RECRUIT

February 14, 2020

Recruit Holdings Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Nine Months Ended December 31, 2019 (IFRS, Unaudited)

Tokyo, February 14, 2020 — Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") announced today its consolidated financial results for the nine months ended December 31, 2019 (April 1, 2019 to December 31, 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

	Nine Months Ended December 31,		% change
(In million yen, unless otherwise stated)	2018	2019	
Revenue	1,730,437	1,809,716	4.6%
EBITDA and adjusted EBITDA[1,2]	240,136	269,893	12.4%
Operating income	192,183	212,271	10.5%
Profit before tax	201,542	229,704	14.0%
Profit for the period	146,936	167,663	14.1%
Profit attributable to owners of the parent	146,073	166,534	14.0%
Profit available for dividends[3]	138,283	159,532	15.4%
Total comprehensive income	145,481	156,870	7.8%
Basic EPS (yen)	87.43	99.98	-
Diluted EPS (yen)	87.26	99.80	-
Adjusted EPS[4] (yen)	90.43	103.65	14.6%

Note: EBITDA for the nine months ended December 31, 2018, adjusted EBITDA for the nine months ended December 31, 2019.

Consolidated Financial Position

(In million yen, unless otherwise stated)	As of March 31, 2019	As of December 31, 2019
Total assets	1,748,982	1,989,591
Total equity	972,251	1,000,677
Equity attributable to owners of the parent	965,775	993,067
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

The Company has revised the consolidated financial guidance for FY2019 announced on May 14, 2019 based on recent business performance and foreign exchange trends.

For FY2019, the Company expects:

- Adjusted EBITDA to be approximately 320 billion yen
- Adjusted EPS to grow high single digits
- Revenue and adjusted EBITDA for HR Technology and Media & Solutions to increase
- Revenue and adjusted EBITDA for Staffing to decrease

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

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 December 31, 2019**
Number of shares issued including treasury stock	1,695,960,030	1,695,960,030
Number of treasury stock	25,176,070	47,331,325
	Nine Months Ended December 31, 2018	**Nine Months Ended December 31, 2019**
Average number of shares during the period	1,670,832,595	1,665,612,449

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 nine months ended December 31, 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 Q3 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 Q3 FY2019 results announcement is posted on https://recruit-holdings.com/ir/library/report/

Contact

Investor Relations
+81-3-6835-3193
Recruit_HD_IR@r.recruit.co.jp

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1. Management's Discussion and Analysis

Consolidated Results of Operations for Q3 FY2019

Results of Operations

(In billion yen)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2019	Variance	% change	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Variance	% change
Revenue[1]	587.0	608.5	21.4	3.6%	1,730.4	1,809.7	79.2	4.6%
HR Technology	85.1	109.5	24.3	28.6%	236.9	318.5	81.6	34.5%
Media & Solutions	178.2	184.8	6.5	3.7%	527.6	563.0	35.3	6.7%
Staffing	331.1	320.3	(10.7)	-3.3%	986.1	950.4	(35.6)	-3.6%
Operating income	65.6	69.6	3.9	6.1%	192.1	212.2	20.0	10.5%
Profit before tax	72.4	71.8	(0.6)	-0.9%	201.5	229.7	28.1	14.0%
Profit for the period	53.7	52.7	(1.0)	-1.9%	146.9	167.6	20.7	14.1%
Profit attributable to owners of the parent	53.3	52.3	(1.0)	-1.9%	146.0	166.5	20.4	14.0%
Management Key Performance Indicator								
(In billion yen, unless otherwise stated)								
EBITDA and adjusted EBITDA[1,2]	84.8	92.1	7.2	8.5%	240.1	269.8	29.7	12.4%
HR Technology	13.1	19.1	6.0	45.9%	36.8	62.8	26.0	70.5%
Media & Solutions	48.6	50.5	1.8	3.8%	140.1	148.6	8.5	6.1%
Staffing	25.1	24.1	(0.9)	-3.9%	69.2	65.0	(4.1)	-6.1%
Adjusted EPS (yen)	31.79	35.69	3.90	12.3%	90.43	103.65	13.23	14.6%
EBITDA margin and adjusted EBITDA margin[2,3]								
Consolidated	14.5%	15.1%	0.7pt	-	13.9%	14.9%	1.0pt	-
HR Technology	15.4%	17.5%	2.1pt	-	15.6%	19.7%	4.2pt	-
Media & Solutions	27.3%	27.4%	0.0pt	-	26.6%	26.4%	-0.2pt	-
Staffing	7.6%	7.5%	-0.1pt	-	7.0%	6.8%	-0.2pt	-
Average exchange rate during the period (yen)								
US dollar	-	-	-	-	111.14	108.65	(2.49)	-2.2%
Euro	-	-	-	-	129.47	121.04	(8.43)	-6.5%
Australian dollar	-	-	-	-	81.72	74.91	(6.81)	-8.3%
Exchange rate effects on revenue[4,5,6] (In billion yen)								
Consolidated	(6.3)	(15.5)	-	-	(5.6)	(40.3)	-	-
Staffing segment: Overseas	(6.1)	(11.2)	-	-	(4.8)	(32.0)	-	-

