

Questions at Q2 FY2015 Financial Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why was EBITDA growth rate lower (+9.3%) compared to that of net sales (+19.3%)?

A: It was because acquired subsidiaries mentioned below started to contribute to earnings from this quarter. Peoplebank, Chandler, and Atterro; operating staffing business which profit rates are lower than that of the other segment. Quandoo; a start-up company which EBITDA was negative as we estimated.

Q: What impact did the exchange rate fluctuation have on results of Q2 YTD?

A: The average exchange rate Q2 YTD was ¥120.3/USD, ¥94.0/AUD. Net sales increased ¥24.7 billion year-on-year due to the benefit from the weak yen. For every ¥1 decline in the yen's value against the US dollar, net sales rise around ¥3.0 billion, and against Australian dollar, net sales up approx. ¥1.5 billion.

Q: Why did full-year-forecast EBITDA remain at an increase of 5% while EBITDA Q2 YTD rose by 9.3%?

A: First half results increased significantly with favorable trend in Overseas Staffing business and travel/beauty business, in addition to some expenses were carried forward to the next quarter. In second half, aiming further growth over mid- to long-term, we will invest in Indeed — which sales has trended favorably — to acquire users, and in strategic measures such as enhancement of Air REGE and Sapuri Series. Therefore we do not change full-year-forecast EBITDA growth rate of 5%. Our target growth rate for existing businesses is in the mid- to high-single digits. We manage our operations to realize the target in full-year.

Earnings Results by Segments

■ Marketing Media

Q: Why was EBITDA growth rate (+0.5%) lower than that of net sales (+5.7%)?

A: It was mainly from an acquired subsidiary Quandoo's negative EBITDA. Quandoo, which started to contribute the consolidated earnings from the first quarter, is a start-up company. Therefore, it reported a loss on EBITDA in this fiscal year. However, its track record shows steadily growth toward the outlook.

Q: Why did travel business trend favorably at an increase of 16.4% year-on-year?

A: In the business, operation rate of accommodations rose reflecting the inbound tourism increase. As a result, accommodation price per person per night continued to rise. Total guest nights also grew since we had longer holidays than usual. These factors leads the significant increase of net sales.

Q: Why did net sales of dining business record favorable trend (+5.0% year-on-year)?

A: In the business, the decline trend from poor performance of major clients has still shown. However, number of paying clients (mainly, small- and medium-sized clients) grew by 25% year-on-year due to enhancement of sales operation, increase of online reservations, and measures focused on 'Air Series'. As a result, net sales trended favorably. Recently, number of restaurants using online reservation service increased steadily and achieved 42 thousand. Consequently, number of online reservations was 14.58 million Q2 YTD (that of in FY2014 was 25.29 million).

Q: In Beauty business, why did net sales increase favorably by 18.7% year-on-year?

A: In the business, as we promoted introduction of 'SALON BOARD' which enhance the convenience for clients and users, number of online reservations has increased steadily. As a result, transaction value per client increased and acquisition of new clients also advanced steadily. With these factors, net sales improved considerably.

Q: Tell me about the progress of business support for small- and medium-sized enterprises which you focus on as one of important domestic measures.

A: We have strengthened 'Air Series' as business support for SMEs. It grew steadily as shown in number of account of 'Air REGE' came to 205 thousand in Q2 FY2015 (increased by 92 thousand YoY). In educational business, 'Juken Sapuri' improved steadily and number of paying subscribers achieved 147 thousand (raised 38 thousand YoY).

Q: Tell me about the results of acquired subsidiaries Quandoo (consolidated in Q1) and Hotspring (consolidated Q3).

A: About Quandoo, providing online restaurant reservation service in EU; we have no change in outlook. To be the No1 in terms of number of online reservations in EU dining market, we commit to increase the number of restaurants using Quandoo's service. It was 6 thousand as of acquisition. As increased steadily after that, it exceed 11.5 thousand as of the end of October 2015. Hotspring, which is going to operate online beauty salon reservation service in Europe, also in line with forecast and increasing their clients. Number of salons using Hotspring's reservation service was 12 thousand at the acquisition, and as of the end of September 2015, it is growing steadily above 18 thousand with acquisition of Treatwell.

■ HR Media

Q: Why was EBITDA growth rate in Q2 (+39.6%) much higher compared to that of net sales (+20.8%)?

A: EBITDA increased significantly by three reasons; 1) the favorable market environment trend in Domestic Recruiting operation through the quarter as it showed in the improving ratio of job-offers to job-seekers, 2) the result of Indeed in Overseas Recruiting operation continued to trend strong, and 3) Ratio of advertising expenses to net sales had fallen substantially. In terms of efficient investment in acquiring users of overseas recruiting business, we focus on greater flexibility and adaptability.

Q: Why did net sales in Overseas Recruitment operation trended favorably with an increase of 81.0% year-on-year?

A: It was due to continuing increase of small- and medium-sized clients of Indeed. Considering this strong business expansion, we continue to invest in Indeed not only in the US, where our major source of profit, but also in the other regions to achieve further growth over the medium-to-long term. We are aiming to enhance the brand strength and acquire users. Deducting an impact from the weak yen, net sales growth rate was 62.2% year-on-year.

■ Staffing

Q: Why did net sales growth rate (+25.7%) and that of EBITDA (+20.3%) trend favorably?

A: In Domestic Staffing operation, net sales trended favorably as a result of moderate recovery of market environment. In Overseas Staffing operation, acquired subsidiaries contributed net sales. In addition to Peoplebank, consolidated from Q1, Chandler and Attero, consolidated in Q2, also have a great deal of the growth. The impact from weak yen also results in its favorable trend. EBITDA has shown strong trend due to the improvement of EBITDA margin reflecting the continuous progress in effective management, which is our strength, in existing subsidiaries, in addition to the increase in net sales.

Q: In overseas Staffing, net sales grew by 54.8% year-on-year. Is existing business results on local currency basis (deducting the contribution of newly acquired subsidiaries and the impact from weak yen) increasing steadily?

A: In the business, contribution of new subsidiaries to net sales totaled ¥59.1 billion in the first half. The impact from weak yen was ¥20.4 billion. Deducting these factors, in existing business results based on local currency, net sales decreased by 3.4%. This decline was due to the end of some transactions which reflects enhancement of business efficiency and poor results of some industry. However, it has incorporated to the full-year forecast and we are not aiming the increase of net sales but the improvement of EBITDA margin growth as strategy for Staffing business. Since EBITDA growth has been improving more than expected, we recognize that we are on steady progress.

■ Other/adjustments

Q: Why was Other segment in the deficit continuously?

A: Since we posted expenses related to 'ID point strategy' in this segment. It reflects the intensive investment to implement the strategy.

Q: Why did adjustments continue to decline?

A: It was because that we changed the expenses report for M&A's advisory fees to record in a lump sum following the change in accounting standards, in addition to the increase of expenses for security measures and hiring/training IT engineers with a strategic focus on IT.

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