November 13, 2019

Recruit Holdings Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Six Months Ended September 30, 2019 (IFRS, Unaudited)

Tokyo, November 13, 2019 — Recruit Holdings Co., Ltd. ("Recruit Holdings" or the “Company”) announced today its consolidated financial results for the six months ended September 30, 2019 (April 1, 2019 to September 30, 2019).

As used herein, the “Group” refers to Recruit Holdings Co., Ltd. and its consolidated subsidiaries unless the context indicates otherwise. As used herein, "user" refers to individual user, "client" refers to enterprise client unless the context indicates otherwise.

The Company’s fiscal year is from April 1 to March 31, therefore FY2019 refers to the period from April 1, 2019 to March 31, 2020 and FY2018 refers to the period from April 1, 2018 to March 31, 2019. Q1 refers to the three-month period from April 1 to June 30, Q2 refers to the three-month period from July 1 to September 30, Q3 refers to the three-month period from October 1 to December 31, and Q4 refers to the three-month period from January 1 to March 31.

(Amounts are rounded down to the nearest million yen)

Consolidated Operating Results

	Six Months Ended September 30,		% change
(In million yen, unless otherwise stated)	2018	2019	
Revenue	1,143,339	1,201,201	5.1%
EBITDA and adjusted EBITDA[1,2]	155,246	177,757	14.5%
Operating income	126,570	142,659	12.7%
Profit before tax	129,050	157,834	22.3%
Profit for the period	93,196	114,946	23.3%
Profit attributable to owners of the parent	92,684	114,148	23.2%
Profit available for dividends[3]	88,956	105,770	18.9%
Total comprehensive income	119,222	83,063	-30.3%
Basic EPS (yen)	55.47	68.32	-
Diluted EPS (yen)	55.37	68.19	-
Adjusted EPS[4] (yen)	58.64	67.96	15.9%

Note: EBITDA for the six months ended September 30, 2018, adjusted EBITDA for the six months ended September 30, 2019.

Consolidated Financial Position Data

(In million yen, unless otherwise stated)	As of March 31, 2019	As of September 30, 2019
Total assets	1,748,982	1,996,701
Total equity	972,251	1,027,344
Equity attributable to owners of the parent	965,775	1,020,122
Ratio of equity attributable to owners of the parent (%)	55.2%	51.1%

Dividends

	FY2018	FY2019	FY2019 (Forecast)
At the end of Q1 (yen)	-	-	
At the end of Q2 (yen)	13.50	15.00	
At the end of Q3 (yen)	-		-
At the end of Q4 (yen)	14.50		15.00
Total	28.00		30.00

Note: There is no revision of the dividends forecast from the previously announced figures.

Consolidated Financial Guidance for FY2019

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

For FY2019, the Company expects:

- Revenue and adjusted EBITDA for all three segments to increase
- Adjusted EBITDA to be in the range of 310 billion yen to 330 billion yen
- Adjusted EPS to grow high single digits

For more details, please refer to “1. Management’s Discussion and Analysis, Qualitative Information on Consolidated Financial Results Guidance.”

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Changes in Significant Subsidiaries Resulting from Change in Scope of Consolidation

There was no change in specific subsidiaries accompanying a change in the scope of consolidation.

Changes in Accounting Policies and Changes in Accounting Estimates

There has been a change in: (1) accounting policies required by IFRS, and no change in (2) other accounting policies except for item (1), and (3) accounting estimates.

Number of Shares Issued - Common Stock

	As of March 31, 2019	As of September 30, 2019
Number of shares issued including treasury stock	1,695,960,030	1,695,960,030
Number of treasury stock	25,176,070	26,388,291
	Six Months Ended September 30, 2018	**Six Months Ended September 30, 2019**
Average number of shares during the period	1,670,836,390	1,670,791,887

Definition of the Management KPIs

Below definitions apply throughout this documentation.

1. EBITDA = operating income + depreciation and amortization ± other operating income/expenses
2. Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expense
3. Profit available for dividends = profit attributable to owners of the parent ± non-recurring income/losses, etc.
4. Adjusted EPS = adjusted profit[5] /(number of shares issued at the end of the period - number of treasury stock at the end of the period)
5. Adjusted profit = profit attributable to owners of the parent ± adjustment items[6] (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
6. Adjustment items = amortization of intangible assets by acquisitions ± non-recurring income/losses

Quarterly earnings releases are not subject to review by a certified public accountant nor an independent auditor.

Adoption of IFRS 16

The Group has applied IFRS 16 “Leases.” (“IFRS 16”) using the modified retrospective method of adoption with the date of initial application of April 1, 2019, and changed the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption). Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The amount presented for the six months ended September 30, 2018 represents the previous EBITDA. For more details on this change, please refer to “1. Management’s Discussion and Analysis, Consolidated Results of Operations for Q2 FY2019.”

Notes regarding the forward-looking statements and other matters

In preparing these materials, Recruit Holdings Co., Ltd. assumes the accuracy and completeness of all available information including information from third-party sources. However, the Company makes no representations or warranties of any kind, express or implied, about the completeness and accuracy of such information. This report also contains forward-looking statements. Actual results, performance and achievements are subject to various risks and uncertainties. Accordingly, actual results may differ significantly from those expressed or implied by forward-looking statements. Readers are cautioned against placing undue reliance on forward-looking statements. The Company has no obligation to update or revise any information contained in these materials based on any subsequent developments. These materials have been prepared solely for general reference purposes. Third parties are not permitted to use and/or disclose this document and the contents herein for any other purpose without the prior written consent of Recruit Holdings Co., Ltd. For the consolidated financial guidance, please refer to “1. Management’s Discussion and Analysis, Qualitative Information on Consolidated Financial Results Guidance.”

Full set of material regarding Q2 FY2019 results announcement is posted on https://recruit-holdings.com/ir/library/report/

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1. Management's Discussion and Analysis

Consolidated Results of Operations for Q2 FY2019

Results of Operations

(In billion yen)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2019	Variance	% change	Six Months Ended September 30, 2018	Six Months Ended September 30, 2019	Variance	% change
Revenue[1]	577.8	606.7	28.9	5.0%	1,143.3	1,201.2	57.8	5.1%
HR Technology	82.4	106.8	24.4	29.6%	151.7	209.0	57.3	37.8%
Media & Solutions	175.8	190.5	14.6	8.3%	349.4	378.2	28.7	8.2%
Staffing	325.8	317.5	(8.3)	-2.6%	654.9	630.1	(24.8)	-3.8%
Operating income	58.7	71.4	12.6	21.6%	126.5	142.6	16.0	12.7%
Profit before tax	61.3	75.4	14.1	23.1%	129.0	157.8	28.7	22.3%
Profit for the period	45.6	55.3	9.7	21.3%	93.1	114.9	21.7	23.3%
Profit attributable to owners of the parent	45.3	54.8	9.5	21.0%	92.6	114.1	21.4	23.2%
Management Key Performance Indicator (In billion yen, unless otherwise stated)								
EBITDA and adjusted EBITDA[1,2]	76.5	90.3	13.8	18.1%	155.2	177.7	22.5	14.5%
HR Technology	14.3	24.4	10.0	70.5%	23.7	43.7	19.9	84.1%
Media & Solutions	44.0	47.9	3.8	8.8%	91.4	98.0	6.6	7.3%
Staffing	20.1	21.1	1.0	5.0%	44.1	40.9	(3.2)	-7.3%
Adjusted EPS (yen)	29.26	34.67	5.41	18.5%	58.64	67.96	9.33	15.9%
EBITDA margin and adjusted EBITDA margin[2,3]								
Consolidated	13.2%	14.9%	1.7pt	-	13.6%	14.8%	1.2pt	-
HR Technology	17.4%	22.9%	5.5pt	-	15.7%	20.9%	5.3pt	-
Media & Solutions	25.0%	25.2%	0.1pt	-	26.2%	25.9%	-0.2pt	-
Staffing	6.2%	6.7%	0.5pt	-	6.7%	6.5%	-0.2pt	-
Average exchange rate during the period (yen)								
US dollar	-	-	-	-	110.26	108.6	(1.66)	-1.5%
Euro	-	-	-	-	129.79	121.4	(8.39)	-6.5%
Australian dollar	-	-	-	-	82.06	75.24	(6.82)	-8.3%
Exchange rate effects on revenue[4,5,6] (In billion yen)								
Consolidated	(2.9)	(18.0)	-	-	0.6	(24.7)	-	-
Staffing segment: Overseas	(3.2)	(13.6)	-	-	1.3	(20.8)	-	-

[1] The total sum of the three segments does not correspond with consolidated numbers due to Eliminations and Adjustments, such as intra-group transactions.
[2] The Group has applied IFRS 16 using the modified retrospective method of adoption with the date of initial application of April 1, 2019, and changed the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption). Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The amounts presented for the three months and six months ended September 30, 2018 represent the previous EBITDA and EBITDA margin.
[3] Adjusted EBITDA margin = Segment adjusted EBITDA/Segment revenue
[4] The amounts shown are calculated by: (revenue for the current period in foreign currency) x (foreign exchange rate applied for the reporting period - the rate applied for the same period of the previous year)
[5] Monthly average rates are applied to the HR Technology segment.
[6] The amount for Q2 FY2019 is calculated by deducting the amount for Q1 FY2019 from that for FY2019 six- month period.

