RECRUIT

August 9, 2019

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

Tokyo, August 9, 2019 — Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") announced today its consolidated financial results for the three months ended June 30, 2019 (April 1, 2019 to June 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

	Three Months Ended June 30,		% change
(In million yen, unless otherwise stated)	2018	2019	
Revenue	565,474	594,409	5.1%
EBITDA and adjusted EBITDA[1,2]	78,727	87,364	11.0%
Operating income	67,839	71,233	5.0%
Profit before tax	67,731	82,336	21.6%
Profit for the period	47,592	59,610	25.3%
Profit attributable to owners of the parent	47,363	59,311	25.2%
Profit available for dividends[3]	45,011	53,692	19.3%
Total comprehensive income	57,547	36,542	-36.5%
Basic EPS (yen)	28.35	35.50	-
Diluted EPS (yen)	28.29	35.43	-
Adjusted EPS[4] (yen)	29.37	33.29	13.3%

Note: EBITDA for Q1 FY2018, adjusted EBITDA for Q1 FY2019

Consolidated Financial Position Data

(In million yen, unless otherwise stated)	As of March 31, 2019	As of June 30, 2019
Total assets	1,748,982	1,960,114
Total equity	972,251	984,961
Equity attributable to owners of the parent	965,775	978,280
Ratio of equity attributable to owners of the parent (%)	55.2%	49.9%

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 page 13.

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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 June 30, 2019
Number of shares issued including treasury stock	1,695,960,030	1,695,960,030
Number of treasury stock	25,176,070	25,146,791
	Three Months Ended June 30, 2018	**Three Months Ended June 30, 2019**
Average number of shares during the period	1,670,834,188	1,670,800,767

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 three months ended June 30, 2018 represents the previous EBITDA. For more details on this change, please refer to P4, “1. Management’s Discussion and Analysis, Consolidated Results of Operations for Q1 FY2019.”

Forward-Looking Statements

The consolidated financial guidance mentioned in this document contains forward-looking statements which incorporate the Company's assumptions and outlook for the future and estimates based on the Company's plans as of today. These forward-looking statements are based on information available to and certain assumptions by the Company as of today, and there can be no assurance that the relevant forecasts will be achieved. Please note that significant differences between the forecasts and actual results may arise from various factors in the future, including due to changes in economic conditions, changes in clients' needs and users' preferences, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other reasons. 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 Q1 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 Q1 FY2019

Results of Operations

(In billion yen)	Three Months Ended June 30, 2018	2019	Variance	% change
Revenue[1]	565.4	594.4	28.9	5.1%
HR Technology	69.3	102.1	32.8	47.5%
Media & Solutions	173.5	187.6	14.1	8.2%
Staffing	329.1	312.5	(16.5)	-5.0%
Operating income	67.8	71.2	3.3	5.0%
Profit before tax	67.7	82.3	14.6	21.6%
Profit for the period	47.5	59.6	12.0	25.3%
Profit attributable to owners of the parent	47.3	59.3	11.9	25.2%
Management Key Performance Indicator				
(In billion yen, unless otherwise stated)				
EBITDA and adjusted EBITDA[1,2]	78.7	87.3	8.6	11.0%
HR Technology	9.4	19.3	9.8	104.7%
Media & Solutions	47.3	50.1	2.7	5.8%
Staffing	24.0	19.8	(4.2)	-17.5%
Adjusted EPS (yen)	29.37	33.29	3.92	13.3%
EBITDA margin and adjusted EBITDA margin[2,3]				
Consolidated	13.9%	14.7%	0.8pt	-
HR Technology	13.6%	18.9%	5.3pt	-
Media & Solutions	27.3%	26.7%	-0.6pt	-
Staffing	7.3%	6.3%	-1.0pt	-
Average exchange rate during the period (yen)				
US dollar	109.10	109.90	0.80	0.7%
Euro	130.03	123.50	(6.53)	-5.0%
Australian dollar	82.59	76.95	(5.64)	-6.8%
Exchange rate effects on revenue[4,5] (In billion yen)				
Consolidated	3.5	(6.7)	-	-
Staffing segment: Overseas	4.6	(7.1)	-	-

[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 ended June 30, 2018 represents 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.