[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 nine months ended December 31, 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 HR Technology.
[6] The amount for Q3 FY2019 is calculated by deducting the amount for FY2019 six-month period from that for FY2019 nine-month period.

Overview

Recruit Holdings' consolidated revenue for Q3 FY2019 was 608.5 billion yen, an increase of 3.6% from the same period of the previous year. This was mainly due to the 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 15.5 billion yen during the quarter, consolidated revenue growth was 6.3% year on year. Consolidated revenue for the nine months ended December 31, 2019 was 1.80 trillion yen, an increase of 4.6% year on year (excluding the negative impact of foreign exchange rate movements, an increase of 6.9%).

Consolidated operating income for Q3 FY2019 was 69.6 billion yen, an increase of 6.1% year on year. Consolidated operating income for the nine-month period was 212.2 billion yen, an increase of 10.5% year on year.

Profit before tax for Q3 FY2019 was 71.8 billion yen, a decrease of 0.9% year on year. This was mainly due to a decrease in the profit associated with the convertible bonds issued by 51 job, Inc., an equity-method affiliate of the Company. These bonds were converted to equity in Q1 FY2019 and were therefore no longer a source of profit in Q3 FY2019. Profit before tax for the nine-month period was 229.7 billion yen, an increase of 14.0%.

Profit for the period for Q3 FY2019 was 52.7 billion yen, a decrease of 1.9% year on year, and profit for the nine-month period was 167.6 billion yen, an increase of 14.1%. Profit attributable to owners of the parent for Q3 FY2019 was 52.3 billion yen, a decrease of 1.9% year on year and that for the nine-month period was 166.5 billion yen, an increase of 14.0%.

Management Key Performance Indicators

Consolidated adjusted EBITDA for Q3 FY2019 was 92.1 billion yen, an increase of 8.5% year on year mainly resulting from adjusted EBITDA growth in HR Technology and Media & Solutions. Consolidated adjusted EBITDA for the nine-month period was 269.8 billion yen, an increase of 12.4% year on year.

Adjusted EPS for Q3 FY2019 was 35.69 yen, an increase of 12.3% year on year, and adjusted EPS for the nine-month period was 103.65 yen, an increase of 14.6% year on year. Quarterly profit available for dividends was 53.7 billion yen, an increase of 9.0% year on year and that for the nine-month period was 159.5 billion yen, an increase of 15.4% 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 Q3 FY2019

Completion of share repurchase program

The Company completed its share repurchase program on November 29, 2019 which had been announced on August 28, 2019. The share repurchases were conducted 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 repurchased as of November 29, 2019, was 22,259,600 shares and the total purchase price was 79,999,688,129 yen.

For related information, please refer to the following release:

"Notification of Results and Completion of Share Repurchases" released on December 2, 2019:
https://recruit-holdings.com/ir/ir_news/2019/20191202_01.html

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Results of Operations by Segment

HR Technology

HR Technology 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 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 also provides a range of products for employers to source and screen candidates including directly from its database of tens of millions of resumes.

Revenue for Q3 FY2019 was 109.5 billion yen, an increase of 28.6% year on year. On a US dollar basis, reported revenue growth was 33.5%[1] for Q3 FY2019. Revenue growth was primarily driven by increased sponsored job advertising, which was 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 nine-month period was 318.5 billion yen, an increase of 34.5% year on year.

Segment adjusted EBITDA for Q3 FY2019 was 19.1 billion yen, an increase of 45.9% year on year. Adjusted EBITDA growth year on year was mainly driven by revenue growth. Adjusted EBITDA margin was 17.5% for Q3 FY2019, an increase from 15.4% for Q3 FY2018. While HR Technology continued to invest in sales and marketing activities to acquire new users and clients during the third quarter, the year on year growth rate of those expenses was lower than the pace of revenue growth. To support future revenue growth, HR Technology continued to invest 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 nine-month period was 62.8 billion yen, an increase of 70.5% year on year, and segment adjusted EBITDA margin was 19.7%.

