

Questions at FY2015 Financial Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why was EBITDA growth rate lower (+5.7%) compared to that of net sales (+22.2%)?

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

Q: Why did Operating income decrease by 6.9% compared to EBITDA growth rate increased by 5.7% YoY?

A: There are two reasons: An increase of Depreciation expense arising from investments such as security enhancement measures, and an increase of amortization cost related to M&A due to new subsidiaries' consolidation and an impact from a weak yen.

Q: What impact from exchange rate fluctuation have on FY2015 results?

A: The FY2015 average exchange rate was ¥121.10/USD, ¥91.07/AUD. Net sales increased ¥43.8 billion year-on-year due to the benefit from the weak yen.

Q: What impact from exchange rate fluctuation will you estimate on FY2016 earnings?

A: The FY2016 assuming exchange rate is ¥115.00/USD, ¥81.00/AUD. For every ¥1 increase in the yen's value against the US dollar, net sales decrease around ¥3.7 billion. When the same increase of yen's value against Australian dollar, results in net sales decline around ¥1.9 billion.

Q: Why did you change your management target?

A: We will carry out various growth investments, including M&A, ever more flexibly and aggressively over the next three years. To achieve it, we set time frame management target, three years growth rate. It was changed from previous target of stable growth rate in each fiscal year. Regarding importance of shareholders' value enhancement, we set Adjusted EPS as key index for management and aim compound annual growth rate of high single-digit over the next three years (FY2016-FY2018). Also we set existing business EBITDA growth rate target for each fiscal year to achieve the management target, balancing investments and profit growth.

Q: Adjusted EPS growth rate for FY2016 consolidated earnings forecast is +2.7% YoY. Why is it lower than that for FY2017-2018 of high single-digit?

Is there any possibility of buyback to achieve the new management target?

A: We changed time frame of management target from each fiscal year to mid-term period, three years. We aim to profit growth in mid-term, instead of each year's growth. Specifically, we commit to achieve target for the next three years (FY 2016-2018) by existing business growth and EBITDA expansion including M&A.

Regarding buyback, we haven't decided whether or not we take the measure, as of now. It could be an option depending on profit level over the next three years and future growth investments at the time.

Earnings Results by Segments

■ Marketing Media

Q: Why did EBITDA decrease by 3.1% while net sales increased by 4.8%?

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

Q: Please explain about 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, which came to 233 thousand at the end of FY 2015 (161 thousand in the same period of FY2014). The growth rate in this fiscal year was lower than that of previous fiscal year, because we focused on rising usage rate and frequency as new focus strategy of the business. We plan to make it in the black over the next three to five years by strengthening measures for monetization.

In educational business, Study Sapuri improved steadily and number of paying subscribers of high school service achieved 167 thousand (89 thousand in FY2014). We are going to make Study Sapuri, including primary and middle school student course, in the black over the next three to five years.

Q: Did acquired subsidiaries, Quandoo and Hotspring which started to consolidate in this fiscal year, trend steadily?

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

Quandoo: the number of restaurants using its service was about 6 thousand as of acquisition. It recorded 12,795 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 about 12 thousand as of acquisition. After acquisition of Treatwell, it achieved 20,297 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 growth rate (+18.7% YoY) and that of EBITDA (+12.8% YoY) trend favorably?

A: In domestic recruiting, favorable employment environment had continued. Effective ratio of job offers to job seekers was highly stable, and number of recruitment ads increased. In overseas business, Indeed trended favorably, owing to an increase of small- and medium-sized clients' service use.

Q: Please explain Indeed's growth strategy.

A: For mid-to-long term further growth of Indeed, we continue to invest in measures to enhance brand recognition and attract users, not only in the US, a current main revenue producing country, but also in other countries and regions. For outside of the US, in regions where number of Indeed's UVs has become No.1 overwhelmingly, we will strengthen measures such as expansion of business base and sales personnel, aiming full-scale monetization. We also plan to enter other HR businesses in addition to recruiting ads business, which we currently operate, with mergers and acquisitions.

■ Staffing

Q: Why did net sales growth rate (+31.9% YoY) and EBITDA growth rate (+21.9% 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 positive 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 66.6% 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 ¥163.3 billion and an impact from weak yen was ¥35.3 billion in this fiscal year. Deducting

these factors, in existing business results, net sales decreased by 3.0%. This decline was due to the end of some transactions for enhancement of business efficiency. However, it has incorporated to the full-year forecast. We recognize that we are on steady progress since EBITDA margin and EBITDA growth, which we give priority as our key strategy for Staffing business, have been improving more than expected.

■ Other/adjustments

Q: Why was the 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' EBITDA 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 an increase of expenses for security measures and hiring/training IT engineers by a strategic focus on IT.

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