Overview

Recruit Holdings' consolidated revenue for Q1 FY2019 was 594.4 billion yen, an increase of 5.1% 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. The exchange rate movements negatively impacted consolidated revenue during the period by 6.7 billion yen, and excluding the negative impact, consolidated revenue growth was 6.3% year on year.

Consolidated operating income for Q1 FY2019 was 71.2 billion yen, an increase of 5.0% year on year. HR Technology and Media & Solutions contributed positively to the increase in operating income.

Profit before tax for Q1 FY2019 was 82.3 billion yen, an increase of 21.6% year on year. This was mainly due to an increase in operating income and 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.

Profit for the period was 59.6 billion yen, an increase of 25.3% year on year, and profit attributable to owners of the parent for Q1 FY2019 was 59.3 billion yen, an increase of 25.2%.

Management Key Performance Indicators

Consolidated adjusted EBITDA for Q1 FY2019 was 87.3 billion yen, an increase of 11.0% year on year mainly resulting from adjusted EBITDA growth in HR Technology and Media & Solutions.

Adjusted EPS for Q1 FY2019 was 33.29 yen, an increase of 13.3% year on year, and profit available for dividends was 53.6 billion yen, an increase of 19.3%.

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.

Results of Operations by Segment

HR Technology

This reportable segment consists of the operations of *Indeed, Glassdoor*, and other businesses. Indeed is an online job search engine whose mission is to help people get jobs by creating a single destination for job seekers to find jobs relevant to them. Indeed also provides services to help employers hire and recruit talent by providing an efficient source of candidates through its pay per performance pricing model. Indeed also offers employers the ability to directly source candidates using its database of millions of resumes. Syft Online Limited, a leading shift based recruiting platform for the hospitality, event and light industrial sectors based in the UK, was acquired by Indeed during Q1 FY2019. Glassdoor combines jobs with millions of reviews and insights shared by individual users to help people everywhere find a job and company they love. Glassdoor helps employers hire talent at scale through recruiting solutions including job advertising, job posting and employer branding products.

Revenue for Q1 FY2019 was 102.1 billion yen, an increase of 47.5% year on year. On a US dollar basis, reported revenue growth was 46.3% for Q1 FY2019. 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.

Segment adjusted EBITDA for Q1 FY2019 was 19.3 billion yen, an increase of 104.7% year on year. Excluding the negative impact of one time costs related to the acquisition of Glassdoor in the prior year period, adjusted EBITDA growth was 81.8%. Adjusted EBITDA growth year over year was mainly driven by strong revenue growth and lower sales and marketing expenses relative to revenue during the quarter. Adjusted EBITDA margin was 18.9% for Q1 FY2019, an increase from 13.6% for Q1 FY2018 primarily due to lower growth in sales and marketing expenses compared to revenue growth and the one time transaction related expense incurred in Q1 FY2018. To support future revenue growth, the HR Technology segment continued to invest in sales and marketing activities to acquire new users and clients, and in product enhancements to increase user and client engagement. The timing of these investments will fluctuate on a quarterly basis.

As of Q1 FY2019, Indeed and Glassdoor attract more than 250 million and 60 million monthly unique visitors[2], and had approximately 9,500 and 960 employees, respectively.

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

	Three Months Ended June 30,		Variance	% change
(In billion yen, unless otherwise stated)	2018	2019		
Segment revenue	69.3	102.1	32.8	47.5%
Segment EBITDA and adjusted EBITDA[3]	9.4	19.3	9.8	104.7%
Segment EBITDA margin and adjusted EBITDA margin[3]	13.6%	18.9%	5.3pt	-
Revenue in million US dollars[1]	634	928	294	46.3%

[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] Source: Internal data based on Google Analytics service, Q1 FY2019

[3] EBITDA and EBITDA margin for Q1 FY2018, adjusted EBITDA and adjusted EBITDA margin for Q1 FY2019. EBITDA and EBITDA margin for Q1 FY2018 were impacted by 1.19bn of acquisition-related expenses costs related to the acquisition of Glassdoor. Refer to Page 22 “2. Business Combinations”.