Overview

Recruit Holdings' consolidated revenue for Q2 FY2019 was 606.7 billion yen, an increase of 5.0% from the same period of the previous year. This was mainly due to growth of HR Technology and Media & Solutions, with the growth of HR Technology contributing significantly. Excluding the negative impact of foreign exchange rate movements of 18.0 billion yen during the quarter, consolidated revenue growth was 8.1% year on year. Consolidated revenue for the six months ended September 30, 2019 was 1.20 trillion yen, an increase of 5.1% year on year (excluding the negative impact of foreign exchange rate movement, an increase of 7.2%).

Consolidated operating income for Q2 FY2019 was 71.4 billion yen, an increase of 21.6% year on year. Consolidated operating income for the six-month period was 142.6 billion yen, an increase of 12.7% year on year.

Profit before tax for Q2 FY2019 was 75.4 billion yen, an increase of 23.1% year on year. Profit before tax for the six-month period was 157.8 billion yen, an increase of 22.3%.

Profit for the period for Q2 FY2019 was 55.3 billion yen, an increase of 21.3% year on year, and profit for the six-month period was 114.9 billion yen, an increase of 23.3%. Profit attributable to owners of the parent for Q2 FY2019 was 54.8 billion yen, an increase of 21.0% year on year and that for the six-month period was 114.1 billion yen, an increase of 23.2%.

Management Key Performance Indicators

Consolidated adjusted EBITDA for Q2 FY2019 was 90.3 billion yen, an increase of 18.1% year on year mainly resulting from adjusted EBITDA growth in all three segments: HR Technology, Media & Solutions, and Staffing. Consolidated adjusted EBITDA for the six-month period was 177.7 billion yen, an increase of 14.5% year on year.

Adjusted EPS for Q2 FY2019 was 34.67 yen, an increase of 18.5% year on year, and adjusted EPS for the six-month period was 67.96 yen, an increase of 15.9% year on year. Quarterly profit available for dividends was 52.0 billion yen, an increase of 18.5% year on year and that for the six-month period was 105.7 billion yen, an increase of 18.9% year on year.

The Group adopted IFRS 16 in Q1 FY2019, and changed its accounting policy. Pursuant to IFRS 16, a lessee generally must recognize a "right-of-use asset" for all leases, such asset representing the right to use the underlying asset over the term of such leases. A lessee must also recognize as its financial liability the lessee's obligation to make future lease payments. Under previous accounting standards, IAS 17, a company recorded lease payments of operating leases as rent expense. However under IFRS 16, a company must record depreciation for its right-of-use assets and interest expense on its lease liability. As a result of the adoption of IFRS 16, EBITDA will increase because rent expense will decrease, while the depreciation of the right-of-use asset will increase. Therefore the Company decided to change the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption) to ensure comparability with the prior management KPI.

Management Measures for Q2 FY2019

Secondary offering of shares

The Company announced on August 28, 2019 that its Board of Directors resolved to conduct a secondary offering of 121,500,000 shares of common stock of the Company (approximately 7.16% of total shares outstanding as of August 28, 2019, assuming the over-allotment options are fully exercised). Offering price was set at 3,079 yen per share and the settlement, including the over-allotment options, was completed as of September 30, 2019.

The Company decided to conduct the secondary offering in order to provide an opportunity for a number of its shareholders to reduce their holdings in a coordinated manner and thereby address the concern regarding the impact on its stock price from potential uncoordinated sales of its shares by its shareholders.

For related information, please refer to the following releases:

"Announcement of Secondary Offering of Shares" released on August 28, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20190828_02.html
"Announcement of Determination of Offering Price and Other Matters" released on September 10, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20190910_01.html
"Announcement of Determination of the Number of Shares to be Offered" released on September 13, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20190913_01.html

Implementation of share repurchase program

The Company announced on August 28, 2019 its decision to conduct share repurchases in line with the Company's capital allocation policy including shareholder returns, and upon consideration of a range of factors including the Company's capacity to pursue investments, the capital market environment, and the outlook for its financial position. Based on the comprehensive assessment of these factors, as well as the balance of supply and demand of its stock in the aftermarket following the secondary offering announced on August 28, 2019, the Company decided to pursue these share repurchases as a way to enhance shareholder returns. The total number of shares to be repurchased is 30,000,000 shares (maximum) (up to 1.79% of total number of shares issued and outstanding (excludes treasury stock) as of June 30, 2019), and the total purchase price is 80.0 billion yen (maximum). The period for the share repurchases is from September 19, 2019 to November 29, 2019, and they will be conducted as open market purchases on the Tokyo Stock Exchange, Inc. through an appointed securities dealer with investment discretion. As of October 31, 2019, 14,237,900 shares have been repurchased at the total price of 49,284,450,348 yen.

For related information, please refer to the following releases:

"Announcement of Share Repurchases" released on August 28, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20190828_01.html
"Announcement of Share Repurchases (Update of Disclosure)" released on September 10, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20190910_02.html
"Notification of Status of Share Repurchases" released on October 4, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20191004_01.html
"Notification of Status of Share Repurchases" released on November 8, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20191108_01.html

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Results of Operations by Segment

HR Technology

The HR Technology segment consists of the operations of *Indeed, Glassdoor*, and other related businesses. *Indeed and Glassdoor* are online platforms where people can find jobs and learn about companies. Both Indeed and Glassdoor have missions that are aligned towards achieving success for job seekers - Indeed's mission is to help people get jobs and Glassdoor's mission is to help people everywhere find a job and company they love. Indeed created the job aggregation and search model that transformed the job search process for job seekers, and in doing so has become the leading job search engine in the world, attracting over 250 million job seekers each month. Glassdoor has reshaped the way people search for and evaluate jobs and companies, by increasing workplace transparency for job seekers by bringing together jobs with user-generated employer reviews, salaries and insights. As a result, Glassdoor has become the leader in company reviews and insights and is a preferred job search resource for career conscious candidates. Both Indeed and Glassdoor offer a suite of tools for job seekers that includes job search, resume posting, and company information and reviews.

For employers, Indeed and Glassdoor offer solutions to recruit and hire talent. Each company provides employers the opportunity to post and advertise jobs and build their company's employment brand. Indeed provides an efficient source of candidates through its pay per performance job advertising pricing model. Indeed also provides a range of products for employers to source and screen candidates including from its database of millions of resumes. Glassdoor helps employers attract candidates and hire talent through employer branding and job advertising products.

Revenue for Q2 FY2019 was 106.8 billion yen, an increase of 29.6% year on year. Quarterly revenue growth was lower compared to 47.5% in Q1 FY2019 in part due to the absence of acquired revenue growth related to the Glassdoor acquisition. On a US dollar basis, reported revenue growth was 34.8%[1] for Q2 FY2019. Revenue growth was primarily driven by increased sponsored job advertising, which continued to be supported by a generally favorable economic environment and tight labor market, especially in the US and Japan. Also contributing to revenue growth year on year were Indeed and Glassdoor recruiting solutions focused on sourcing and screening candidates and employer branding[2]. Revenue for the six-month period was 209.0 billion yen, an increase of 37.8% year on year.