As of Q3 FY2019, Indeed and Glassdoor attracted approximately 250 million and 60 million monthly unique visitors[3], and had approximately 9,800 and 1,000 employees, respectively.

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

(In billion yen, unless otherwise stated)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2019	Variance	% change	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Variance	% change
Segment revenue	85.1	109.5	24.3	28.6%	236.9	318.5	81.6	34.5%
Segment EBITDA and adjusted EBITDA[4]	13.1	19.1	6.0	45.9%	36.8	62.8	26.0	70.5%
Segment EBITDA margin and adjusted EBITDA margin[4]	15.4%	17.5%	2.1pt	-	15.6%	19.7%	4.2pt	-
Revenue in million US dollars[1]	754	1,007	252	33.5%	2,128	2,932	804	37.8%

[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, Q3 FY2019
[4] EBITDA and EBITDA margin for the three months and nine months ended December 31, 2018 and adjusted EBITDA and adjusted EBITDA margin for the three months and nine months ended December 31, 2019.

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Media & Solutions

Media & Solutions consists of Marketing Solutions and HR Solutions.

Marketing Solutions provides individual users a multitude of choices on their lifestyle with information available through its online platforms and print media. Major online platforms include: *SUUMO,* a provider of housing and real estate related information and services, *Zexy,* an all-in-one source of wedding planning information, *Jalan*, a provider of travel information and booking services in Japan, *Hot Pepper Gourmet*, an online restaurant reservation platform, and *Hot Pepper Beauty*, an online beauty salon reservation platform. 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* solutions include reservations, CRM, POS system, payments, workforce management, hiring functions and other areas.

Media & Solutions focuses on further acceleration of the expansion of the SaaS business through the *Air BusinessTools* platform, in addition to the advertising business on its online platforms and in print media for each subsegment. Historically, Media & Solutions has offered 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,* online and print media for beauty treatments.

HR Solutions mainly supports enterprise clients' recruiting activities and individual users' job search activities through its job boards tailored to various types of employment such as *Rikunabi*, *Rikunabi NEXT*, and *TOWNWORK*, and placement services such as *RECRUIT AGENT*.

Revenue for Q3 FY2019 was 184.8 billion yen, an increase of 3.7% year on year. This was primarily driven by increased revenue in the Housing and Real Estate, Travel and Beauty subsegments in Marketing Solutions. Quarterly revenue in Recruiting in Japan of HR Solutions decreased in Q3 FY2019 mainly because some enterprise clients, including in manufacturing, reduced their job advertising spend in the face of challenging business environments. However, the overall Japanese labor market remained extremely tight. Revenue for the nine-month period was 563.0 billion yen, an increase of 6.7% year on year.

Segment adjusted EBITDA for Q3 FY2019 was 50.5 billion yen, an increase of 3.8% year on year mainly due to increased revenue in Marketing Solutions, and segment adjusted EBITDA margin was 27.4%. Segment adjusted EBITDA for the nine-month period was 148.6 billion yen, an increase of 6.1% year on year, and segment adjusted EBITDA margin was 26.4%.

[1] *Air BusinessTools* is collectively renamed from *Air* Series.

