May 17, 2021

Recruit Holdings Announces FY2020 Results

1. FY2020 Consolidated Financial Highlights

(In billions of yen, unless otherwise stated)	FY2020 Q4	Q4 YoY	FY2020 Full Year	YoY	Guidance
Revenue[1]	**613.1**	**4.0%**	**2,269.3**	**-5.4%**	**2,224.6**
Revenue (ex Rent Assistance Program)	**594.2**	**0.8%**	**2,190.3**	**-8.7%**	**-**
Adjusted EBITDA	**30.7**	**-44.4%**	**241.6**	**-25.7%**	**231.9**
Adjusted EBITDA margin	**5.0%**	**-4.4 pt**	**10.6%**	**-2.9 pt**	**-**
Operating income	**19.5**	**-%**	**162.8**	**-21.0%**	**151.2**
Profit attributable to owners of the parent	**13.8**	**3.5%**	**131.3**	**-27.0%**	**123.5**
Adjusted EPS	**6.78 yen**	**-61.0%**	**82.56 yen**	**-31.8%**	**77.08yen**

1 Revenue for the three months and twelve months ended March 31, 2021 includes 18.8 billion yen and 79.0 billion yen respectively from the Rent Assistance Program.

2. Q4 FY2020 Segment Highlights

HR Technology:

- Revenue increased by 23.3% yoy and by 26.8%[1] yoy in US dollar terms. Revenue increase was primarily driven by increased demand for sponsored job advertising.
- Adjusted EBITDA increased by 107.2% yoy, primarily driven by an increase in revenue and cost control. Adjusted EBITDA margin was 13.3% (7.9% in Q4 FY2019).
- Increased marketing investments compared to Q3 FY2020 and continued to hire engineers and technical employees as revenue trends continued to improve.

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.

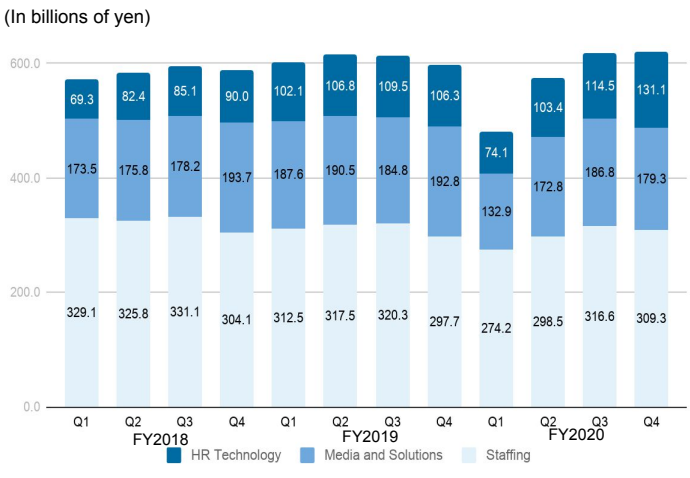
Media & Solutions:

- Revenue decreased by 7.0% (-16.8% ex revenue from the Rent Assistance Program) yoy due to the state of emergency from January 7, 2021 to March 21, 2021 in Japan and an increase in COVID-19 cases.
- Adjusted EBITDA decreased by 78.8% yoy. Adjusted EBITDA margin was 4.1%.
- In addition to the decrease in revenue, the significant decrease in adjusted EBITDA and adjusted EBITDA margin was due to an increase in costs related to the reorganization of the Media & Solutions SBU completed on April 1, 2021, an increase in allowance for doubtful accounts in Q4 FY2020 due to negative impacts of COVID-19, as well as strategic and proactive marketing investments in anticipation of future growth in FY2021 and beyond in both Marketing Solutions and HR Solutions.