Segment adjusted EBITDA for Q2 FY2019 was 24.4 billion yen, an increase of 70.5% year on year. Adjusted EBITDA growth year on year was mainly driven by revenue growth. Adjusted EBITDA margin was 22.9% for Q2 FY2019, an increase from 17.4% for Q2 FY2018. While the HR Technology segment continued to invest in sales and marketing activities to acquire new users and clients during the second quarter, the year on year growth rate of those expenses was lower than the pace of revenue growth. To support future revenue growth, the HR Technology segment also invested heavily in product enhancements to increase user and client engagement. The timing of these investments will fluctuate on a quarterly basis. Segment adjusted EBITDA for the six-month period was 43.7 billion yen, an increase of 84.1% year on year, and segment adjusted EBITDA margin was 20.9%.

As of Q2 FY2019, Indeed and Glassdoor attracted more than 250 million and 60 million monthly unique visitors[3], and had approximately 9,700 and 1,000 employees, respectively.

The operating results and relevant data for this reportable segment are as follows:

(In billions of yen, unless otherwise stated)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2019	Variance	% change	Six Months Ended September 30, 2018	Six Months Ended September 30, 2019	Variance	% change
Segment revenue	82.4	106.8	24.4	29.6%	151.7	209.0	57.3	37.8%
Segment EBITDA and adjusted EBITDA[4]	14.3	24.4	10.0	70.5%	23.7	43.7	19.9	84.1%
Segment EBITDA margin and adjusted EBITDA margin[4]	17.4%	22.9%	5.5pt	-	15.7%	20.9%	5.3pt	-
Revenue in million US dollars[1]	739	996	257	34.8%	1,373	1,925	551	40.1%

[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.
[2] Indeed and Glassdoor product availability varies by country.
[3] Source: Internal data based on Google Analytics service, Q2 FY2019
[4] EBITDA and EBITDA margin for the three months and six months ended September 30, 2018 and adjusted EBITDA and adjusted EBITDA margin for the three months and six months ended September 30, 2019.

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Media & Solutions

In the Media & Solutions segment, a number of vertical online media platforms, print media, and related businesses are divided into two major operations: Marketing Solutions and HR Solutions.

Marketing Solutions helps enterprise clients attract users through advertisements on its online platforms and print media, and offers services including software as a service ("SaaS"). SaaS products include *Air BusinessTools*[1], a comprehensive bundled suite of cloud-based solutions to support day-to-day management and operations. *Air BusinessTools*[1] solutions include reservations, CRM, POS system, payments, workforce management, hiring functions and other areas. Marketing Solutions provides individual users a multitude of choices on their lifestyle through the information available through its online platforms and print media.

HR Solutions mainly supports enterprise clients' recruiting activities and individual users' job search activities through its job boards and placement services.

The Media & Solutions segment focuses on further accelerating the expansion of the SaaS business through *Air BusinessTools* platform, in addition to the advertising business on its online platforms and print media for each subsegment. Historically, the Media & Solutions segment has been offering various SaaS solutions together with its advertising platforms to its enterprise clients: for example, *SALON BOARD*, a reservation and customer management system for beauty salon owners, together with *Hot Pepper Beauty,* an online and print media for beauty treatments. Registered accounts[2] for SaaS solutions, which may include multiple accounts for the same enterprise client for different SaaS solutions, increased at a CAGR of 31.0% from FY2014 to FY2018. Growth in registered accounts for SaaS solutions significantly exceeded the growth in accounts for advertising services, and the number of such registered accounts has surpassed that of advertising accounts.

Revenue for Q2 FY2019 was 190.5 billion yen, an increase of 8.3% year on year. This was primarily driven by increased revenue in the Housing and Real Estate, Travel and Beauty subsegments in Marketing Solutions and increased revenue in the Recruiting in Japan subsegment in HR Solutions. Revenue for the six-month period was 378.2 billion yen, an increase of 8.2% year on year.

Segment adjusted EBITDA for Q2 FY2019 was 47.9 billion yen, an increase of 8.8% year on year mainly due to increased revenue in both Marketing Solutions and HR Solutions, and segment adjusted EBITDA margin was 25.2%. Segment adjusted EBITDA for the six-month period was 98.0 billion yen, an increase of 7.3% year on year, and segment adjusted EBITDA margin was 25.9%.

[1] *Air BusinessTools* is collectively renamed from Air Series.
[2] Registered accounts for SaaS solutions include multiple accounts for the same enterprise clients for different types of SaaS solutions offered mainly through *Air BusinessTools*. The number of accounts for advertisement and SaaS solutions include the freemium users. The number of accounts are as of each fiscal year end.

The operating results and relevant data for this reportable segment are as follows:

	Three Months Ended September 30,		Variance	% change	Six Months Ended September 30,		Variance	% change
(In billion yen)	2018	2019			2018	2019		
Segment revenue	175.8	190.5	14.6	8.3%	349.4	378.2	28.7	8.2%
Marketing Solutions	100.8	110.6	9.8	9.7%	194.4	216.3	21.9	11.3%
Housing and Real Estate	25.2	27.5	2.3	9.2%	49.4	54.3	4.8	9.8%
Bridal	13.8	13.1	(0.6)	-5.0%	27.7	26.4	(1.3)	-4.7%
Travel	17.6	21.3	3.6	20.8%	31.6	38.8	7.1	22.7%
Dining	9.2	9.3	0.1	1.1%	18.5	18.8	0.3	2.1%
Beauty	17.8	20.2	2.4	13.8%	35.0	39.6	4.6	13.3%
Others	16.9	18.9	1.9	11.4%	32.0	38.1	6.1	19.1%
HR Solutions	74.4	79.2	4.8	6.5%	153.4	160.3	6.8	4.5%
Recruiting in Japan[1]	66.4	70.0	3.5	5.3%	136.7	141.9	5.2	3.8%
Others	7.9	9.2	1.2	15.9%	16.7	18.4	1.6	9.9%
Eliminations and Adjustments (Media & Solutions)	0.6	0.6	0.0	1.5%	1.4	1.4	(0.0)	-0.8%
Segment EBITDA and adjusted EBITDA[3]	44.0	47.9	3.8	8.8%	91.4	98.0	6.6	7.3%
Marketing Solutions[3,4]	29.7	31.3	1.5	5.2%	57.7	62.1	4.3	7.6%
HR Solutions[3,4]	18.1	21.3	3.2	17.7%	41.5	44.9	3.3	8.1%
Eliminations and Adjustments[3,4] (Media & Solutions)	(3.8)	(4.7)	(0.8)	-	(7.8)	(8.9)	(1.0)	-
Segment EBITDA margin and adjusted EBITDA margin[3]	25.0%	25.2%	0.1pt	-	26.2%	25.9%	-0.2pt	-
Marketing Solutions[3,4]	29.5%	28.3%	-1.2pt	-	29.7%	28.7%	-1.0pt	-
HR Solutions[3,4]	24.4%	27.0%	2.6pt	-	27.1%	28.0%	0.9pt	-

[1] Excluding the non-recurring impact from the sale of a subsidiary in Q2 FY2018 and Q1 FY2019, revenue for the three months and six months ended September 30, 2019 increased by 6.8% and 5.9% respectively year on year.[2]
[2] For comparison purposes, calculated based on internal managerial reporting numbers, which exclude revenue from subsidiaries which were sold in prior periods.

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[3] EBITDA and EBITDA margin for the three months and six months ended September 30, 2018 and adjusted EBITDA and adjusted EBITDA margin for the three months and six months ended September 30, 2019.
[4] For the three months and six months ended September 30, 2019, the segment profit of some subsidiaries in Marketing Solutions and HR Solutions is not adjusted for the impact of the adoption of IFRS 16. The effect of this is not material and such amount is included in Eliminations and Adjustments.

Business Key Performance Indicators	FY2018				FY2019	
	Q1	Q2	Q3	Q4	Q1	Q2
Hot Pepper Gourmet Number of seats reserved online (Dining)[1,2]	19.05	37.18	65.77	88.50	21.81	42.40
Hot Pepper Beauty Number of online reservations (Beauty)[1, 2]	22.72	47.19	71.63	96.99	27.82	57.27
AirREGI registered accounts[3]	349	364	381	402	422	449
Study Sapuri users (Others, Marketing Solutions)[3, 4]	559	586	598	614	741	759

[1] Pre-cancellation reservation basis.
[2] Figures are shown in millions.
[3] Figures are shown in thousands.
[4] The total number of paid users for high school, junior high school, elementary school and English courses.