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

	Three Months Ended December 31,		Variance	% change	Nine Months Ended December 31,		Variance	% change
(In billion yen)	2018	2019			2018	2019		
Segment revenue	178.2	184.8	6.5	3.7%	527.6	563.0	35.3	6.7%
Marketing Solutions	100.7	109.1	8.3	8.3%	295.2	325.5	30.2	10.3%
Housing and Real Estate	26.5	28.4	1.8	7.0%	76.0	82.7	6.7	8.8%
Bridal	14.1	13.3	(0.8)	-5.7%	41.9	39.8	(2.1)	-5.1%
Travel	15.0	17.7	2.6	17.8%	46.7	56.5	9.8	21.1%
Dining	10.2	10.4	0.1	1.9%	28.7	29.3	0.5	2.0%
Beauty	18.3	20.7	2.4	13.2%	53.3	60.4	7.0	13.2%
Others	16.3	18.4	2.0	12.4%	48.3	56.5	8.1	16.8%
HR Solutions	76.7	74.6	(2.1)	-2.8%	230.2	234.9	4.7	2.1%
Recruiting in Japan[1]	69.0	65.8	(3.1)	-4.6%	205.7	207.8	2.0	1.0%
Others	7.7	8.7	1.0	13.2%	24.4	27.1	2.6	10.9%
Eliminations and Adjustments (Media & Solutions)	0.7	1.0	0.3	42.5%	2.2	2.5	0.2	13.5%
Segment EBITDA and adjusted EBITDA[3]	48.6	50.5	1.8	3.8%	140.1	148.6	8.5	6.1%
Marketing Solutions[3,4]	33.1	35.2	2.0	6.3%	90.9	97.3	6.4	7.1%
HR Solutions[3,4]	19.7	19.7	(0.0)	-0.3%	61.3	64.6	3.3	5.4%
Eliminations and Adjustments[3,4] (Media & Solutions)	(4.2)	(4.4)	(0.1)	-	(12.1)	(13.3)	(1.2)	-
Segment EBITDA margin and adjusted EBITDA margin[3]	27.3%	27.4%	0.0pt	-	26.6%	26.4%	-0.2pt	-
Marketing Solutions[3,4]	32.9%	32.3%	-0.6pt	-	30.8%	29.9%	-0.9pt	-
HR Solutions[3,4]	25.8%	26.4%	0.7pt	-	26.6%	27.5%	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 nine months ended December 31, 2019 decreased by 3.8% and increased by 2.6% 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.
[3] EBITDA and EBITDA margin for the three months and nine months ended December 31, 2018 and adjusted EBITDA and adjusted EBITDA margin for the three months and nine months ended December 31, 2019.
[4] For the three months and nine months ended December 31, 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	Q3
Hot Pepper Gourmet Number of seats reserved online (Dining)[1,2]	19.05	37.18	65.77	88.50	21.81	42.40	72.95
Hot Pepper Beauty Number of online reservations (Beauty)[1, 2]	22.72	47.19	71.63	96.99	27.82	57.27	86.15
AirREGI registered accounts[3]	349	364	381	402	422	449	469
Study Sapuri users (Others, Marketing Solutions)[3, 4]	559	586	598	614	741	759	764

[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.

Staffing

Staffing offers temporary staffing and other related services for a multitude of industries and a range of jobs and is composed of 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 Q3 FY2019 was 320.3 billion yen, a decrease of 3.3% 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 negative impact of foreign exchange rate movements and the ongoing uncertain outlook for the European economy. Excluding the negative impact of foreign exchange rate movements of 11.2 billion yen, segment revenue for Q3 FY2019 increased by 0.1% year on year. Revenue for the nine-month period was 950.4 billion yen, a decrease of 3.6% year on year (excluding the negative impact of foreign exchange rate movement, a decrease of 0.4%).

Segment adjusted EBITDA for Q3 FY2019 was 24.1 billion yen, a decrease of 3.9% year on year, and segment adjusted EBITDA margin remained flat at 7.5% compared to 7.6% in Q3 FY2018. Adjusted EBITDA for Japan operations increased, mainly due to increased revenue, and adjusted EBITDA margin was 9.3% in Q3 FY2019, similar to the Q3 FY2018 adjusted EBITDA margin of 9.5%. Adjusted EBITDA for Overseas operations decreased, and adjusted EBITDA margin remained flat year on year at 6.0% in Q3 FY2019, mainly due to various cost management measures, compared to 6.1% in Q3 FY2018. Segment adjusted EBITDA for the nine-month period was 65.0 billion yen, a decrease of 6.1% year on year, and adjusted EBITDA margin was 6.8%, a decrease from 7.0% 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 December 31,		Variance	% change	Nine Months Ended December 31,		Variance	% change
(In billion yen)	2018	2019			2018	2019		
Segment revenue	331.1	320.3	(10.7)	-3.3%	986.1	950.4	(35.6)	-3.6%
Japan	140.8	146.5	5.7	4.1%	409.0	424.1	15.0	3.7%
Overseas[1]	190.3	173.7	(16.5)	-8.7%	577.0	526.3	(50.6)	-8.8%
Segment EBITDA and adjusted EBITDA[2]	25.1	24.1	(0.9)	-3.9%	69.2	65.0	(4.1)	-6.1%
Japan[2]	13.4	13.6	0.2	1.9%	36.3	36.9	0.5	1.4%
Overseas[2]	11.6	10.4	(1.2)	-10.6%	32.8	28.1	(4.7)	-14.3%
Segment EBITDA margin and adjusted EBITDA margin[2]	7.6%	7.5%	-0.1pt	-	7.0%	6.8%	-0.2pt	-
Japan[2]	9.5%	9.3%	-0.2pt	-	8.9%	8.7%	-0.2pt	-
Overseas[2]	6.1%	6.0%	-0.1pt	-	5.7%	5.4%	-0.3pt	-

[1] Excluding the negative impacts of foreign exchange rate movements, the Overseas revenue for the three months and nine months ended December 31, 2019 decreased by 2.8% and 3.2% respectively year on year.