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Media & Solutions

In this reportable segment, a number of vertical media platforms and related businesses are divided into two major operations: Marketing Solutions, which helps enterprise clients attract users through advertisements on its media and platforms, offers services, including software as a service ("SaaS") such as *Air Series*, operational and management support services, and *SALON BOARD,* a reservation and customer management system, and provides individual users a multitude of choices on their lifestyle through the information available on its media and platform. HR Solutions, which mainly supports enterprise clients' recruiting activities and individual users' job search activities through its job boards and placement services.

Revenue for Q1 FY2019 was 187.6 billion yen, an increase of 8.2% year on year. This was primarily driven by increased revenue in the Housing and Real Estate, Travel and the Beauty subsegments in Marketing Solutions and increased revenue in the Recruiting in Japan subsegment in HR Solutions.

Segment adjusted EBITDA for Q1 FY2019 was 50.1 billion yen, an increase of 5.8% year on year driven mainly by higher adjusted EBITDA in Marketing Solutions.

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

(In billion yen)	Three Month Ended June 30, 2018	2019	Variance	% change
Segment revenue	173.5	187.6	14.1	8.2%
Marketing Solutions	93.6	105.7	12.0	12.9%
Housing and Real Estate	24.2	26.7	2.5	10.5%
Bridal	13.9	13.2	(0.6)	-4.5%
Travel	14.0	17.5	3.5	25.1%
Dining	9.2	9.5	0.2	3.0%
Beauty	17.2	19.3	2.1	12.7%
Others	15.0	19.1	4.1	27.9%
HR Solutions	79.0	81.1	2.0	2.6%
Recruiting in Japan[1]	70.2	71.9	1.6	2.4%
Others	8.8	9.1	0.3	4.4%
Eliminations and Adjustments (Media & Solutions)	0.8	0.7	(0.0)	-2.7%
Segment EBITDA and adjusted EBITDA[3]	47.3	50.1	2.7	5.8%
Marketing Solutions[3,4]	27.9	30.8	2.8	10.1%
HR Solutions[3,4]	23.3	23.5	0.1	0.7%
Eliminations and Adjustments (Media & Solutions)[3,4]	(3.9)	(4.2)	(0.2)	-
Segment EBITDA margin and adjusted EBITDA margin[3]	27.3%	26.7%	-0.6pt	-
Marketing Solutions[3,4]	29.9%	29.1%	-0.7pt	-
HR Solutions[3,4]	29.6%	29.0%	-0.6pt	-

[1] Excluding the non-recurring impact from the sale of a subsidiary in Q2 FY2018 and Q1 FY2019, revenue for Q1 FY2019 increased by 5.0% year on year[2]
[2] For comparison purposes, calculated based on internal managerial reporting numbers, which exclude revenue in prior periods from sales of subsidiaries.
[3] EBITDA and EBITDA margin for Q1 FY2018, adjusted EBITDA and adjusted EBITDA margin for Q1 FY2019
[4] In Q1 FY2019, the segment profit of some subsidiaries in Marketing Solutions and HR Solutions was not adjusted for the impact of the adoption of IFRS 16 and such amount is included in Eliminations and Adjustments, but the effect of this is not material.

Business Key Performance Indicators	FY2018 Q1	FY2018 Q2	FY2018 Q3	FY2018 Q4	FY2019 Q1
Hot Pepper Gourmet Number of seats reserved online (Dining)[1,2]	19.05	37.18	65.77	88.50	21.81
Hot Pepper Beauty Number of online reservation (Beauty)[1,2]	22.72	47.19	71.63	96.99	27.82
AirREGI registered accounts[3]	349	364	381	402	422
Paid *Study Sapuri* users (Others, Marketing Solutions)[3,4]	559	586	598	614	741
Market data					
Job-offers to applicants ratio[5,6] (Recruiting in Japan)	1.61	1.62	1.62	1.63	1.62

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

[5] Source: Ministry of Health, Labour and Welfare of Japan
[6] Figures are the average of each month in each quarter.