Marketing Solutions

Housing and Real Estate

Housing and Real Estate generates revenue primarily from advertising on *SUUMO*, an online platform and print media for housing and real estate, and also provides operational and management solutions to enterprise clients. The subsegment focused on improving the user experience on its online platform and attracting more individual users to the platform through various marketing efforts. Quarterly revenue increased in Q2 FY2019.

Bridal

Bridal generates revenue primarily from advertising on *Zexy*, a magazine and online platform which is an all-in-one source of information on wedding planning. Quarterly revenue decreased in Q2 FY2019 as the wedding related advertising market has been experiencing a gradual structural change mainly due to a drop in the number of marriages resulting from the declining population, which has led to a gradual decrease in the number of wedding venue operators. The subsegment responded proactively to the needs of wedding venue operators to attract marrying couples by launching various marketing promotions and strengthening its online services.

Travel

Travel generates revenue primarily from advertising and booking fees from *Jalan*, an online platform and magazine for travel in Japan, and also provides operational and management solutions to enterprise clients. Quarterly revenue in Q2 FY2019 increased mainly due to increased online booking fees of *Jalan* effective from April 1, 2019, despite the negative impact of less than normal demand for travel during the summer due to the 10 consecutive-day holiday in May in Japan and frequent bad weather.

Dining

Dining generates revenue primarily from advertising on *Hot Pepper Gourmet*, an online restaurant reservation platform and print media under the same name, and also provides operational and management solutions to enterprise clients. Quarterly revenue in Q2 FY2019 increased mainly due to increased advertising on *Hot Pepper Gourmet* despite the ongoing challenging environment mainly due to the workforce shortage in Japan for dining and restaurant operators. In this environment, the subsegment continued to focus on strengthening its relationship with clients by offering SaaS solutions.

Beauty

Beauty generates revenue primarily from advertising on *Hot Pepper Beauty*, an online beauty salon reservation platform and print media under the same name, and also provides operational and management solutions to enterprise clients. Quarterly revenue in Q2 FY2019 increased, mainly due to the continued effort to extend its reach to non-urban areas and the outskirts of metropolitan areas which resulted in an increase in the number of beauty salon clients advertising on *Hot Pepper Beauty*. Also, the subsegment continued to focus on strengthening its relationship with beauty salon clients by offering SaaS solutions.

Others

The Others subsegment includes *Air BusinessTools*, which is comprised of SaaS applications, and continues to expand services for enterprise clients such as reservations, CRM, POS system, payments, workforce management, hiring functions and other areas. It also includes Automobile, Education such as *Study Sapuri*, and Overseas Marketing. Quarterly revenue increased in Q2 FY2019.

HR Solutions

Recruiting in Japan

Revenue in the Recruiting in Japan subsegment consists primarily of advertising revenue generated on various online job boards such as *Rikunabi, Rikunabi NEXT* and *TOWNWORK,* as well as fees generated by employment placement services such as *RECRUIT AGENT*. Quarterly revenue increased in Q2 FY2019 as the Japanese labor market remained extremely tight. In this environment, the subsegment focused on strengthening its organizational structure to improve productivity.

Others

The Others subsegment includes the HR development business in Japan and placement service in Asia. Quarterly revenue increased in Q2 FY2019.

RECRUIT

Staffing

In the Staffing segment, there are two major operations: Japan and Overseas. Both operations implement the Unit Management System, which divides an organization into smaller units based on differences in the markets they serve. Each unit is regarded as a distinct company, and the Unit Manager is given authority to make decisions to maximize each unit's profitability.

Revenue for Q2 FY2019 was 317.5 billion yen, a decrease of 2.6% year on year. Revenue in Japan operations increased, reflecting a tight labor market resulting in strong demand from enterprise clients. Revenue in Overseas operations decreased primarily due to the ongoing uncertain outlook for the European economy and the negative impact of foreign exchange rate movements. Excluding the negative impact of foreign exchange rate movements of 13.6 billion yen, segment revenue for Q2 FY2019 increased by 1.7% year on year. Revenue for the six-month period was 630.1 billion yen, a decrease of 3.8% year on year (excluding the negative impact of foreign exchange rate movement, a decrease of 0.6%).

Segment adjusted EBITDA for Q2 FY2019 was 21.1 billion yen, an increase of 5.0% year on year, and segment adjusted EBITDA margin was 6.7%, an increase from 6.2% in Q2 FY2018. Adjusted EBITDA for Japan operations increased, mainly due to increased revenue, and adjusted EBITDA margin was 8.2% in Q2 FY2019, an increase from 7.2% in Q2 FY2018. Adjusted EBITDA for Overseas operations decreased and adjusted EBITDA margin remained flat year on year at 5.5% in Q2 FY2019. This was mainly due to various cost management measures. Segment adjusted EBITDA for the six-month period was 40.9 billion yen, a decrease of 7.3% year on year, and adjusted EBITDA margin was 6.5%, decreased from 6.7% for the same period in FY2018. In the current uncertain economic environment in Europe, the segment continues to focus on utilizing the Unit Management System to optimize its adjusted EBITDA margin.

The operating results and relevant data for this reportable segment are as follows:

	Three Months Ended September 30,		Variance	% change	Six Months Ended September 30,		Variance	% change
(In billion yen)	2018	2019			2018	2019		
Segment revenue	325.8	317.5	(8.3)	-2.6%	654.9	630.1	(24.8)	-3.8%
Japan	132.5	139.8	7.2	5.5%	268.2	277.5	9.3	3.5%
Overseas[1]	193.2	177.7	(15.5)	-8.0%	386.7	352.5	(34.1)	-8.8%
Segment EBITDA and adjusted EBITDA[2]	20.1	21.1	1.0	5.0%	44.1	40.9	(3.2)	-7.3%
Japan[2]	9.5	11.4	1.9	20.4%	22.9	23.2	0.2	1.2%
Overseas[2]	10.6	9.6	(0.9)	-8.7%	21.2	17.7	(3.4)	-16.4%
Segment EBITDA margin and adjusted EBITDA margin[2]	6.2%	6.7%	0.5pt	-	6.7%	6.5%	-0.2pt	-
Japan[2]	7.2%	8.2%	1.0pt	-	8.6%	8.4%	-0.2pt	-
Overseas[2]	5.5%	5.5%	-0.0pt	-	5.5%	5.0%	-0.5pt	-

[1] Excluding the negative impacts of foreign exchange rate movements, the Overseas revenue for the three months and six months ended September 30, 2019 decreased by 1.0% and 3.4% respectively year on year.
[2] EBITDA and EBITDA margin for the three months and six months ended September 30, 2018 and adjusted EBITDA and adjusted EBITDA margin for the three months and six months ended September 30, 2019.

Capital Resources and Liquidity

Financial Principle

The Group's financial principle is to maintain a strong consolidated financial position which results in appropriate credit ratings by Japanese domestic rating agencies while utilizing capital mainly raised through efficient borrowings. For capital efficiency, the Group implements strict criteria for investment, and sets its ROE target at approximately 15%. The Company's dividend policy is to provide a stable and sustainable return to shareholders based on a comprehensive evaluation of the results of operations, the internal reserves that the Company may require for investment for its future growth, and the ability to establish a stable financial foundation. In addition, the Company sets a consolidated payout ratio target of approximately 30% of profit attributable to owners of the parent excluding non-recurring income/losses. The Company considers implementing share repurchase programs, based on the capital market environment and the outlook of its financial position.

Use of Capital

The Company allocates its capital primarily to working capital, corporate taxes, mergers and acquisitions, asset acquisition and capital expenditures by each segment, repayments of borrowings, payment of interest, payment of dividends, and purchase of treasury stock.