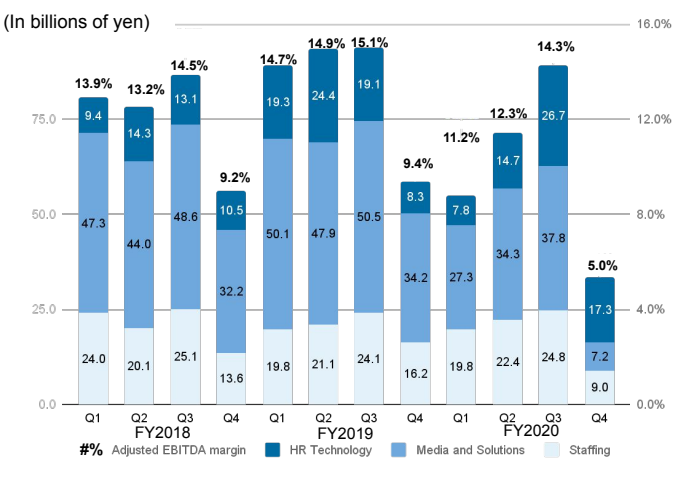
Staffing:

- Revenue increased by 3.9% (+1.1% ex FX impact) yoy. Revenue for Japan operations decreased by 0.8% and for Overseas operations increased by 8.3% (+2.9% ex FX impact) yoy.
- Adjusted EBITDA decreased by 44.2% (Japan -63.0%, Overseas -12.0%) yoy. Adjusted EBITDA margin was 2.9%.
- For Japan operations, revenue decreased primarily due to a decrease in the number of temporary staff in Q4 year on year, while adjusted EBITDA decreased mainly due to increased advertising expenses to attract temporary staff and business clients in anticipation of growth in the future.
- For Overseas operations, revenue increased yoy, primarily due to strong revenue growth in certain industries as well as positive impact of FX movements while adjusted EBITDA decreased mainly due to investments in personnel in anticipation of growth in the future.

Revenue



Adjusted EBITDA and adjusted EBITDA margin(2,3)



2 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.
3 EBITDA and EBITDA margin for FY2018. Adjusted EBITDA and adjusted EBITDA margin for FY2019 and FY2020.

3. Consolidated Financial Guidance and Dividend for FY2021

(In billions of yen, unless otherwise stated)	FY2019	FY2020		FY2021 Guidance	
	Full Year	Full Year	YoY	Full Year	YoY
Revenue[1]	2,399.4	2,269.3	-5.4%	2,450.0 - 2,600.0	8.0% - 14.6%
(ex. the Rent Assistance Program)		(2,190.3)	(-8.7)%		
Adjusted EBITDA	325.1	241.6	-25.7%	270.0 - 335.0	11.7% - 38.6%
Operating income	206.0	162.8	-21.0%	180.0 - 245.0	10.5% - 50.5%
Profit before tax	226.1	168.5	-25.5%	185.0 - 250.0	9.8% - 48.4%
Profit for the year	181.2	131.6	-27.3%	140.0 - 190.0	6.3% - 44.3%
Profit attributable to the owners of parent	179.8	131.3	-27.0%	140.0 - 190.0	6.6% - 44.6%
Adjusted EPS (yen)	121.03	82.56	-31.8%	95.51 - 126.1	15.7% - 52.7%

1 Revenue for the twelve months ended March 31, 2021 includes 79.0 billion yen respectively from the Rent Assistance Program.

Assumptions of the foreign exchange rates for the consolidated financial guidance for FY2021 are as follows: 108 yen per USD, 130 yen per EUR, 84 yen per AUD.

Dividends

The Company declares dividends twice a year.
The annual dividend forecast for FY2021 is undecided.

(In yen)	Dividends at the End of				
	Q1	Q2	Q3	Q4	Total
FY2019	-	15.00	-	15.00	30.00
FY2020	-	9.50	-	10.50	20.00
FY2021	-	Undecided	-	Undecided	Undecided

4. Segment Financial Guidance for FY2021

(In billions of yen, unless otherwise stated)			FY2019	FY2020		FY2021
			Full Year	Full Year	YoY	Full Year Guidance
HR Technology	(In millions of USD) **Revenue**		3,907	3,993	2.2%	approx. +40% - +50% yoy on a USD basis
	Adjusted EBITDA margin		16.8%	15.8%	-1.0pt	approx. 20%
Media & Solutions	**Revenue**	**Marketing Solutions**	438.5	456.0 (376.9)	4.0% (-14.0%)	Compared to excluding the Rent Assistance Program approx. -3% - +9% yoy
		HR Solutions	314.1	214.0	-31.9%	approx. +13% - +24% yoy
	Adjusted EBITDA margin		24.2%	15.9%	-8.3pt	Similar to FY2020
Staffing	**Revenue**	**Japan**	567.8	569.9	0.4%	Similar to FY2020
		Overseas	680.3	628.8	-7.6%	approx. +5% - +10% yoy
	Adjusted EBITDA margin		6.5%	6.4%	-0.2pt	Similar to FY2020