[2] EBITDA and EBITDA margin for the three months and nine months ended December 31, 2018 and adjusted EBITDA and adjusted EBITDA margin for the three months and nine months ended December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 2019	Variance
Assets			
Total current assets	809.0	793.9	(15.0)
Total non-current assets	939.9	1,195.6	255.6
Total assets	1,748.9	1,989.5	240.6
Liabilities			
Total current liabilities	497.5	490.1	(7.4)
Total non-current liabilities	279.1	498.7	219.6
Total liabilities	776.7	988.9	212.1
Equity			
Total equity attributable to owners of the parent	965.7	993.0	27.2
Non-controlling interests	6.4	7.6	1.1
Total equity	972.2	1,000.6	28.4

Assets

Total current assets as of December 31, 2019 decreased by 15.0 billion yen, or 1.9%, from the end of the previous fiscal year. This was mainly due to a decrease in trade and other receivables of 16.7 billion yen. Total non-current assets increased by 255.6 billion yen, or 27.2%, from the end of the previous fiscal year. This was mainly due to an increase in right-of-use assets of 234.4 billion yen, which resulted from the application of IFRS 16.

Liabilities

Total current liabilities as of December 31, 2019 decreased by 7.4 billion yen, or 1.5%, from the end of the previous fiscal year. This was mainly due to decreases in trade and other payables of 8.4 billion yen, income tax payables of 15.9 billion yen and other liabilities of 19.7 billion yen, while lease liabilities increased by 36.8 billion yen resulting from the application of IFRS 16. Total non-current liabilities increased by 219.6 billion yen, or 78.7%, from the end of the previous fiscal year. This was mainly due to an increase in lease liabilities of 214.0 billion yen resulting from the application of IFRS 16.

Equity

Total equity as of December 31, 2019 increased by 28.4 billion yen, or 2.9%, from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 118.6 billion yen, primarily resulting from an increase in profit attributable to owners of the parent, despite a decrease in equity of 80.2 billion yen through the purchase of treasury stock.

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Analysis of Consolidated Cash Flows

	Nine Months Ended December 31,		
(In billion yen)	2018	2019	Variance
Net cash flows from operating activities	195.7	227.0	31.3
Net cash flows from investing activities	(180.8)	(69.8)	110.9
Net cash flows from financing activities	(55.6)	(165.4)	(109.8)
Effect of exchange rate changes on cash and cash equivalents	5.2	(2.0)	(7.2)
Net increase (decrease) in cash and cash equivalents	(35.4)	(10.2)	25.2
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	354.3	392.6	38.3

Cash and cash equivalents as of December 31, 2019 was 392.6 billion yen, a decrease of 10.2 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 229.7 billion yen of profit before tax, primarily adjusted by a favorable impact to cash of 84.2 billion yen in depreciation and amortization, offset by 64.8 billion yen in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities primarily includes payment of 37.5 billion yen for the purchase of intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities primarily includes payment for purchase of treasury stock of 80.2 billion yen and dividends paid of 49.1 billion yen.

Management Policy

The forward looking statements in the section below incorporate the Company’s assumptions as of December 31, 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 HR Technology, is estimated to be approximately 15 billion US dollars[2] in annual revenue, and it is growing as the more than 5 billion US dollars[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].

[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, 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.

HR Technology 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.

Media & Solutions 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 the advertising and SaaS businesses.

In Staffing, 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 the Media & Solutions SBU, regarding *Rikunabi DMP Follow*, a service operated by Recruit Career, which was discontinued on August 4, 2019. On December 4, 2019 and on December 11, 2019, Recruit and Recruit Career received additional administrative admonishments and administrative directives from the Personal Information Protection Commission and the Tokyo Labor Bureau respectively. 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

The Company has revised the consolidated financial guidance for FY2019 announced on May 14, 2019 based on recent business performance and foreign exchange trends.

For FY2019, the Company expects:

- Adjusted EBITDA to be approximately 320 billion yen
- Adjusted EPS to grow high single digits
- Revenue and adjusted EBITDA for HR Technology and Media & Solutions to increase
- Revenue and adjusted EBITDA for Staffing to decrease

HR Technology revenue on a US dollar basis is expected to grow approximately 35%. Adjusted EBITDA margin for the segment is expected to increase slightly compared to FY2018. HR Technology will continue to invest in sales and marketing activities to acquire new users and clients and in product enhancements to increase user and client engagement.