Fund Raising

The Group's primary source of liquidity for working capital and investments is cash flow from operations. However, the Group may consider and execute external financing when various conditions are deemed favorable, such as demands for capital, interest rate trends, repayment amount, redemption period of existing interest-bearing debt, size of funds to be raised, and financing structure. For short-term working capital, the Group primarily utilizes borrowings from financial institutions and/or commercial paper. For mid to long-term capital needs, the Group raises funds mainly by borrowings from financial institutions and/or the bond market. The Group has registered a maximum 200 billion yen worth of corporate bond issuance (unused amount as of September 30, 2019 is 200 billion yen) to maintain flexible capital raising capability.

The Group also has entered into overdraft agreements with four financial institutions to secure liquidity and raise operating funds efficiently. The maximum amount of borrowings in the overdraft commitment is 113 billion yen as of September 30, 2019, and the entire amount remains unused.

Credit Ratings

The Group has long-term ratings of AA- from Rating and Investment Information, Inc. (R&I), A3 from Moody's Japan, and A from S&P Global Rating Japan as of September 30, 2019.

Cash Management

Abiding by the relevant legal framework and economic rationality, the Group prioritizes internal lending and borrowing within the Group over external financing, primarily through a cash management system in order to maximize capital efficiency.

Fund Management

The Group invests only in principal-guaranteed financial instruments that are deemed safe and efficient, and not for speculative purposes.

Analysis of Consolidated Financial Position

(In billion yen)	As of March 31, 2019	As of September 30, 2019	Variance
Assets			
Total current assets	809.0	824.4	15.4
Total non-current assets	939.9	1,172.2	232.2
Total assets	1,748.9	1,996.7	247.7
Liabilities			
Total current liabilities	497.5	482.2	(15.3)
Total non-current liabilities	279.1	487.1	208.0
Total liabilities	776.7	969.3	192.6
Equity			
Total equity attributable to owners of the parent	965.7	1,020.1	54.3
Non-controlling interests	6.4	7.2	0.7
Total equity	972.2	1,027.3	55.0

Assets

Total current assets as of September 30, 2019 increased by 15.4 billion yen, or 1.9%, from the end of the previous fiscal year. This was mainly due to an increase in cash and cash equivalents of 28.4 billion yen. Total non-current assets increased by 232.2 billion yen, or 24.7%, from the end of the previous fiscal year. This was mainly due to an increase in right-of-use assets of 239.3 billion yen, which resulted from the application of IFRS 16.

Liabilities

Total current liabilities as of September 30, 2019 decreased by 15.3 billion yen, or 3.1%, from the end of the previous fiscal year. This was mainly due to decreases in trade and other payables of 28.5 billion yen and other liabilities of 21.2 billion yen, while lease liabilities increased by 36.0 billion yen resulting from the application of IFRS 16. Total non-current liabilities increased by 208.0 billion yen, or 74.5%, from the end of the previous fiscal year. This was mainly due to an increase in lease liabilities of 218.1 billion yen resulting from the application of IFRS 16.

Equity

Total equity as of September 30, 2019 increased by 55.0 billion yen, or 5.7%, from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 84.6 billion yen, primarily resulting from an increase in profit attributable to owners of the parent.

Analysis of Consolidated Cash Flows

	Six Months Ended September 30,		
(In billion yen)	2018	2019	Variance
Net cash flows from operating activities	126.0	136.5	10.4
Net cash flows from investing activities	(158.7)	(47.7)	110.9
Net cash flows from financing activities	(33.3)	(56.8)	(23.4)
Effect of exchange rate changes on cash and cash equivalents	12.0	(3.5)	(15.5)
Net increase (decrease) in cash and cash equivalents	(54.0)	28.4	82.4
Cash and cash equivalents at the beginning of the period	389.8	402.9	13.0
Cash and cash equivalents at the end of the period	335.8	431.3	95.5

Cash and cash equivalents as of September 30, 2019 was 431.3 billion yen, an increase of 28.4 billion yen from the end of the previous fiscal year, since cash inflows from operating activities exceeded cash outflows from investing and financing activities.

Cash Flows from Operating Activities

Net cash provided by operating activities includes 157.8 billion yen of profit before tax, primarily adjusted by a favorable impact to cash of 55.7 billion yen in depreciation and amortization, offset by 39.5 billion yen in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities primarily includes payment of 24.5 billion yen for the purchase of intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities primarily includes dividends paid of 24.2 billion yen.

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Management Policy

The forward looking statements in the section below incorporate the Company's assumptions as of September 30, 2019.

Group Management Policy

The basic principle of the Group is to focus on "creating new value for our society to contribute to a brighter world where all individuals can live life to the fullest." The Group's Vision is "Follow Your Heart"; the defined Mission of the Group is "Opportunities for Life. Faster, simpler, and closer to you"; and the established Values of the Group are "WOW THE WORLD", "BET ON PASSION" and "PRIORITIZE SOCIAL VALUE".

Target Management Key Performance Indicators (KPIs)

The Group flexibly and aggressively carries out various growth investments, including mergers and acquisitions, in order to achieve profitable growth over the long-term, and focuses on managing an appropriate balance of investments and earnings growth as well as increasing shareholder value. Therefore, the Group has set adjusted EBITDA[1] and adjusted EPS[2] as target management KPIs to maximize its enterprise value.

The Group adopted IFRS 16 in Q1 FY2019, and changed its accounting policy. Pursuant to IFRS 16, a lessee generally must recognize a "right-of-use asset" for all leases, such asset representing the right to use the underlying asset over the term of such leases. A lessee also must recognize as its financial liability the lessee's obligation to make future lease payments. Under previous accounting standards, IAS 17, a company recorded lease payments of operating leases as rent expense. However under IFRS 16, a company must record depreciation for its right-of-use assets and an interest expense on its lease liability. As a result of the adoption of IFRS 16, EBITDA will increase because rent expense will decrease, while the depreciation of the right-of-use asset will increase. Therefore the Company decided to change the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption) from Q1 FY2019 to ensure comparability with the prior management KPI.

1. Adjusted EBITDA = operating income + depreciation and amortization(excluding depreciation of right-of-use assets) ± other operating income/expenses
2. Adjusted EPS = adjusted profit[3] / (number of shares issued at the end of the period - number of treasury stock at the end of the period)
3. Adjusted profit = profit attributable to owners of the parent ± adjustment items[4] (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
4. Adjustment items = amortization of intangible assets by acquisitions ± non-recurring income/losses

Group Business Environment and Group Management Strategy

The Group believes swift decision making is essential to maximize enterprise value and shareholder value by actively responding to the rapidly transforming Internet business industry and identifying business opportunities globally. In order to do so, the Group operates its businesses through each of its three Strategic Business Units ("SBU"s), HR Technology, Media & Solutions and Staffing. Furthermore, the Group established respective SBU Headquarters for each SBU, and operates under such management structure. This organizational structure enhances the management capabilities of each SBU Headquarters to execute its own independent strategy in a self-sustaining manner; the SBU structure also enables the Company to focus on and strengthen its holding company functions, including Group monitoring and governance; through these many positive impacts of the SBU structure, the Group enterprise value is increased.

The Group offers various matching solutions connecting individual users and enterprise clients, and continues to enhance its ability to match by minimizing inconvenience and satisfying demands of users and clients. By leveraging technology, the Group focuses on improving the capabilities of its matching services to offer users the best results, and supports clients, mainly SMEs, to optimize their business operations.

Notably, the Group aims to become the global leader in the HR Matching market (the size of which is estimated by the Group as approximately 150 billion US dollars[1]) by utilizing innovation and creativity driven by technology. The HR Matching market includes job advertising and talent sourcing tools, placement and search, and temporary staffing. The global online job advertising and talent sourcing tools market, which is the main business of the HR Technology segment, is estimated to be approximately 15 billion US dollars[2] in annual revenue, and it is growing as more than 5 billion US dollar[3] offline job advertising market flows into online. The placement and search market is estimated to be approximately 54 billion US dollars[4] in revenue globally. The temporary staffing market is estimated to be approximately 436 billion US dollars[4] in revenue globally, while the gross profit for staffing companies (subtracting the amount of salary for temporary staff and related costs from the total revenue) is estimated to be approximately 80 billion US dollars[5].