5. Capital Allocation Policy

The Company's capital allocation policy has the following priorities:

- Investment in existing businesses for future growth
- Continuous payment of stable dividends
- Strategic M&A mainly focused on HR Technology in the HR Matching Market
- Share repurchase program, depending on the capital markets environment and the outlook of the Company's financial position

The Company's ROE target is approximately 15%. The Company also applies a hurdle rate exceeding the cost of capital when evaluating each investment opportunity, and focuses on achieving capital efficiency above the cost of shareholders' equity on a consolidated basis.

6. Business Strategies

Simplify Hiring - Aim to dramatically improve matching, connecting people with jobs, faster and easier

The Company's strategy in HR Matching is to dramatically improve the quality and speed of matching to simplify the hiring process in the vast global HR Matching market by utilizing technology and data. With the online job matching platforms in HR Technology and HR Solutions, including Indeed, Glassdoor, Townwork, and Rikunabi, as well as placement services in HR Solutions, along with the temp staffing services in Staffing, the Company operates in many HR Matching markets, and is in a unique position to innovate and transform traditional recruiting and hiring.

By operating one of the largest job search and company information platforms, the HR Technology SBU, with Indeed and Glassdoor, has created a global talent marketplace with a wide ranging and comprehensive job seeker audience and millions of employers, from small and medium sized businesses to large enterprises. The Company's job seeker and employer platforms provide data and signals that create a unique ability to make the best job recommendations possible and offer the best candidate pool possible, a capability that can transform not only job advertising and talent sourcing, but other HR Matching markets.

The Company's long term vision is to leverage the combination of years of candidate matching data with AI and machine learning technology to more quickly, effectively and fairly connect job seekers and employers at the push of a button[1]. We believe this idea is applicable to all of the HR Matching markets that we are addressing.

The Company estimates the global HR Matching market to be roughly 131 billion US dollars in terms of annual revenue in 2020. The HR Matching market includes job advertising and talent sourcing tools, direct hire, retained search, and temporary staffing. Please refer to the following table for the breakdown of each market.

The Company also aims to achieve long-term growth using the same technology to automate the sourcing, screening, interview scheduling and the employer's candidate disposition processes that are currently accomplished by internal resources within companies and other employers. The Company defines this opportunity when combined with the direct hire market as the recruitment automation market. Recruitment automation is in the early stages of development and as such the Company believes it is not yet practical to quantify the size of the market at this time.

The Company believes the size of the global HR Matching market decreased significantly in 2020 due to the impact of the COVID-19 pandemic as revenue in the HR Matching market tends to be highly correlated with overall economic growth as well as conditions in the labor market. However, the Company expects that the HR Matching market will resume growing in 2021 as the effects of the COVID-19 pandemic lessen. During these unprecedented times, the Company remains fully committed to supporting job seekers and employers through its resources and technology.

<table>
<tr><th colspan="2">HR Matching addressable markets (estimated)[2]</th><th>2019 (USD billions)</th><th>2020 (USD billions)</th></tr>
<tr><td colspan="2">Job Advertising and Talent Sourcing</td><td>21</td><td>19</td></tr>
<tr><td rowspan="2">Placement & Search</td><td>Direct Hire</td><td rowspan="2">55</td><td>26</td></tr>
<tr><td>Retained Search</td><td>19</td></tr>
<tr><td colspan="2">Temporary Staffing (Net)</td><td>82</td><td>67</td></tr>
<tr><td colspan="2">Total Addressable Market ("TAM")</td><td>$159</td><td>$131</td></tr>
<tr><td colspan="2">Additional Recruitment Automation</td><td>N/A</td><td>N/A</td></tr>
</table>

1 The Company is aware there may be legal restrictions in this area and so will endeavor that the Company's work meets those requirements.
2 See earnings release for details of sources

6. Business Strategies (Cont'd)

Help Businesses Work Smarter - Aim to improve the performance and productivity of clients' businesses through SaaS solutions in Japan

The Company aims to support further improvement of the performance and productivity of business clients in Japan by providing online platforms and SaaS solutions, which are operational and management support tools that utilize technology and data. By transforming the services Marketing and HR Solutions have been providing to business clients, the Company aims to further build an ecosystem that supports business operations such as customer acquisition, customer relationship management, hiring, workforce management, and payments.