Media & Solutions is expected to maintain stable revenue growth. Revenue for Marketing Solutions is expected to grow high 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 Staffing, both revenue and adjusted EBITDA for Japan operations are expected to increase, however, those of Overseas operations are expected to decrease due to the continued uncertain economic outlook, mainly in Europe and foreign exchange trends. Adjusted EBITDA margin for the segment is expected to remain at a level similar to that of FY2018.

The Company expects that the reorganization of the Media & Solutions Strategic Business Unit announced on January 6, 2020 and the incident related to *Rikunabi DMP Follow* will not have a significant impact on the Company's consolidated financial results 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 December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	402,911	392,658
Trade and other receivables	340,254	323,503
Other financial assets	26,903	44,970
Other assets	38,938	32,837
Total current assets	809,007	793,968
Non-current assets		
Property and equipment	74,566	88,707
Right-of-use assets	-	234,433
Goodwill	410,651	414,485
Intangible assets	242,583	231,576
Investments in associates and joint ventures	50,557	60,876
Other financial assets	127,458	130,156
Deferred tax assets	27,451	29,396
Other assets	6,706	5,990
Total non-current assets	939,975	1,195,623
Total assets	1,748,982	1,989,591

RECRUIT

(In million yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	212,193	203,785
Bonds and borrowings	24,869	24,622
Lease liabilities	-	36,840
Other financial liabilities	1,175	517
Income tax payables	35,327	19,397
Provisions	4,665	5,332
Other liabilities	219,362	199,659
Total current liabilities	497,594	490,155
Non-current liabilities		
Bonds and borrowings	137,212	124,642
Lease liabilities	-	214,091
Other financial liabilities	1,334	1,705
Provisions	8,581	9,328
Net liability for retirement benefits	52,347	54,400
Deferred tax liabilities	52,240	64,357
Other liabilities	27,420	30,233
Total non-current liabilities	279,137	498,759
Total liabilities	776,731	988,914
Equity		
Equity attributable to owners of the parent		
Common stock	10,000	40,000
Share premium	49,136	18,904
Retained earnings	942,449	1,061,125
Treasury stock	(32,378)	(112,129)
Other components of equity	(3,431)	(14,832)
Total equity attributable to owners of the parent	965,775	993,067
Non-controlling interests	6,475	7,609
Total equity	972,251	1,000,677
Total liabilities and equity	1,748,982	1,989,591

(2) Condensed Quarterly Consolidated Statements of Profit or Loss

For the Nine-Month Period

(In million yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Revenue	1,730,437	1,809,716
Cost of sales	866,449	839,286
Gross profit	863,987	970,429
Selling, general and administrative expenses	677,180	756,829
Other operating income	8,914	5,605
Other operating expenses	3,538	6,933
Operating income	192,183	212,271
Share of profit (loss) of associates and joint ventures	2,999	2,146
Gain (loss) on change in ownership interests in an associate	769	12,099
Finance income	5,965	5,534
Finance costs	374	2,348
Profit before tax	201,542	229,704
Income tax expense	54,605	62,040
Profit for the period	146,936	167,663
Profit attributable to:		
Owners of the parent	146,073	166,534
Non-controlling interests	863	1,129
Profit for the period	146,936	167,663
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	87.43	99.98
Diluted earnings per share (yen)	87.26	99.80

For the Three-Month Period

(In million yen)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2019
Revenue	587,097	608,514
Cost of sales	290,051	279,700
Gross profit	297,045	328,814
Selling, general and administrative expenses	229,801	255,718
Other operating income	280	286
Other operating expenses	1,912	3,770
Operating income	65,612	69,611
Share of profit (loss) of associates and joint ventures	5,240	1,922
Gain (loss) on change in ownership interests in an associate	—	(147)
Finance income	1,818	1,352
Finance costs	179	869
Profit before tax	72,491	71,869
Income tax expense	18,751	19,151
Profit for the period	53,740	52,717
Profit attributable to:		
Owners of the parent	53,388	52,385
Non-controlling interests	351	331
Profit for the period	53,740	52,717
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	31.95	31.65
Diluted earnings per share (yen)	31.89	31.59

