decline in revenue, the expenses to improve remote work environments and an increase in advertising expenses to attract temporary staff and business clients mainly in Japan, partially offset by continued cost control measures.

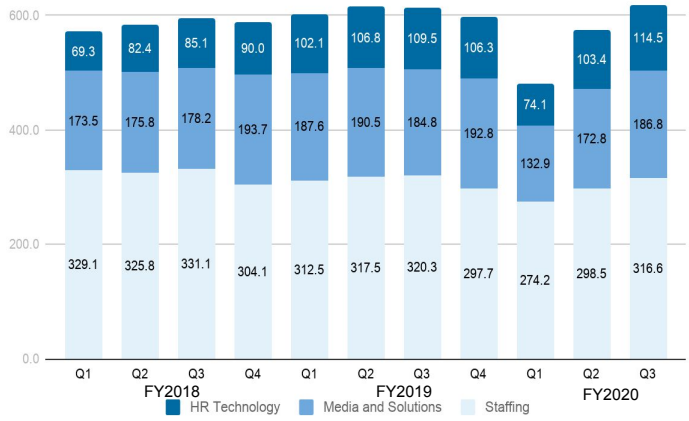
Appendix: Q3 Segment Highlights (In billions of yen)	Q3 FY2019	Q3 FY2020	Q3 YoY	9M FY2019	9M FY2020	9M YoY
Revenue						
HR Technology	109.5	114.5	4.6%	318.5	292.1	-8.3%
Revenue in US dollars[1] (In millions of US dollars)	$1,007	$1,095	8.8%	$2,932	$2,758	-5.9%
Media & Solutions						
Marketing Solutions						
Housing & Real Estate	28.4	29.8	5.2%	82.7	84.1	1.7%
Beauty	20.7	21.3	2.7%	60.4	59.4	-1.6%
Bridal	13.3	8.0	-39.8%	39.8	22.4	-43.6%
Travel	17.7	20.1	13.9%	56.5	41.9	-25.8%
Dining	10.4	5.4	-48.5%	29.3	10.3	-64.9%
Others	18.4	49.2	167.3%	56.5	116.6	106.2%
Total	109.1	134.0	22.8%	325.5	334.9	2.9%
HR Solutions						
Recruiting in Japan	65.8	45.1	-31.5%	207.8	136.2	-34.5%
Others	8.7	6.9	-19.9%	27.1	19.6	-27.8%
Total	74.6	52.1	-30.1%	234.9	155.8	-33.7%
Eliminations and Adjustments	1.0	0.5	-	2.5	1.8	-
Total	184.8	186.8	1.1%	563.0	492.6	-12.5%
Staffing						
Japan	146.5	142.7	-2.6%	424.1	427.4	0.8%
Overseas	173.7	173.9	0.1%	526.3	462.0	-12.2%
Total	320.3	316.6	-1.2%	950.4	889.4	-6.4%
Eliminations and Adjustments	(6.2)	(6.4)	-	(22.3)	(18.0)	-
Consolidated Revenue[2]	608.5	611.5	0.5%	1,809.7	1,656.1	-8.5%
Adjusted EBITDA						
HR Technology	19.1	26.7	40.0%	62.8	49.3	-21.4%
Media & Solutions						
Marketing Solutions	35.2	35.6	1.1%	97.3	83.6	-14.1%
HR Solutions	19.7	8.3	-57.7%	64.6	32.1	-50.3%
Eliminations and Adjustments	(4.4)	(6.1)	-	(13.3)	(16.2)	-
Total	50.5	37.8	-25.2%	148.6	99.5	-33.1%
Staffing						
Japan	13.6	14.1	3.3%	36.9	44.9	21.9%
Overseas	10.4	10.6	2.5%	28.1	22.1	-21.2%
Total	24.1	24.8	3.0%	65.0	67.1	3.2%
Eliminations and Adjustments	(1.6)	(1.9)	-	(6.6)	(5.1)	-
Consolidated Adjusted EBITDA[2]	92.1	87.5	-5.0%	269.8	210.9	-21.8%
Adjusted EBITDA Margin						
HR Technology	17.5%	23.4%	+5.9pt	19.7%	16.9%	-2.8pt
Media & Solutions	27.4%	20.2%	-7.1pt	26.4%	20.2%	-6.2pt
Marketing Solutions	32.3%	26.6%	-5.7pt	29.9%	25.0%	-4.9pt
HR Solutions	26.4%	16.0%	-10.4pt	27.5%	20.6%	-6.9pt
Staffing	7.5%	7.8%	+0.3pt	6.8%	7.6%	+0.7pt
Japan	9.3%	9.9%	+0.6pt	8.7%	10.5%	+1.8pt
Overseas	6.0%	6.1%	+0.1pt	5.4%	4.8%	-0.5pt
Consolidated Adjusted EBITDA Margin	15.1%	14.3%	-0.8pt	14.9%	12.7%	-2.2pt