Providing solutions empowered by data and technology to solve business clients' operational and productivity hurdles is essential and can best be identified and developed by engaging and supporting their daily operations. Media & Solutions develops and provides online platforms, specializing mainly in customer acquisition, in multiple business industries, as well as vertical SaaS solutions focusing on solving industry specific operational inefficiencies, and industry agnostic horizontal SaaS solutions designed to solve common operational challenges for businesses.

As of April 1, 2021, Media & Solutions integrated seven main core operating and functional subsidiaries. The new organizational structure enables engineers, data scientists, and the sales function, which has cultivated long term relationships with business clients, to collaborate in order to provide business clients the best possible solutions, all faster and simpler.

The Company has determined the number of registered SaaS solution accounts in Japan is the most important KPI as Media & Solutions aims to evolve the wide range of solutions offered into an integrated ecosystem to support the operations of our business clients. As of March 31, 2021, the total number of registered SaaS solution accounts exceeds the total number of matching platform accounts.

Regarding the potential number of registered accounts and outlook for growth, the Company estimates there may be roughly 2.9 million business locations and stores[1] in Japan at which Air BusinessTools can be used, which represents a sizable market opportunity. Recently, the number of accounts for AirPAY has significantly increased, supported by the growing demand for contactless payments due to the spread of COVID-19. AirPAY had approximately 210,000 registered accounts[2] as of March 2021, an increase of 41.7% compared to March 2020.

The number of clients who use AirPAY together with other Air BusinessTools solutions has also been increasing. Among the approximately 210,000 AirPAY registered accounts as of March 2021, approximately 135,000 registered accounts have also subscribed to other Air BusinessTools solutions. The Company believes the growth in AirPAY accounts will lead the overall growth of SaaS solutions accounts.



1 The Company estimated the number of business locations and stores that can use Air BusinessTools by first identifying the total number business locations and stores of small and medium-sized enterprises in Japan (using the definition used by the Small and Medium Enterprise Agency) based on the 2016 Economic Census for Business Activity conducted by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry. The Company then estimated the number of these business locations and stores that could use Air BusinessTools by aggregating the number of all such business locations and stores operating in all industries in which there were 20 or more existing Air BusinessTools registered accounts (including non-active accounts) as of March 31, 2020. As the Company has estimated such business locations and stores based on data for 2016, it is possible that the estimated number of such business locations and stores would materially differ based on more recent data. In addition, while the estimated number of such business locations and stores that can use Air BusinessTools is based on the number of all business locations and stores in all industries in which there were 20 or more existing Air BusinessTools registered accounts, there can be no assurance that all such business locations and stores would in fact have a need for the solutions offered by Air BusinessTools.
2 Registered accounts refers to the number of stores and business locations that have registered for the relevant service (including both active and non-active accounts).

Prosper Together - Seek sustainable growth shared by all stakeholders

In an environment of high uncertainty, the Company believes that making a positive impact on society and this shared planet is key to achieving sustainable growth, and prospering together with all stakeholders through all corporate activities with a sound governance foundation is important. Therefore, the Company has set specific targets for environmental, social and governance (ESG) matters as a corporate strategy which will be monitored by the Board of Directors, and will take initiatives through dialogue with stakeholders.