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[1] Sum of the estimated size of addressable markets for the job advertising & talent sourcing tools market, the placement & search market and the temporary staffing market by the Company.
[2] Sum of the revenue of HR Technology segment, the revenue of competing job advertising boards in the Group's target operating markets based on third party reports and internal research, and the revenue of the talent solutions business of LinkedIn in the Group's target operating markets based on publicly available information and internal research.
[3] Amount derived by applying the proportion of online to offline spending (excluding TV, cinema and radio advertising) in the overall advertising market in 2018 based on third party reports, to 15 billion US dollars, the size of global online job advertising and talent sourcing tools market, estimated by the Company.
[4] Source: SIA, Global Staffing Industry Market Estimates and Forecast: May 2019 Update
[5] Amount derived by applying gross profit margin of 18.3% calculated based on the weighted average of the top 3 publicly traded global staffing companies in terms of revenue (2018) to 436 billion US dollars, the revenue of the temporary staffing market in 2018, according to SIA, Global Staffing Industry Market Estimates and Forecast, May 2019 Update.
[6] As described above, the estimates of the job advertising & talent sourcing tools market, the placement & search market and the temporary staffing market are based on internal estimates and independent market research in addition to third party market data. Accordingly, the estimates described above may differ materially from the actual size of such markets.

The HR Technology segment aims to further expand its presence globally through *Indeed,* an online job search engine and recruiting platform, and *Glassdoor*, an online job and company information site. The segment aims to drive future growth by investing in its existing online job advertising business and to execute new business development and M&A to make recruiting processes more efficient.

The Media & Solutions segment strives for further growth by improving its existing advertising businesses and by focusing on SaaS business. Through continuous initiatives to deepen relationships with SMEs cultivated by its nation-wide sales team, the segment has identified a significant untapped opportunity in SMEs' non-advertising expenditures by providing value-added SaaS solutions that can potentially reduce their operational and managerial costs. By leveraging its leading positions in each subsegment business and its existing client base, the segment strives to expand its SaaS business by merging SaaS solutions offered by each subsegment to *Air BusinessTools* and creating synergy between advertising business and SaaS business.

In the Staffing segment, Japan operations aim for stable growth against a backdrop of a tight labor market environment in Japan. Overseas operations focus on improving adjusted EBITDA margin continuously by fully implementing its Unit Management System.

On August 26, 2019, the Personal Information Protection Commission issued an administrative admonishment and an administrative directive, and on September 6, 2019, the Tokyo Labor Bureau issued an administrative directive to Recruit Career Co., Ltd. (hereinafter referred to as "Recruit Career"), a subsidiary of Recruit Co., Ltd. (hereinafter referred to as "Recruit"), the Company's subsidiary and the headquarters of Media & Solutions segment, regarding *Rikunabi DMP Follow*, a service operated by Recruit Career, which was discontinued on August 4, 2019. While the investigation from regulators is still ongoing, the Group is implementing appropriate measures to prevent recurrences of such incidents and to strengthen the governance throughout the Group.

Qualitative Information on Consolidated Financial Results Guidance

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

The Company expects that the incident related to *Rikunabi DMP Follow* will not have a significant impact to the Company's consolidated financial results for FY2019.

For FY2019, the Company expects:

- Revenue and adjusted EBITDA for all three segments to increase
- Adjusted EBITDA to be in the range of 310 billion yen to 330 billion yen
- Adjusted EPS to grow high single digits

The HR Technology segment revenue on a US dollar basis is expected to grow approximately 35% plus or minus a few percent. Adjusted EBITDA margin for the segment is expected to be approximately the same level as FY2018 plus or minus a few percent mainly due to continued investment in sales and marketing activities to acquire new users and clients and in product enhancements to increase user and client engagement.

The Media & Solutions segment is expected to maintain stable revenue growth. Revenue for Marketing Solutions is expected to grow mid single digits, and revenue for HR Solutions is expected to grow low single digits. Adjusted EBITDA margin for the segment is expected to remain at a level similar to that of FY2018.

For the Staffing segment, the Company expects revenue to increase low single digits, comprised of an increase in Japan operations and a potential decrease in Overseas operations as the Company expects the uncertain outlook mainly in Europe to continue. Adjusted EBITDA margin for the segment is expected to improve slightly for FY2019.

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2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

(In million yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	402,911	431,394
Trade and other receivables	340,254	320,830
Other financial assets	26,903	33,878
Other assets	38,938	38,395
Total current assets	809,007	824,498
Non-current assets		
Property and equipment	74,566	81,706
Right-of-use assets	-	239,398
Goodwill	410,651	404,212
Intangible assets	242,583	230,400
Investments in associates and joint ventures	50,557	61,181
Other financial assets	127,458	120,308
Deferred tax assets	27,451	29,040
Other assets	6,706	5,954
Total non-current assets	939,975	1,172,202
Total assets	1,748,982	1,996,701

RECRUIT

(In million yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	212,193	183,594
Bonds and borrowings	24,869	24,408
Lease liabilities	-	36,062
Other financial liabilities	1,175	872
Income tax payables	35,327	34,657
Provisions	4,665	4,505
Other liabilities	219,362	198,110
Total current liabilities	497,594	482,211
Non-current liabilities		
Bonds and borrowings	137,212	123,960
Lease liabilities	-	218,111
Other financial liabilities	1,334	2,738
Provisions	8,581	9,192
Net liability for retirement benefits	52,347	53,171
Deferred tax liabilities	52,240	53,994
Other liabilities	27,420	25,976
Total non-current liabilities	279,137	487,145
Total liabilities	776,731	969,356
Equity		
Equity attributable to owners of the parent		
Common stock	10,000	40,000
Share premium	49,136	19,108
Retained earnings	942,449	1,027,066
Treasury stock	(32,378)	(36,603)
Other components of equity	(3,431)	(29,448)
Total equity attributable to owners of the parent	965,775	1,020,122
Non-controlling interests	6,475	7,222
Total equity	972,251	1,027,344
Total liabilities and equity	1,748,982	1,996,701

(2) Condensed Quarterly Consolidated Statements of Profit or Loss

For the Six-Month Period

(In million yen)

	Six Months Ended September 30, 2018	Six Months Ended September 30, 2019
Revenue	1,143,339	1,201,201
Cost of sales	576,397	559,586
Gross profit	566,942	641,615
Selling, general and administrative expenses	447,378	501,111
Other operating income	8,633	5,692
Other operating expenses	1,626	3,536
Operating income	126,570	142,659
Share of profit (loss) of associates and joint ventures	(2,241)	223
Gain on change in ownership interests in an associate	769	12,247
Finance income	4,240	4,226
Finance costs	288	1,522
Profit before tax	129,050	157,834
Income tax expense	35,853	42,888
Profit for the period	93,196	114,946
Profit attributable to:		
Owners of the parent	92,684	114,148
Non-controlling interests	512	797
Profit for the period	93,196	114,946
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	55.47	68.32
Diluted earnings per share (yen)	55.37	68.19

RECRUIT

For the Three-Month Period

(In million yen)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2019
Revenue	577,865	606,792
Cost of sales	287,905	282,209
Gross profit	289,959	324,583
Selling, general and administrative expenses	232,289	253,238
Other operating income	1,591	1,939
Other operating expenses	530	1,857
Operating income	58,730	71,426
Share of profit (loss) of associates and joint ventures	(230)	2,662
Gain on change in ownership interests in an associate	507	193
Finance income	2,432	1,958
Finance costs	120	743
Profit before tax	61,319	75,498
Income tax expense	15,714	20,162
Profit for the period	45,604	55,336
Profit attributable to:		
Owners of the parent	45,321	54,837
Non-controlling interests	283	499
Profit for the period	45,604	55,336
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	27.12	32.82
Diluted earnings per share (yen)	27.07	32.76

RECRUIT

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

For the Six-Month Period

(In million yen)

	Six Months Ended September 30, 2018	Six Months Ended September 30, 2019
Profit for the period	93,196	114,946
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	6,539	(5,196)
Remeasurements of defined retirement benefit plans	-	-
Share of other comprehensive income of associates and joint ventures	(33)	(44)
Subtotal	6,506	(5,241)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	19,576	(26,341)
Effective portion of changes in fair value of cash flow hedges	(57)	(300)
Subtotal	19,519	(26,641)
Other comprehensive income (loss) for the period, net of tax	26,025	(31,883)
Comprehensive income for the period	119,222	83,063
Comprehensive income attributable to:		
Owners of the parent	118,498	82,351
Non-controlling interests	723	711
Total comprehensive income	119,222	83,063

