

# FAQ's for Q1 FY2019

Recruit Holdings Co., Ltd.

As used herein, the “Company” refers to Recruit Holdings Co., Ltd. and the “Group” refers to the Company and its consolidated subsidiaries unless the context indicates otherwise.

## ■ Consolidated Results

### **Q1: Why did profit before tax increase 21.6% year on year, while operating income increased 5.0% year on year?**

A: It was mainly due to a gain on change in ownership interests in an associate of 12.0 billion yen, as a result of the conversion of convertible bonds issued by 51job, Inc. to equity by other investors in Q1 FY2019.

### **Q2: How did the acquisition of Glassdoor, Inc (“Glassdoor”) impact the consolidated balance sheet at the end of Q1 FY2019?**

A: The allocation of the consideration was completed during the three months ended June 30, 2019. The amount of Goodwill was 99.8 billion yen and the amount of Intangible assets was 29.5 billion yen. The consolidated financial statements for the year ended March 31, 2019 have not been retrospectively adjusted, since changes in the fair value of assets and liabilities, and goodwill are immaterial.

Please refer to “Consolidated Financial Results for the Three Months Ended June 30, 2019 (IFRS, Unaudited)” for Q1 FY2019 for details:

[https://recruit-holdings.com/ir/library/upload/report\\_20203Q1\\_er\\_en.pdf](https://recruit-holdings.com/ir/library/upload/report_20203Q1_er_en.pdf)

### **Q3: Why did comprehensive income for the period decrease 36.5%?**

A: It was mainly due to a decrease in exchange differences on translation of foreign operations (\*) of 19.1 billion yen year on year, resulting from the foreign exchange rate movements, particularly the stronger yen.

(\*) Currency translation adjustments

## ■ HR Technology

### **Q4: Why did revenue on a US dollar basis (\*) increase 46.3% year on year?**

A: Revenue growth, which continued to be supported by a favorable economic environment and tight labor market, was primarily driven by increased sponsored job advertising revenue and ongoing strong demand for recruiting solutions offered by Indeed. Revenue from the acquisition of Glassdoor, which was included since Q2 FY2018, also contributed to revenue growth. Going forward in Q2 FY2019, the HR technology segment will no longer see the benefit of acquired revenue growth from the Glassdoor acquisition.

(\*) 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.

**Q5: What is the split of revenue between US vs Non-US for the HR Technology segment and what was the difference in revenue growth rate?**

A: The Company discloses the breakdown of its revenue by regions only for the full-year results. In FY2018, non-US revenue approached approximately 30% of the total revenue of the HR Technology segment, and we expect this proportion to gradually increase over time. In Q1 FY2019, the HR Technology segment continued to achieve strong revenue growth in the US and Non-US operations.

**Q6: Why did adjusted EBITDA margin increase year on year to 18.9%?**

A: Adjusted EBITDA margin expansion in Q1 FY2019 was primarily due to lower growth in sales and marketing expenses compared to revenue growth, and the one time transaction related expense of 1.19bn JPY incurred in Q1 FY2018 related to the Glassdoor acquisition. We expect adjusted EBITDA margin will fluctuate throughout the year based on timing of investments for growth. We will continue to make substantial investments in sales and marketing to drive user and customer acquisition, and in product and engineering to build enhanced functionality for job seekers and employers. The focus is on growing market share and revenue growth, not margin expansion. Adjusted EBITDA margin for FY2019 is expected to be approximately the same level of FY2018, plus or minus a few %.

**Q7: How many unique visitors did Indeed and Glassdoor have? Please also provide an update on the number of employees.**

A: Indeed and Glassdoor attracted more than 250 million and 60 million monthly unique visitors, respectively. As of the end of Q1 FY2019, Indeed and Glassdoor had approximately 9,500 and 960 employees, respectively.

■ **Media & Solutions**

**Q8: Why did revenue and adjusted EBITDA in Marketing Solutions increase 12.9% and 10.1% year on year, respectively?**

A: Revenue growth was primarily driven by increased revenue in the Housing and Real Estate, Travel and Beauty subsegments. Adjusted EBITDA growth was primarily due to the increased revenue.