Please refer to the press release "Recruit Holdings Redefines Commitment to Sustainability" announced on May 17, 2021 for more details.
https://recruit-holdings.com/ir/ir_news/2021/20210517_03.html

Appendix:
FY2020 Q4 Segment Highlights

(In billions of yen)	Q4 FY2019	Q4 FY2020	Q4 YoY	FY2020 FY2019	FY2020 FY2020	FY2020 YoY
HR Technology						
Revenue	106.3	131.1	23.3%	424.9	423.2	-0.4%
Revenue in US dollars[1] (In millions of US dollars)	$974	$1,235	26.8%	$3,907	$3,993	2.2%
Adjusted EBITDA	8.3	17.3	107.2%	71.2	66.7	-6.3%
Adjusted EBITDA Margin	7.9%	13.3%	+5.4pt	16.8%	15.8%	-1.0pt
Media & Solutions						
Revenue						
Marketing Solutions						
Housing & Real Estate	30.6	32.8	7.2%	113.3	116.9	3.2%
Beauty	21.1	23.4	10.6%	81.6	82.9	1.6%
Bridal	12.2	7.5	-38.2%	52.0	29.9	-42.4%
Travel	16.8	11.9	-29.1%	73.4	53.8	-26.6%
Dining	9.8	3.8	-61.3%	39.2	14.1	-64.0%
Others	22.3	41.4	85.5%	78.9	158.1	100.4%
Total	113.0	121.0	7.1%	438.5	456.0	4.0%
HR Solutions						
Recruiting in Japan	70.0	50.3	-28.1%	277.8	186.5	-32.9%
Others	9.1	7.8	-13.7%	36.2	27.4	-24.3%
Total	79.1	58.2	-26.5%	314.1	214.0	-31.9%
Eliminations and Adjustments	0.6	0.0	-	3.1	1.9	-
Total	192.8	179.3	-7.0%	755.9	672.0	-11.1%
Adjusted EBITDA						
Marketing Solutions	18.6	12.7	-31.3%	115.9	96.4	-16.9%
Adjusted EBITDA Margin	16.5%	10.6%	-5.9pt	26.4%	21.1%	-5.3pt
HR Solutions	18.8	4.6	-75.2%	83.4	36.8	-55.9%
Adjusted EBITDA Margin	23.7%	8.0%	-15.7pt	26.6%	17.2%	-9.4pt
Eliminations and Adjustments	(3.1)	(10.1)	-	(16.5)	(26.4)	-
Total	34.2	7.2	-78.8%	182.9	106.7	-41.6%
Adjusted EBITDA Margin	17.8%	4.1%	-13.7pt	24.2%	15.9%	-8.3pt
Staffing						
Revenue						
Japan	143.6	142.5	-0.8%	567.8	569.9	0.4%
Overseas	154.0	166.8	8.3%	680.3	628.8	-7.6%
Total	297.7	309.3	3.9%	1,248.1	1,198.8	-4.0%
Adjusted EBITDA						
Japan	10.2	3.7	-63.0%	47.1	48.7	3.4%
Adjusted EBITDA Margin	7.1%	2.7%	-4.5pt	8.3%	8.6%	+0.3pt
Overseas	5.9	5.2	-12.0%	34.1	27.4	-19.6%
Adjusted EBITDA Margin	3.9%	3.1%	-0.7pt	5.0%	4.4%	-0.7pt
Total	16.2	9.0	-44.2%	81.2	76.2	-6.2%
Adjusted EBITDA Margin	5.4%	2.9%	-2.5pt	6.5%	6.4%	-0.2pt

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.

Appendix:

Adjusted items for Adjusted EBITDA and Adjusted Profit

(In billions of yen)	FY2020	
Adjusted EBITDA	**Q4**	**Full Year**
Operating income	**19.5**	**162.8**
Other operating income	**-11.2**	**-21.4**
Other operating expenses	**+2.8**	**+21.2**
Depreciation and amortization	**+30.8**	**+119.9**
EBITDA	**41.9**	**282.6**
Depreciation and amortization (right-of-use-assets)	**-11.1**	**-40.9**
Adjusted EBITDA	**30.7**	**241.6**

(In billions of yen)	FY2020	
Adjusted Profit	**Q4**	**Full Year**
Profit (loss) attributable to owners of the parent	**13.8**	**131.3**
Amortization and intangible assets arising due to business combination	**+3.9**	**+17.6**
Non-recurring income	**-10.9**	**-19.5**
Non-recurring losses	**+1.9**	**+20.0**
Tax reconciliation regarding the adjusted items	**+1.4**	**-14.5**
Adjusted Profit	**10.3**	**134.9**

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 FY2020 results announcement is posted on https://recruit-holdings.com/ir/.

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This document is based on the Company's earnings release for 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.