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

For the Nine-Month Period

(In million yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Profit for the period	146,936	167,663
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	(1,046)	1,657
Remeasurements of defined retirement benefit plans	(101)	(84)
Share of other comprehensive income of associates and joint ventures	(175)	(95)
Subtotal	(1,324)	1,477
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(345)	(12,397)
Effective portion of changes in fair value of cash flow hedges	214	125
Subtotal	(131)	(12,271)
Other comprehensive income (loss) for the period, net of tax	(1,455)	(10,793)
Comprehensive income for the period	145,481	156,870
Comprehensive income attributable to:		
Owners of the parent	144,486	155,773
Non-controlling interests	994	1,097
Total comprehensive income	145,481	156,870

For the Three-Month Period

(In million yen)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2019
Profit for the period	53,740	52,717
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	(7,586)	6,854
Remeasurements of defined retirement benefit plans	(101)	(84)
Share of other comprehensive income of associates and joint ventures	(142)	(50)
Subtotal	(7,830)	6,719
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(19,922)	13,944
Effective portion of changes in fair value of cash flow hedges	271	425
Subtotal	(19,650)	14,370
Other comprehensive income (loss) for the period, net of tax	(27,481)	21,089
Comprehensive income for the period	26,258	73,806
Comprehensive income attributable to:		
Owners of the parent	25,987	73,421
Non-controlling interests	271	385
Total comprehensive income	26,258	73,806

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

For the Nine Months Ended December 31, 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			146,073				
Other comprehensive income						(476)	214
Comprehensive income for the period	-	-	146,073	-	-	(476)	214
Transfer from other components of equity to retained earnings			(1,324)				
Purchase of treasury stock		(17)		(1,299)			
Disposal of treasury stock		(153)		969	(815)		
Dividends			(42,603)				
Share-based payments					1,219		
Equity transactions with non-controlling interests		(819)					
Other		16	146				
Transactions with owners total	-	(974)	(43,780)	(329)	404	-	-
Balance at December 31, 2018	10,000	49,140	914,940	(32,378)	4,127	(8,830)	1,095

	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			-	146,073	863	146,936
Other comprehensive income	(1,222)	(101)	(1,586)	(1,586)	130	(1,455)
Comprehensive income for the period	(1,222)	(101)	(1,586)	144,486	994	145,481
Transfer from other components of equity to retained earnings	1,222	101	1,324	-		-
Purchase of treasury stock			-	(1,317)		(1,317)
Disposal of treasury stock			(815)	0		0
Dividends			-	(42,603)		(42,603)
Share-based payments			1,219	1,219		1,219
Equity transactions with non-controlling interests			-	(819)	693	(126)
Other			-	163	(69)	93
Transactions with owners total	1,222	101	1,728	(43,356)	623	(42,732)
Balance at December 31, 2018	-	-	(3,606)	938,095	6,673	944,769

For the Nine Months Ended December 31, 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			166,534				
Other comprehensive income						(12,364)	125
Comprehensive income for the period	-	-	166,534	-	-	(12,364)	125
Transfer from share premium to common stock	30,000	(30,000)					
Transfer from other components of equity to retained earnings			1,477				
Purchase of treasury stock		(219)		(79,999)			
Disposal of treasury stock		(2)		248	(16)		
Dividends			(49,269)				
Share-based payments					853		
Equity transactions with non-controlling interests							
Other		(9)	(65)				
Transactions with owners total	30,000	(30,231)	(47,858)	(79,750)	837	-	-
Balance at December 31, 2019	40,000	18,904	1,061,125	(112,129)	4,969	(20,563)	760

	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, 2019	-	-	(3,431)	965,775	6,475	972,251
Profit for the period			-	166,534	1,129	167,663
Other comprehensive income	1,561	(84)	(10,761)	(10,761)	(32)	(10,793)
Comprehensive income for the period	1,561	(84)	(10,761)	155,773	1,097	156,870
Transfer from share premium to common stock			-	-		-
Transfer from other components of equity to retained earnings	(1,561)	84	(1,477)	-		-
Purchase of treasury stock			-	(80,219)		(80,219)
Disposal of treasury stock			(16)	229		229
Dividends			-	(49,269)		(49,269)
Share-based payments			853	853		853
Equity transactions with non-controlling interests			-	-	(0)	(0)
Other			-	(74)	37	(36)
Transactions with owners total	(1,561)	84	(640)	(128,481)	37	(128,444)
Balance at December 31, 2019	-	-	(14,832)	993,067	7,609	1,000,677

