

Questions at Q1 FY2016 Earnings Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why did net income attributable to owners of the parent decrease by 21.8% while operating income increased 8.6% and ordinary income grew 5.0%?

A: Operating income and ordinary income increased due mainly to the net sales growth. Net income attributable to owners of the parent decreased due to ¥7.1 billion extraordinary income including a gain on sales of investment securities in the same period of FY2015.

Q: What impact did exchange rate fluctuation have on results of the first quarter in FY2016?

A: Exchange rates during the first quarter in FY2016 were ¥115.35/USD and ¥83.27/AUD. A negative impact on the net sales was ¥9.1 billion year-on-year. In FY2016, for every ¥1 rise in the yen's value against the US dollar, net sales decrease around ¥3.7 billion, against the Australian dollar, net sales decrease around ¥1.9 billion.

Segment earnings results

■ Marketing Media

Q: Why did net sales in the housing and real estate business trend favorably (+21.9% YoY)?

A: In the business, net sales recorded year-on-year increase of 21.9%. In addition to the continuous favorable trend in independent housing and leasing division, the condominium apartment division, which showed a sluggish trend in the previous

fiscal year, trended favorably as well, reflecting major developers' customer acquisition needs rise in Tokyo metropolitan area. In business related to custom-build housing, net sales increased due to a temporary impact from a change of the time of sales report. It was changed to report at contract from report at construction start. The impact from the change is counted at about a half of the sales growth.

Q: In travel business, why was net sales growth rate (+6.8%) lower than that of the same period in FY2015 (+13.8%)?

A: In the business, net sales increased by 6.8% year-on-year, as a result of room rate and guest nights growth. Both recorded low single-digit growth rate year-on-year. The growth rate became moderate compared to that of the previous fiscal year. It was because that holidays are less than the same period in the previous fiscal year, and hotels' room occupancy ratio rise, which has grown reflecting the inbound tourism surge in recent years, became moderate.

Q: What makes an increase of 12.9% in the Life Event Other division and a decrease of 33.5% in Lifestyle Other division?

A: The main reason was transfer of some businesses which was included in the 'Lifestyle, Other' in the previous fiscal year. We transferred *Akasugu*, a magazine for maternity and nursing parents, and *Keiko to Manabu*, a learning service for working people, to the Life Event Other from this fiscal year.

■ HR Media

Q: Why was EBITDA growth rate (+4.6%) lower than net sales growth (+19.1%)?

A: Net sales increased by 19.1% year-on-year, as a result of favorable trend in Domestic Recruiting operation reflecting favorable market environment, such as the effective ratio of job offers to job seekers' stable high level, and continuous favorable results of Indeed in Overseas Recruiting operation. EBITDA growth rate remained at an increase of 4.6% year-on-year, due to domestic investment in operating system and brand name enhancement, and user-acquisition investment in Indeed

aiming further growth over the mid- to long-term.

Q: Why did net sales in the Overseas Recruiting operation trend favorably with an increase of 63.6% year-on-year? Please explain future growth strategy for the operation.

A: In overseas recruiting business, net sales rose favorably by 63.6%, owing to the increase of small- and medium-sized clients. The negative impact from the foreign exchange rate fluctuation was ¥1.0 billion, deducting the impact, net sales increased by 69.8%. We will continue investments for user-base enhancement including UV increase measures. In addition to that, we will focus on measures to strengthen the client base, such as establishing local companies to increase sales reps in the regions where we hold solid user base, aiming full-scale monetization outside of the US.

■ Staffing

Q: Why did both net sales (+21.7% YoY) and EBITDA (+13.7% YoY) trend favorably?

A: In the Domestic Staffing operation, net sales trended favorably reflected measures to increase the number of registered workers of our services amid continuous moderate expansion of business environment. In the Overseas Staffing operation, we had a ¥ 79 billion negative impact on net sales from the foreign exchange fluctuation, however, the benefit from contribution of new subsidiaries, Chandler, Peoplebank, Atterro have a positive impact of ¥35.2 billion on the operation and it trended favorably. EBITDA also trended favorably as a result of the EBITDA margin improvement reflecting the improved efficient operation in existing subsidiaries, in addition to net sales increase.

■ Other/adjustments

Q: What impact will USG People have on your FY2016 earnings?

A: In FY2016, the consolidation period of USG people is to six month. The positive impact on consolidated earnings results: net sales is to increase ¥150.0 billion,

EBITDA is to increase ¥8.0 billion, net income attributable to owners of the parent is to decrease ¥3.5 billion, due to amortization of goodwill and depreciation of purchase price allocation (PPA).

Q: You will adopt IFRS during FY2017, could you tell me more specific completion time? How much impact will the adoption have on your earnings results?

A: A project team is working for the adoption. Now we are considering the time of the completion and examining the impact amount as well. We will announce them when the time comes.

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