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 Q1 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. The number of marriages has been declining in Japan mainly due to the declining population, and the subsegment responded proactively to the needs of wedding venue operators to attract marrying couples by launching various marketing promotions. Quarterly revenue decreased in Q1 FY2019.

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 Q1 FY2019 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.

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 Q1 FY2019 increased reflecting a continued recovery of the dining and restaurant industry and increased advertising on *Hot Pepper Gourmet*. However, dining and restaurant operators continue to face a challenging environment mainly due to the workforce shortage in Japan. In this environment, the subsegment continued to focus on strengthening the relationship with clients by offering SaaS applications.

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 Q1 FY2019 increased, mainly due to a continued effort to extend its reach to non-urban areas and the outskirts of metropolitan areas which resulted in the increase in the number of beauty salon clients advertising on *Hot Pepper Beauty*. Also, the subsegment continued to focus on strengthening the relationship with the beauty salon clients by offering SaaS applications.

Others

The Others subsegment includes *Air Series* businesses, which is comprised of SaaS business applications, and continues to expand services for enterprise clients such as accounting, payment, reception management and reservation management solutions. It also includes Automobile, Education such as *Study Sapuri*, and Overseas Marketing. Quarterly revenue increased in Q1 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*. The Japanese labor market remained extremely tight, and in this environment, the subsegment focused on enhancing its brand value, strengthening user attractiveness, and reinforcing its sales structure. Quarterly revenue increased in Q1 FY2019.

Others

The Others subsegment includes the HR development business in Japan and placement service in Asia. Quarterly revenue increased in Q1 FY2019.

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Staffing

In this reportable segment, there are two major operations: Japan and Overseas, and 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 essentially as its own company, and the Unit Manager is given authority to make decisions to maximize profitability.

Revenue for Q1 FY2019 was 312.5 billion yen, a decrease of 5.0% year on year. Revenue in Japan operations increased, reflecting a tight labor market, despite the number of working days being 3 days less than Q1 FY2018. Revenue in Overseas operations decreased primarily due to the negative impact of foreign exchange rate movements and an uncertain outlook for the European economy. Excluding the negative impacts of foreign exchange rate movements of 7.1 billion yen, segment revenue for Q1 FY2019 decreased by 2.9% year on year.

Segment adjusted EBITDA for Q1 FY2019 was 19.8 billion yen, a decrease of 17.5% year on year, and segment adjusted EBITDA was 6.3%, decreased from 7.3% for Q1 FY2018. Adjusted EBITDA margin for Japan operations was 8.5% for Q1 FY2019, decreased from 9.9% for Q1 FY2018, 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 margin for Overseas operations was 4.6% for Q1 FY2019, decreased from 5.5% for Q1 FY2018, primarily 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.

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

	Three Months Ended June 30,		Variance	% change
(In billion yen)	2018	2019		
Segment revenue	329.1	312.5	(16.5)	-5.0%
Japan	135.6	137.7	2.0	1.5%
Overseas[1]	193.4	174.8	(18.6)	-9.6%
Segment EBITDA and adjusted EBITDA[2]	24.0	19.8	(4.2)	-17.5%
Japan[2]	13.4	11.7	(1.6)	-12.4%
Overseas[2]	10.5	8.0	(2.5)	-24.0%
Segment EBITDA margin and adjusted EBITDA margin[2]	7.3%	6.3%	-1.0pt	-
Japan[2]	9.9%	8.5%	-1.4pt	-
Overseas[2]	5.5%	4.6%	-0.9pt	-

[1] Excluding the negative impacts of foreign exchange rate movements of 7.1 billion yen, the Overseas revenue for Q1 FY2019 decreased by 5.9% year on year.
[2] EBITDA and EBITDA margin for Q1 FY2018, adjusted EBITDA and adjusted EBITDA margin for Q1 FY2019

	FY2018				FY2019
Market data	Q1	Q2	Q3	Q4	Q1
Average number of active agency workers in Japan[1]	354,177	353,062	366,135	361,392	-

[1] Source: Japan Staffing Services Association
The figure for this reporting period has not been disclosed at the time of release of this document.

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 may consider implementing a share repurchase program, depending 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, and payment of dividends.