**Q9: Why did quarterly revenue in the Housing and Real Estate subsegment increase 10.5% year on year?**

A: Revenue growth was primarily a result of continued improvements in the user experience on its online platform, marketing efforts to attract more individual users to the platform, and sales initiatives to offer operational and management solutions to enterprise clients.

**Q10: Why did quarterly revenue in the Travel subsegment increase 25.1% year on year?**

A: Revenue increased mainly due to the 10 consecutive holidays in Japan which resulted in the increase of both the number of hotel guests booked and the price per night of hotels booked through *Jalan*, its online reservation platform, and due to increased online booking fees of *Jalan* effective from April 1, 2019.

**Q11: Why did revenue and adjusted EBITDA in HR Solutions increase 2.6% and 0.7% year on year, respectively?**

A: Revenue increased as a result of solid performance particularly in the placement business in the Recruiting in Japan subsegment, against the backdrop of the extremely tight Japanese labor market, in which the subsegment focused on enhancing its brand value, strengthening user attractiveness, and reinforcing its sales structure.

Adjusted EBITDA growth was primarily due to the increased revenue. The year-on-year adjusted EBITDA growth rate in Q1 FY2019 was slower compared to Q4 FY2018 mainly due to increased advertising costs to attract users.

**Q12: What was the revenue growth rate in the Recruiting in Japan subsegment excluding one time factors such as a sale of subsidiaries?**

A: The sale of two subsidiaries in August 2018 and April 2019 contributed to the revenue decrease in the Recruiting in Japan subsegment. Excluding the impact, revenue increased 5.0% year on year.

**■ Staffing**

**Q13: Why did revenue in Japan operations increase 1.5% year on year, and why did revenue growth slow compared to Q4 FY2018?**

A: The Japanese labor market remained tight, and in this market the number of active agency workers remained at a high level, which grew 3.6% year on year in three months from January to March in 2019, based on the most recent available data from Japan Staffing Services association, indicating continued strong demand for agency workers. In this environment, Japan operations focused on increasing the number of registered agency workers and new staffing contracts. As a result, revenue increased year on year.

Meanwhile, the revenue growth rate decreased compared to Q4 FY2018 mainly due to the number of working days being 3 days less than Q1 FY2018.

**Q14: Why was adjusted EBITDA margin in Japan operations 8.5% in Q1 FY2019, lower than 9.9% in Q1 FY2018?**

A: It was mainly due to increased investments in advertising to grow the number of registered agency workers and in system upgrades to accommodate the changes from the revisions of Japanese laws related to the staffing industry. Adjusted EBITDA in Japan operations decreased by 12.4% year on year.

**Q15: Why did revenue in Overseas operations decrease 9.6% year on year?**

A: Revenue decreased primarily due to an uncertain outlook for the European economy. The negative impact of foreign exchange rate movements on revenue was 7.1 billion yen. Excluding this impact, revenue decreased 5.9% year on year.

**Q16: Why was adjusted EBITDA margin in Overseas operations 4.6% in Q1 FY2019, lower than 5.5% in Q1 FY2018?**

A: It was mainly due to the negative impact from decreased adjusted EBITDA as a result of lower revenue outweighed the positive impact from improvements through the Unit Management System. Adjusted EBITDA in Overseas operations decreased by 24.0% year on year.

## ■Consolidated Financial Results Guidance for FY2019

### **Q17: Is there any change in consolidated financial results guidance for FY2019?**

A: There is no revision of consolidated financial guidance for FY2019 from the figures announced on May 14, 2019.

For the Staffing segment, the Company previously announced segment revenue is expected to grow low single digits, comprised of an increase in both Japan and Overseas operations. However, the Company expects the uncertain outlook mainly in Europe to continue, and will further improve productivity by implementing the Unit Management System. As a result, the Company decided to revise the revenue outlook for Overseas operations to decrease for FY2019. The Company continues to expect revenue of the Staffing segment and Japan operations to increase low single digits and adjusted EBITDA margin for the Staffing segment to improve slightly for FY2019.

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