Note 1: 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.
Note 2:The total sum of the three segments does not correspond with consolidated numbers due to Eliminations and Adjustments, such as intra-group transactions.

Appendix:
Quarterly Revenue and Adjusted EBITDA by Segment[1,2]

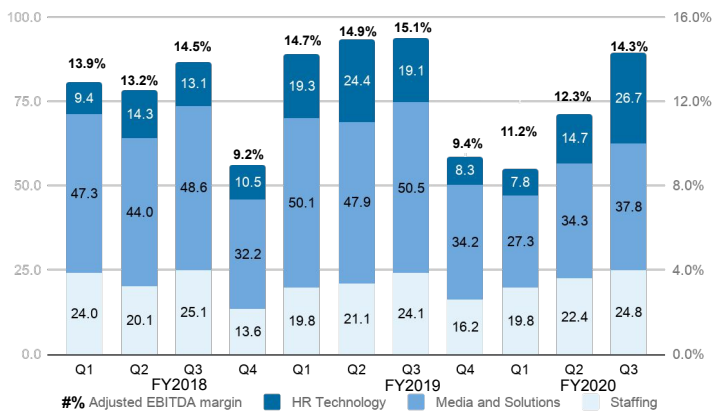
Revenue

(In billions of yen)



Adjusted EBITDA and adjusted EBITDA margin

(In billions of yen)



Note 1: The total sum of the three segments does not correspond with consolidated revenue and adjusted EBITDA due to Eliminations and Adjustments, such as intra-group transactions.
Note 2: EBITDA and EBITDA margin for FY2018. Adjusted EBITDA and adjusted EBITDA margin for FY2019 and FY2020.

Adjusted items for Adjusted EBITDA and Adjusted Profit

(In billions of yen)	FY2020	
Adjusted EBITDA	**Q3**	**9M**
Operating income	**68.5**	**143.3**
Other operating income	**-3.7**	**-10.8**
Other operating expenses	**+2.9**	**+19.0**
Depreciation and amortization	**+29.9**	**+89.1**
EBITDA	**97.7**	**240.7**
Depreciation and amortization (right-of-use-assets)	**-10.1**	**-29.7**
Adjusted EBITDA	**87.5**	**210.9**

(In billions of yen)	FY2020	
Adjusted Profit	**Q3**	**9M**
Profit (loss) attributable to owners of the parent	**55.0**	**117.5**
Amortization and intangible assets arising due to business combination	**+4.4**	**+13.6**
Non-recurring income	**-1.8**	**-8.6**
Non-recurring losses	**+2.0**	**+18.0**
Tax reconciliation regarding the adjusted items	**-4.1**	**-15.9**
Adjusted Profit	**55.5**	**124.5**

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

Full set of material regarding Q3 FY2020 results announcement is posted on https://recruit-holdings.com/ir/.

Investor relations inquiries:
Recruit_HD_IR@r.recruit.co.jp

This document is based on the Company's earnings release for Q3 FY2020, and 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.