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(In million yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Cash flows from operating activities		
Profit before tax	201,542	229,704
Depreciation and amortization	53,328	84,273
Gain on sales of investments in subsidiaries	(7,435)	(3,303)
Gain on change in ownership interests in an associate	(769)	(12,099)
(Increase) decrease in trade and other receivables	13,257	14,660
Increase (decrease) in trade and other payables	(24,244)	(6,050)
Other	(14,437)	(17,792)
Subtotal	221,241	289,392
Interest and dividends received	5,175	4,912
Interest paid	(280)	(2,311)
Income taxes paid	(30,375)	(64,897)
Net cash provided by operating activities	195,761	227,096
Cash flows from investing activities		
Payment for purchase of property and equipment	(18,999)	(25,600)
Payment for purchase of intangible assets	(35,558)	(37,505)
Payment for purchase of shares of subsidiaries	(126,847)	(10,778)
Proceeds from sales of shares of subsidiaries	8,041	3,413
Other	(7,475)	597
Net cash used in investing activities	(180,840)	(69,875)
Cash flows from financing activities		
Repayments of long-term borrowings	(12,478)	(12,478)
Repayments of lease liabilities	-	(25,064)
Payment for purchase of treasury stock	(1,317)	(80,219)
Dividends paid	(42,536)	(49,193)
Other	721	1,527
Net cash used in financing activities	(55,611)	(165,428)
Effect of exchange rate changes on cash and cash equivalents	5,223	(2,045)
Net increase (decrease) in cash and cash equivalents	(35,467)	(10,253)
Cash and cash equivalents at the beginning of the period	389,822	402,911
Cash and cash equivalents at the end of the period	354,355	392,658

(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 Nine Months Ended December 31, 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 Nine Months Ended December 31, 2019

No significant business combinations occurred during the nine months ended December 31, 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, (2) Media & Solutions, and (3) Staffing, which are also the reportable segments.
HR Technology 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.
Media & Solutions consists of two business operations, namely, Marketing Solutions and HR Solutions.
Staffing 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 Nine Months Ended December 31, 2018

(In million yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	232,580	522,951	974,905	1,730,437	-	1,730,437
Intersegment revenue or transfers	4,320	4,745	11,210	20,276	(20,276)	-
Total	236,900	527,697	986,115	1,750,713	(20,276)	1,730,437
Segment profit (loss)	36,868	140,132	69,262	246,262	(6,126)	240,136
Depreciation and amortization						53,328
Other operating income						8,914
Other operating expenses						3,538
Operating income						192,183
Share of profit (loss) of associates and joint ventures						2,999
Gain (loss) on change in ownership interests in an associate						769
Finance income						5,965
Finance costs						374
Profit before tax						201,542

For the Nine Months Ended December 31, 2019

(In million yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	313,337	557,747	938,631	1,809,716	-	1,809,716
Intersegment revenue or transfers	5,237	5,281	11,849	22,369	(22,369)	-
Total	318,574	563,029	950,481	1,832,085	(22,369)	1,809,716
Segment profit (loss)	62,868	148,646	65,070	276,586	(6,692)	269,893
Depreciation and amortization (Note)						56,293
Other operating income						5,605
Other operating expenses						6,933
Operating income						212,271
Share of profit (loss) of associates and joint ventures						2,146
Gain (loss) on change in ownership interests in an associate						12,099
Finance income						5,534
Finance costs						2,348
Profit before tax						229,704

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

For the Three Months Ended December 31, 2018

(In million yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	83,492	176,479	327,126	587,097	-	587,097
Intersegment revenue or transfers	1,694	1,777	4,026	7,497	(7,497)	-
Total	85,186	178,256	331,152	594,595	(7,497)	587,097
Segment profit (loss)	13,103	48,686	25,100	86,890	(2,001)	84,889
Depreciation and amortization						17,645
Other operating income						280
Other operating expenses						1,912
Operating income						65,612
Share of profit (loss) of associates and joint ventures						5,240
Gain (loss) on change in ownership interests in an associate						-
Finance income						1,818
Finance costs						179
Profit before tax						72,491

For the Three Months Ended December 31, 2019

(In million yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	109,215	182,803	316,495	608,514	-	608,514
Intersegment revenue or transfers	341	2,009	3,880	6,232	(6,232)	-
Total	109,557	184,812	320,375	614,746	(6,232)	608,514
Segment profit (loss)	19,118	50,552	24,113	93,784	(1,648)	92,135
Depreciation and amortization (Note)						19,040
Other operating income						286
Other operating expenses						3,770
Operating income						69,611
Share of profit (loss) of associates and joint ventures						1,922
Gain (loss) on change in ownership interests in an associate						(147)
Finance income						1,352
Finance costs						869
Profit before tax						71,869

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