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 June 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 June 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 June 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 June 30, 2019	Variance
Assets			
Total current assets	809.0	782.9	(26.0)
Total non-current assets	939.9	1,177.1	237.2
Total assets	1,748.9	1,960.1	211.1
Liabilities			
Total current liabilities	497.5	479.2	(18.3)
Total non-current liabilities	279.1	495.8	216.7
Total liabilities	776.7	975.1	198.4
Equity			
Total equity attributable to owners of the parent	965.7	978.2	12.5
Non-controlling interests	6.4	6.6	0.2
Total equity	972.2	984.9	12.7

Assets

Total current assets as of June 30, 2019 decreased by 26.0 billion yen, or 3.2%, from the end of the previous fiscal year. This was mainly due to a decrease in trade and other receivables of 22.3 billion yen. Total non-current assets increased by 237.2 billion yen, or 25.2%, from the end of the previous fiscal year. This was mainly due to an increase in right-of-use assets of 242.0 billion yen, which resulted from the application of IFRS 16.

Liabilities

Total current liabilities as of June 30, 2019 decreased by 18.3 billion yen, or 3.7%, from the end of the previous fiscal year. This was mainly due to decreases in trade and other payables of 22.4 billion yen and income tax payables of 20.1 billion yen, while lease liabilities increased by 35.1 billion yen resulting from the application of IFRS 16. Total non-current liabilities increased by 216.7 billion yen, or 77.6%, from the end of the previous fiscal year. This was mainly due to an increase in lease liabilities of 219.0 billion yen resulting from the application of IFRS 16.

Equity

Total equity as of June 30, 2019 increased by 12.7 billion yen, or 1.3%, from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 30.8 billion yen, primarily resulting from an increase in profit attributable to owners of the parent.

Analysis of Consolidated Cash Flows

	Three Months Ended June 30,		
(In billion yen)	2018	2019	Variance
Net cash flows from operating activities	48.0	53.9	5.9
Net cash flows from investing activities	(144.3)	(24.1)	120.2
Net cash flows from financing activities	(20.9)	(31.4)	(10.5)
Effect of exchange rate changes on cash and cash equivalents	5.7	(6.4)	(12.2)
Net increase (decrease) in cash and cash equivalents	(111.5)	(8.1)	103.3
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	278.3	394.7	116.4

Cash and cash equivalents as of June 30, 2019 was 394.7 billion yen, a decrease of 8.1 billion yen from the end of the previous fiscal year, since cash outflows from investing and financing activities exceeded cash inflows from operating activities.

Cash Flows from Operating Activities

Net cash provided by operating activities includes 82.3 billion yen of profit before tax, primarily adjusted by a favorable impact to cash of 26.6 billion yen in depreciation and amortization, offset by 39.6 billion yen in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities primarily includes payment of 12.8 billion yen for the purchase of intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities primarily includes dividends paid of 23.9 billion yen.

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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.

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 revenue is expected to continue stable 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 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.

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 June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	402,911	394,752
Trade and other receivables	340,254	317,947
Other financial assets	26,903	31,047
Other assets	38,938	39,170
Total current assets	809,007	782,918
Non-current assets		
Property and equipment	74,566	77,700
Right-of-use assets	-	242,007
Goodwill	410,651	407,900
Intangible assets	242,583	236,446
Investments in associates and joint ventures	50,557	61,090
Other financial assets	127,458	119,366
Deferred tax assets	27,451	26,338
Other assets	6,706	6,345
Total non-current assets	939,975	1,177,196
Total assets	1,748,982	1,960,114