For the Three-Month Period

(In million yen)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2019
Profit for the period	45,604	55,336
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	1,279	(1,012)
Remeasurements of defined retirement benefit plans	-	-
Share of other comprehensive income of associates and joint ventures	(13)	(74)
Subtotal	1,265	(1,087)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	15,275	(7,225)
Effective portion of changes in fair value of cash flow hedges	(471)	(502)
Subtotal	14,804	(7,728)
Other comprehensive income (loss) for the period, net of tax	16,070	(8,815)
Comprehensive income for the period	61,675	46,520
Comprehensive income attributable to:		
Owners of the parent	61,301	46,015
Non-controlling interests	373	504
Total comprehensive income	61,675	46,520

RECRUIT

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

For the Six Months Ended September 30, 2018

(In million yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of changes in fair value of cash flow hedges
Balance at April 1, 2018	10,000	50,115	811,287	(32,049)	3,723	(8,354)	881
Cumulative effects of changes in accounting policies			1,360				
Restated balance	10,000	50,115	812,647	(32,049)	3,723	(8,354)	881
Profit for the period			92,684				
Other comprehensive income						19,365	(57)
Comprehensive income for the period	-	-	92,684	-	-	19,365	(57)
Transfer from other components of equity to retained earnings			6,506				
Purchase of treasury stock		(17)		(1,078)			
Disposal of treasury stock		(153)		969	(815)		
Dividends			(20,046)				
Share-based payments					1,049		
Equity transactions with non-controlling interests		(819)					
Other		16	146				
Transactions with owners total	-	(974)	(13,393)	(109)	234	-	-
Balance at September 30, 2018	10,000	49,140	891,938	(32,158)	3,958	11,011	824

	Equity attributable to owners of the parent					
	Other components of equity					
	Net change in financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined retirement benefit plans	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2018	-	-	(3,748)	835,605	5,055	840,660
Cumulative effects of changes in accounting policies			-	1,360		1,360
Restated balance	-	-	(3,748)	836,965	5,055	842,020
Profit for the period			-	92,684	512	93,196
Other comprehensive income	6,506		25,814	25,814	210	26,025
Comprehensive income for the period	6,506	-	25,814	118,498	723	119,222
Transfer from other components of equity to retained earnings	(6,506)		(6,506)	-		-
Purchase of treasury stock			-	(1,096)		(1,096)
Disposal of treasury stock			(815)	0		0
Dividends			-	(20,046)		(20,046)
Share-based payments			1,049	1,049		1,049
Equity transactions with non-controlling interests			-	(819)	693	(126)
Other			-	163	(65)	97
Transactions with owners total	(6,506)	-	(6,271)	(20,749)	627	(20,121)
Balance at September 30, 2018	-	-	15,793	934,715	6,405	941,121

For the Six Months Ended September 30, 2019

(In million yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of changes in fair value of cash flow hedges
Balance at April 1, 2019	10,000	49,136	942,449	(32,378)	4,132	(8,198)	635
Profit for the period			114,148				
Other comprehensive income						(26,255)	(300)
Comprehensive income for the period	-	-	114,148	-	-	(26,255)	(300)
Transfer from share premium to common stock	30,000	(30,000)					
Transfer from other components of equity to retained earnings			(5,241)				
Purchase of treasury stock		(23)		(4,473)			
Disposal of treasury stock		(2)		248	(16)		
Dividends			(24,226)				
Share-based payments					554		
Other		(2)	(63)				
Transactions with owners total	30,000	(30,028)	(29,531)	(4,224)	538	-	-
Balance at September 30, 2019	40,000	19,108	1,027,066	(36,603)	4,670	(34,454)	334

	Equity attributable to owners of the parent					
	Other components of equity					
	Net change in financial assets measured at fair value through other compre-hensive income	Remeasure-ments of defined retirement benefit plans	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2019	-	-	(3,431)	965,775	6,475	972,251
Profit for the period			-	114,148	797	114,946
Other comprehensive income	(5,241)		(31,797)	(31,797)	(85)	(31,883)
Comprehensive income for the period	(5,241)	-	(31,797)	82,351	711	83,063
Transfer from share premium to common stock			-	-		-
Transfer from other components of equity to retained earnings	5,241		5,241	-		-
Purchase of treasury stock			-	(4,497)		(4,497)
Disposal of treasury stock			(16)	229		229
Dividends			-	(24,226)		(24,226)
Share-based payments			554	554		554
Other			-	(65)	34	(31)
Transactions with owners total	5,241	-	5,780	(28,004)	34	(27,969)
Balance at September 30, 2019	-	-	(29,448)	1,020,122	7,222	1,027,344

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(In million yen)

	Six Months Ended September 30, 2018	Six Months Ended September 30, 2019
Cash flows from operating activities		
Profit before tax	129,050	157,834
Depreciation and amortization	35,683	55,764
Gain on sales of investments in subsidiaries	(7,436)	(3,303)
Gain on change in ownership interests in an associate	(769)	(12,247)
(Increase) decrease in trade and other receivables	13,543	12,392
Increase (decrease) in trade and other payables	(27,497)	(25,394)
Other	(8,821)	(11,048)
Subtotal	133,753	173,997
Interest and dividends received	3,375	3,651
Interest paid	(253)	(1,535)
Income taxes paid	(10,779)	(39,524)
Net cash provided by operating activities	126,096	136,589
Cash flows from investing activities		
Payment for purchase of property and equipment	(11,207)	(16,545)
Payment for purchase of intangible assets	(25,138)	(24,590)
Payment for purchase of shares of subsidiaries	(126,788)	(10,814)
Proceeds from sales of shares of subsidiaries	7,924	3,413
Other	(3,565)	746
Net cash used in investing activities	(158,775)	(47,791)
Cash flows from financing activities		
Repayments of long-term borrowings	(12,478)	(12,478)
Repayments of lease liabilities	-	(16,681)
Payment for purchase of treasury stock	(1,096)	(4,497)
Dividends paid	(20,055)	(24,231)
Other	233	1,081
Net cash used in financing activities	(33,397)	(56,807)
Effect of exchange rate changes on cash and cash equivalents	12,059	(3,508)
Net increase (decrease) in cash and cash equivalents	(54,017)	28,482
Cash and cash equivalents at the beginning of the period	389,822	402,911
Cash and cash equivalents at the end of the period	335,805	431,394

RECRUIT

(6) Going Concern Assumption

Not applicable.

(7) Notes to Condensed Quarterly Consolidated Financial Statements

1. Changes in Accounting Policies

The Group has applied IFRS 16 using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

At the inception of a lease contract, the Group assesses whether the contract is, or contains, a lease based on the substance of the contract.
A lease liability is recognized and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made and remeasuring the carrying amount as necessary to reflect lease modifications. The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if it is reasonably certain to be exercised, and periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
A right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses by applying the cost model. The cost of a right-of-use asset includes the amount of the initial measurement of the lease liability at the commencement date, any lease payments made at or before the commencement date, and restoration costs required by the lease contract. A right-of-use asset is depreciated using the straight-line method over the lease term.
The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets.

In transitioning to IFRS 16, the Group has chosen the practical expedient in paragraph C3 of IFRS 16 when determining whether a contract is, or contains, a lease. Therefore, the previous assessment under IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease" has been carried forward for contracts entered into prior to the date of initial application of IFRS 16.
The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the condensed quarterly consolidated statement of financial position at the date of initial application is 1.0%.
The reconciliation of operating lease contracts disclosed applying IAS 17 at the end of the year ended March 31, 2019 and lease liabilities recognized in the condensed quarterly consolidated statement of financial position at the date of initial application is as follows:

(In million yen)

Operating lease contracts disclosed at March 31, 2019	124,127
Amount discounted using the incremental borrowing rate at the date of initial application	121,310
Effects from an extension option that is reasonably certain to be exercised, etc.	143,133
Lease contracts before the commencement date of the lease (Note)	(20,951)
Lease liabilities at April 1, 2019	243,492

Note: Lease contracts entered into but not yet commenced as of March 31, 2019

Right-of-use assets recognized in the condensed quarterly consolidated statement of financial position at the date of initial application are 234,482 million yen.

