

Summary of Financial Results for Q2 FY2016

Recruit Holdings Co., Ltd.

Results for Q2 FY2016

The second quarter financial highlights

- 1) Consolidated financial highlight; consolidated financial results achieved double-digit increase in net sales & EBITDA.
- 2) Marketing Media; in the segment, favorable trend in housing and real estate & beauty business led to the net sales increase of 9.2%.
- 3) Indeed: Indeed has continued to record a significant net sales increase of 68.5% in local currency.
- 4) Staffing net sales in Japan increased 11.5% and overseas net sales recorded high growth of 18.0% in local currency.

■ Consolidated Earnings Summary

In this second quarter, net sales increased 10.6% year-on-year to 814.5 billion yen, and EBITDA grew 11.2% year-on-year to 104.2 billion yen. Both achieved double-digit increase. The operating income trended favorably with a year-on-year increase of 11.7% to 58.4 billion yen. Both net sales and EBITDA have showed strong results toward our internal forecast. The results include an impact that we flexibly changed a part of investment timing from the first half to the second half. We intend to strengthen growth investment for the future in the second half, however, if this favorable trend continues, full-year EBITDA might exceed the full-year forecast. As we explained at the first quarter results announcement, the net income attributable to owners of the parent rose 47.3% year-on-year as well to 47.8 billion yen, owing to extraordinary income arising from the transfer of Yuko Yuko.

■ Marketing Media

Net sales trended favorably both in the Life Event and the Lifestyle operations, with a year-on-year increase of 9.2% to 182.2 billion yen. EBITDA grew by 14.7% year-on-year to 50.5 billion yen, due to net sales increase and operational improvement in housing and real estate and beauty businesses.

Lifestyle net sales remain at 3.4% growth from two reasons; 1) an impact on travel business from the transfer of Yuko Yuko Corporation's shares and 2) an impact from transfer of some businesses to the Life Event operations.

Life Event Operation

In the Housing and Real Estate business, independent housing and leasing division continued to trend favorably. Condominium apartment division, which recorded sluggish trend in previous fiscal year, trended favorably as the first quarter reflecting the growing customer-acquisition needs of major developers in Tokyo metropolitan area.

Lifestyle Operation

In the Travel business, there was an impact of the transfer of Yuko Yuko Corporation's shares, however net sales increased 0.3% year-on-year. Deducting the impact, net sales achieved high single-digit increase year-on-year. The room night and the number of guest's growth rate was low single-digit, which became moderate compared to the previous fiscal year, since the weather was bad, holidays are fall in weekdays, and hotels' operation growth which benefited recent inbound tourism surge have become moderate.

In the Dining business, as small- and medium-sized clients' acquisition went steadily, paying clients at the end of the second quarter increased by 6.7% year-on-year, resulting in net sales increase of 5.6%. In the Beauty business, continuous steady growth of online reservation brought about an increase of transaction with existing clients and new clients acquisition, and it resulted in an increase of 24.8% year-on-year.

In the dining business, the number of seats reserved online recorded 19.40 million, and in the Beauty business online reservation was 29.44 million in the first half. Both of them achieved more than 30% growth year-on-year.

SMEs Support Business

As we promote Air REGI as a SMEs support business, the number of Air Series' account achieved 255 thousand. It has not been launched yet, but we will start monetization mainly in dining business from the fourth quarter in FY 2016, with monthly charge for a service package which includes cash register and other features. A paying system, Air Pay will start the first service in the industry, a payment terminal which enables customers to use major six credit card brands and railway companies' e-money cards for their payments. In such ways, we will approach Air Series' monetization with various services and aim to move into black in 3-5 years.

In educational industry, the number of paying subscribers in high school student course achieved 230 thousand, a year-on-year increase of 50%. The service has already achieved surplus in the previous fiscal year, however, as whole Study Sapuri business including elementary and junior high school courses, we aim to make surplus in about 3-5 years.

Overseas Business

In Quandoo, as of March 31, 2016, the number of restaurants using its reservation service recorded 15,314, and in Treatwell the number of salons using the service achieved 21,883. We

have achieved a certain number of client acquisition, so we will not focus on the number increase, but rather acquire user-capturing restaurants and salons for the future as strategy for online reservation increase.

■ HR Media

Net sales increased by 16.5% year-on-year to 188.8 billion yen, as a result of favorable trend both in domestic and overseas HR Media business. On the other hand, EBITDA decreased by 0.1% year-on-year to 38.8 billion yen. This was because, in addition to investment in Indeed, we implemented promotion investment in TV advertisement and competitive base enhancement such as strengthening salesforce, in line with our first half plan for active investment in HR Media. Compared to the first half, the investment scale will shrink in the second half, and the full-year EBITDA will be a level at mid-single-digit increase.

In the Domestic Recruiting business, the effective ratio of the job seekers to applicant in September was stable at a high level of 1.38. The favorable market condition has continued, however, the net sales growth in the second quarter slowed down. It was because the new graduate hiring schedule was changed and it resulted in the new graduate business sales report timing change.

In the Overseas Recruiting business, SMEs client's service usage continued to rise, and net sales increased significantly 56.5% year-on-year. The negative impact from currency fluctuation on our net sales was 4.3 billion yen, deducting it, the growth rate was 68.5%.

The number of UVs in June, 2016 recorded 190 million, continuously increased year-on-year. We will continue investments in user base enhancement. In addition to that, in regions where we hold solid user base, we will focus on the client base expansion by establishing local corporations to increase sales personnel.

■ Staffing

Net sales increased 8.9% year-on-year to 448.8 billion yen, due to favorable trend in the Domestic Staffing business, and new contribution of overseas subsidiaries started from the beginning of the fiscal year, while in the previous fiscal year such contribution started during the fiscal year. EBITDA grew by 13.4% year-on-year to 25.8 billion yen since overseas subsidiaries improved their operation efficiently, in addition to net sales increase.

In the Domestic Staffing business, amid solid business condition, we strengthened measures to increase our service users. As a result, net sales trended favorably and achieved double-digit increase.

In the Overseas Staffing business, net sales increased 6.4% year-on-year to 224.9 billion yen, due to an impact from consolidation of Peoplebank, Chandler, and Atterro from the beginning of this fiscal year. The negative impact from yen depreciation was 24.5 billion yen, deducting it, overseas net sales increased by 18.0% year-on-year.

Other impact arising from the increase of subsidiaries consolidation period was 38.3 billion yen (the figure is based on accounting management). As a result, US companies, CSI, Staffmark, and Advantage which have been acquired before, recorded 3% decrease in US\$. As we have explained, this was because termination of business with some clients aiming further operational efficiency. Through our strategy to improve EBITDA margin with the Unit Management incorporation, EBITDA margin improve steadily. Therefore, we believe that they are on positive improvement.

In USG People, which will be consolidated in the third quarter, we also commit to incorporating the Unit Management System to the company.

Consolidate Earnings Full-year Forecast

■ Consolidated Earnings Summary Forecasts

There is no change in revised full year forecast announced on July 27. As we explained at the first quarter's announcement, we aim to adopt IFRS during FY2017.

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