(In million yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	212,193	189,720
Bonds and borrowings	24,869	24,387
Lease liabilities	-	35,109
Other financial liabilities	1,175	1,467
Income tax payables	35,327	15,225
Provisions	4,665	3,881
Other liabilities	219,362	209,502
Total current liabilities	497,594	479,293
Non-current liabilities		
Bonds and borrowings	137,212	135,713
Lease liabilities	-	219,059
Other financial liabilities	1,334	2,543
Provisions	8,581	8,819
Net liability for retirement benefits	52,347	52,632
Deferred tax liabilities	52,240	53,619
Other liabilities	27,420	23,472
Total non-current liabilities	279,137	495,859
Total liabilities	776,731	975,153
Equity		
Equity attributable to owners of the parent		
Common stock	10,000	40,000
Share premium	49,136	19,132
Retained earnings	942,449	973,283
Treasury stock	(32,378)	(32,359)
Other components of equity	(3,431)	(21,776)
Total equity attributable to owners of the parent	965,775	978,280
Non-controlling interests	6,475	6,681
Total equity	972,251	984,961
Total liabilities and equity	1,748,982	1,960,114

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(2) Condensed Quarterly Consolidated Statements of Profit or Loss

For the Three-Month Period

(In million yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Revenue	565,474	594,409
Cost of sales	288,492	277,377
Gross profit	276,982	317,032
Selling, general and administrative expenses	215,088	247,872
Other operating income	7,042	3,761
Other operating expenses	1,096	1,687
Operating income	67,839	71,233
Share of profit (loss) of associates and joint ventures	(2,010)	(2,438)
Gain on change in ownership interests in an associate	261	12,053
Finance income	1,833	2,267
Finance costs	192	779
Profit before tax	67,731	82,336
Income tax expense	20,139	22,726
Profit for the period	47,592	59,610
Profit attributable to:		
Owners of the parent	47,363	59,311
Non-controlling interests	228	298
Profit for the period	47,592	59,610
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	28.35	35.50
Diluted earnings per share (yen)	28.29	35.43

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(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

For the Three-Month Period

(In million yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Profit for the period	47,592	59,610
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	5,260	(4,184)
Remeasurements of defined retirement benefit plans	-	-
Share of other comprehensive income of associates and joint ventures	(19)	30
Subtotal	5,240	(4,154)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	4,300	(19,115)
Effective portion of changes in fair value of cash flow hedges	413	202
Subtotal	4,714	(18,913)
Other comprehensive income (loss) for the period, net of tax	9,955	(23,067)
Comprehensive income for the period	57,547	36,542
Comprehensive income attributable to:		
Owners of the parent	57,197	36,335
Non-controlling interests	350	207
Total comprehensive income	57,547	36,542

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(4) Condensed Quarterly Consolidated Statements of Changes in Equity

For the Three Months Ended June 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			47,363				
Other comprehensive income						4,179	413
Comprehensive income for the period	-	-	47,363	-	-	4,179	413
Transfer from other components of equity to retained earnings			5,240				
Purchase of treasury stock				(1,078)			
Disposal of treasury stock		(153)		711	(557)		
Dividends			(20,046)				
Share-based payments					1,049		
Other		16					
Transactions with owners - total	-	(137)	(14,806)	(366)	491	-	-
Balance at June 30, 2018	10,000	49,978	845,204	(32,415)	4,215	(4,174)	1,295

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	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		
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			-	47,363	228	47,592
Other comprehensive income	5,240		9,834	9,834	121	9,955
Comprehensive income for the period	5,240	-	9,834	57,197	350	57,547
Transfer from other components of equity to retained earnings	(5,240)		(5,240)	-		-
Purchase of treasury stock			-	(1,078)		(1,078)
Disposal of treasury stock			(557)	0		0
Dividends			-	(20,046)		(20,046)
Share-based payments			1,049	1,049		1,049
Other			-	16	(36)	(19)
Transactions with owners - total	(5,240)	-	(4,748)	(20,058)	(36)	(20,094)
Balance at June 30, 2018	-	-	1,336	874,104	5,368	879,473

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For the Three Months Ended June 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			59,311				
Other comprehensive income						(19,024)	202
Comprehensive income for the period	-	-	59,311	-	-	(19,024)	202
Transfer from share premium to common stock	30,000	(30,000)					
Transfer from other components of equity to retained earnings			(4,154)				
Disposal of treasury stock		(2)		19	(16)		
Dividends			(24,226)				
Share-based payments					492		
Other		(0)	(96)				
Transactions with owners - total	30,000	(30,003)	(28,477)	19	476	-	-
Balance at June 30, 2019	40,000	19,132	973,283	(32,359)	4,609	(27,222)	837

