

Questions at Q3 FY2015 Financial Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why was EBITDA growth rate lower (+5.4%) compared to that of net sales (+21.8%)?

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

Q: Is EBITDA going steadily toward the full-year forecast (¥201.0 billion)?

A: EBITDA of Q3 YTD increased favorably with strong trend in Overseas Recruiting business and travel business. In Q4, 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 Series and Sapuri Series. Therefore we do not change full-year forecast. Our target growth rate for existing businesses is in the mid- to high-single digit.

Q: What impact did the exchange rate fluctuation have on results of Q3 YTD?

A: The average exchange rate Q3 YTD was ¥120.98/USD, ¥92.29/AUD. Net sales increased ¥38.5 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 around ¥1.5 billion.

Earnings Results by Segments

■ Marketing Media

Q: Why did EBITDA decrease by 5.8% while net sales increased by 4.6%?

A: It was mainly from acquired subsidiaries' negative EBITDA. Quandoo and Hotspring, which started to contribute the consolidated earnings, are start-up companies and report the loss on EBITDA.

Q: In Beauty business, why did net sales remain a sluggish increase of 13.1% year-on-year, compared to that of in 2Q (+18.7%)?

A: This is due to temporary impact of system crush. However, there is no change in business condition and our competitive advantage. Reflecting the steady increase of the number of online reservation, transaction with existing clients expand and new clients increased. Deducting the impact, net sales increased more than that of Q2 YTD.

Q: Please describe the progress of business support for small- and medium-sized enterprises and educational business which you focus on as 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 REGI' came to 218 thousand in the end of the third quarter (105 thousand in Q3 FY2014). The growth rate in Q3 was lower than that of previous fiscal year because we focused on rising usage rate and frequency. We have achieved the target number we set in the beginning already. It shows steady growth.

In educational business, 'Juken Sapuri' improved steadily and number of paying subscribers achieved 153 thousand (50 thousand in Q3 FY2014).

Q: Can you explain the results of acquired subsidiaries, Quandoo which consolidated in Q1 and Hotspring which consolidated in Q3?

A: Both subsidiaries focus on increasing the number of restaurant/salons using their services as strategy, and they are on the phase of making business base to expand the business in the future. Therefore, they reported negative EBITDA. However, their track records are within the outlook.

Quandoo: the number of restaurants using Quandoo was 6 thousand as of acquisition. It exceeded 12 thousand as of the end of December 2015, increasing steadily toward the target number of 30 thousand in around three years from acquisition.

Hotspring: the number of salons using its service was 12 thousand as of acquisition. After acquisition of Treatwell, it exceeded 20 thousand as of the end of December 2015. It is also growing steadily to achieve the target number of 30 thousand in around four years from acquisition.

■ HR Media

Q: Why did net sales in overseas HR media trended favorably with net sales increase of 82.9% year-on-year?

A: It was because Indeed's net sales continued to increase favorably by 81.0% YoY with expand of the number of small- and medium-sized clients. Considering this favorable 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. Deducing an impact from the weak yen, local currency basis net sales increased by 63.2% year-on-year.

■ Staffing

Q: Why did net sales growth rate (+30.6% YoY) and EBITDA growth rate (+18.9% YoY) trend favorably?

A: In Domestic Staffing operation, net sales increased as a result of moderate recover of market environment. In Overseas Staffing operation, acquired subsidiaries, Peoplebank, Chandler, and Atterro contributed net sales. 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 65.6% year-on-year. Is existing business results based on local currency (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 ¥111.3 billion in this fiscal year. The impact from weak yen was ¥31.2 billion. Deducting these factors, in existing business results, net sales decreased by 2.9%. This decline was due to the end of some transactions which reflects enhancement of business efficiency. However, it has incorporated to the full-year forecast. Since EBITDA margin and EBITDA growth, which we give priority as our key strategy for Staffing segment, have 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. We continue to strengthen 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.

Disclaimer

In preparing these materials, Recruit Holdings Co., Ltd. relies upon and assumes the accuracy and completeness of all available information. However, we make no representations or warranties of any kind, express or implied, about the completeness and accuracy. This material 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. 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.