In applying IFRS 16, the Group has used the following practical expedients:
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review.
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

2. Business Combinations

For the Six Months Ended September 30, 2018
Acquisition of stock of Glassdoor, Inc.

1) Name of the acquiree and description of its business
Name of the acquiree: Glassdoor, Inc. ("Glassdoor")
Description of business: Operates online jobs and company information site globally

2) Date of acquisition
June 21, 2018

3) Percentage of voting equity interests acquired
100%

4) Main reason for the business combination
In the mid-term, the Company seeks to further expand its HR Technology business in the United States and globally through both organic growth and M&A. The Company foresees significant opportunities for growth as Glassdoor (which has increased the transparency for job seekers by combining jobs with user generated reviews and insights on companies) and Indeed (which is an online job search engine and recruiting platform) explore ways to collaborate to meet challenges faced by both job seekers and employers. This acquisition enhances the Company's position as the leader in job search, job seeker and employer matching, and in utilizing direct job seeker input to improve the overall job search experience for job seekers.

5) Method of obtaining control of the acquiree
Stock acquisition in exchange for cash as consideration

6) Principal component of goodwill recognized
Goodwill represents excess earnings power expected from future business development and synergy effect with the existing HR Technology business.

7) Consideration paid for acquisition and breakdown thereof

(In million yen)

Consideration	Amount
Cash and cash equivalents	143,045
Total	143,045

Note: The amount of consideration in yen above represents the conversion of $1,295 million, the amount paid including final price adjustments, at the spot exchange rate as of the acquisition date.

8) Fair values of assets acquired and liabilities assumed, and goodwill as of the acquisition date

(In million yen)

Item	Amount
Current assets[1]	20,705
Non-current assets[2]	32,101
Total assets	52,807
Current liabilities[3]	8,575
Non-current liabilities	1,014
Total liabilities	9,590
Total equity	43,217
Goodwill	99,828
Total	143,045

The allocation of the consideration was completed during the three months ended June 30, 2019. 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.

[1] Cash and cash equivalents of 16,197 million yen are included. The fair value of trade receivables acquired is 3,378 million yen.

[2] Intangible assets are included. The breakdown of intangible assets is as follows:

(In million yen)

Item	Amount
Customer-related intangible assets	14,466
Trademark rights	9,000
Other	6,106
Total	29,573

[3] Deferred income of 5,980 million yen is included.

9) Acquisition-related expenses

Acquisition-related expenses associated with the business combination are 1,193 million yen, which are recorded in “Selling, general and administrative expenses” in the condensed quarterly consolidated statement of profit or loss.

For the Six Months Ended September 30, 2019

No significant business combinations occurred during the six months ended September 30, 2019.

3. Operating Segments

(1) Overview of Reportable Segments

The Group's operating segments are those components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance.
The Group has three operating segments by type of business, namely, (1) HR Technology segment, (2) Media & Solutions segment, and (3) Staffing segment, which are also the reportable segments.
The HR Technology segment consists of the operations of Indeed, an online job search engine and recruiting platform, Glassdoor, an online jobs and company information site, and related businesses.
The Media & Solutions segment consists of two business operations, namely, Marketing Solutions and HR Solutions.
The Staffing segment consists of two business operations, which are domestic staffing business and overseas staffing business.

(2) Information on Reportable Segments

Segment profit (loss) was previously defined as operating income + depreciation and amortization ± other operating income/expenses. However, in order to ensure comparability with prior management key performance indicators, the definition has been changed to adjusted EBITDA (operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses), starting from the three months ended June 30, 2019.
Eliminations and Adjustments related to segment profit (loss) include corporate expenses not allocated to any reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not allocable to the segments.
Intersegment revenue or transfers are calculated based on a price used in transactions with third parties. Segment assets are not stated as they are not reported to management.

For the Six Months Ended September 30, 2018

(In million yen

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	149,087	346,472	647,779	1,143,339	-	1,143,339
Intersegment revenue or transfers	2,626	2,968	7,184	12,778	(12,778)	-
Total	151,713	349,441	654,963	1,156,118	(12,778)	1,143,339
Segment profit (loss)	23,764	91,445	44,161	159,371	(4,124)	155,246
Depreciation and amortization						35,683
Other operating income						8,633
Other operating expenses						1,626
Operating income						126,570
Share of profit (loss) of associates and joint ventures						(2,241)
Gain on change in ownership interests in an associate						769
Finance income						4,240
Finance costs						288
Profit before tax						129,050

For the Six Months Ended September 30, 2019

(In million yen

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	204,121	374,943	622,136	1,201,201	-	1,201,201
Intersegment revenue or transfers	4,895	3,272	7,969	16,137	(16,137)	-
Total	209,016	378,216	630,105	1,217,338	(16,137)	1,201,201
Segment profit (loss)	43,750	98,094	40,956	182,801	(5,044)	177,757
Depreciation and amortization (Note)						37,253
Other operating income						5,692
Other operating expenses						3,536
Operating income						142,659
Share of profit (loss) of associates and joint ventures						223
Gain on change in ownership interests in an associate						12,247
Finance income						4,226
Finance costs						1,522
Profit before tax						157,834

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

For the Three Months Ended September 30, 2018

(In million yen

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	81,145	174,483	322,236	577,865	-	577,865
Intersegment revenue or transfers	1,264	1,413	3,617	6,295	(6,295)	-
Total	82,409	175,897	325,853	584,160	(6,295)	577,865
Segment profit (loss)	14,317	44,058	20,123	78,499	(1,979)	76,519
Depreciation and amortization						18,849
Other operating income						1,591
Other operating expenses						530
Operating income						58,730
Share of profit (loss) of associates and joint ventures						(230)
Gain on change in ownership interests in an associate						507
Finance income						2,432
Finance costs						120
Profit before tax						61,319

For the Three Months Ended September 30, 2019

(In million yen

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	104,244	188,934	313,612	606,792	-	606,792
Intersegment revenue or transfers	2,578	1,587	3,928	8,094	(8,094)	-
Total	106,823	190,522	317,541	614,887	(8,094)	606,792
Segment profit (loss)	24,409	47,949	21,133	93,492	(3,099)	90,393
Depreciation and amortization (Note)						19,048
Other operating income						1,939
Other operating expenses						1,857
Operating income						71,426
Share of profit (loss) of associates and joint ventures						2,662
Gain on change in ownership interests in an associate						193
Finance income						1,958
Finance costs						743
Profit before tax						75,498

Note: Depreciation and amortization exclude depreciation of right-of-use assets.

4. Subsequent Events

Share Repurchases

The Company resolved at the meeting of its Board of Directors held on August 28, 2019 to implement a share repurchase program (the "Share Repurchases") pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same act. The details are as follows. In accordance with this resolution, the Company repurchased 1,316,600 shares of its common stock for 4,473 million yen during the three months ended September 30, 2019.

(1) Reasons for the Share Repurchases

In line with the Company's capital allocation policy including shareholder returns announced on May 14, 2019, the Company has decided to conduct the Share Repurchases upon consideration of a range of factors including the Company's capacity to pursue investments, the capital market environment, and the outlook for its financial position. Based on the comprehensive assessment of these factors, as well as the balance of supply and demand of its stock in the aftermarket following the secondary offering announced on August 28, 2019, the Company decided to pursue these Share Repurchases as a way to enhance shareholder returns.

(2) Details of the purchase

1)	Class of shares to be repurchased	Common stock of Recruit Holdings Co., Ltd.
2)	Total number of shares to be repurchased	30,000,000 shares (maximum) (up to 1.79% of total number of shares issued and outstanding (excludes treasury stock))
3)	Total purchase price	80.0 billion yen (maximum)
4)	Period for the Share Repurchases	From September 19, 2019 through November 29, 2019
5)	Method of repurchases	Market purchases on the Tokyo Stock Exchange, Inc. through an appointed securities dealer with investment discretion

(3) Status of the Share Repurchases as of October 31, 2019

1)	Class of shares repurchased	Common stock of Recruit Holdings Co., Ltd.
2)	Total number of shares repurchased	14,237,900 shares
3)	Total purchase price	49,284 million yen