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in financial assets measured at fair value through other compre-hensive income	Remeasure-ments of defined retirement benefit plans	Total			
Balance at April 1, 2019	-	-	(3,431)	965,775	6,475	972,251
Profit for the period			-	59,311	298	59,610
Other comprehensive income	(4,154)		(22,976)	(22,976)	(91)	(23,067)
Comprehensive income for the period	(4,154)	-	(22,976)	36,335	207	36,542
Transfer from share premium to common stock			-	-		-
Transfer from other components of equity to retained earnings	4,154		4,154	-		-
Disposal of treasury stock			(16)	0		0
Dividends			-	(24,226)		(24,226)
Share-based payments			492	492		492
Other			-	(97)	(1)	(98)
Transactions with owners - total	4,154	-	4,630	(23,830)	(1)	(23,832)
Balance at June 30, 2019	-	-	(21,776)	978,280	6,681	984,961

RECRUIT

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(In million yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Cash flows from operating activities		
Profit before tax	67,731	82,336
Depreciation and amortization	16,833	26,641
Gain on sales of investments in subsidiaries	(6,337)	(3,303)
Gain on change in ownership interests in an associate	(261)	(12,053)
(Increase) decrease in trade and other receivables	14,639	18,463
Increase (decrease) in trade and other payables	(18,508)	(19,542)
Other	(5,158)	(378)
Subtotal	68,938	92,163
Interest and dividends received	1,656	2,240
Interest paid	(39)	(733)
Income taxes paid	(22,525)	(39,685)
Net cash provided by operating activities	48,030	53,984
Cash flows from investing activities		
Payment for purchase of property and equipment	(6,718)	(8,200)
Payment for purchase of intangible assets	(14,102)	(12,876)
Payment for purchase of shares of subsidiaries	(126,899)	(8,467)
Proceeds from sales of shares of subsidiaries	6,992	3,413
Other	(3,667)	1,968
Net cash used in investing activities	(144,395)	(24,162)
Cash flows from financing activities		
Repayments of lease liabilities	-	(7,633)
Payment for purchase of treasury stock	(1,078)	-
Dividends paid	(19,857)	(23,989)
Other	17	128
Net cash used in financing activities	(20,917)	(31,494)
Effect of exchange rate changes on cash and cash equivalents	5,775	(6,487)
Net increase (decrease) in cash and cash equivalents	(111,507)	(8,158)
Cash and cash equivalents at the beginning of the period	389,822	402,911
Cash and cash equivalents at the end of the period	278,314	394,752

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(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 Three Months Ended June 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 well known for its online job search engine) 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.

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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 Three Months Ended June 30, 2019

No significant business combinations occurred during the three months ended June 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, 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 Three Months Ended June 30, 2018

(In million yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	67,942	171,988	325,543	565,474	-	565,474
Intersegment revenue or transfers	1,361	1,555	3,566	6,483	(6,483)	-
Total	69,303	173,543	329,110	571,957	(6,483)	565,474
Segment profit (loss)	9,447	47,386	24,038	80,872	(2,145)	78,727
Depreciation and amortization						16,833
Other operating income						7,042
Other operating expenses						1,096
Operating income						67,839
Share of profit (loss) of associates and joint ventures						(2,010)
Gain on change in ownership interests in an associate						261
Finance income						1,833
Finance costs						192
Profit before tax						67,731

For the Three Months Ended June 30, 2019

(In million yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	99,876	186,008	308,524	594,409	-	594,409
Intersegment revenue or transfers	2,316	1,685	4,040	8,042	(8,042)	-
Total	102,192	187,693	312,564	602,451	(8,042)	594,409
Segment profit (loss)	19,340	50,145	19,823	89,309	(1,944)	87,364
Depreciation and amortization (Note)						18,205
Other operating income						3,761
Other operating expenses						1,687
Operating income						71,233
Share of profit (loss) of associates and joint ventures						(2,438)
Gain on change in ownership interests in an associate						12,053
Finance income						2,267
Finance costs						779
Profit before tax						82,336

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