

Questions at Q1 FY2017 Financial Results Briefing

Recruit Holdings Co., Ltd.

Q1 Consolidated earnings results

Q : Which has more impact on Indeed revenue growth, growth in the US or non-US?

A : Revenue grew both in the US and non-US. The growth ratio was higher in non-US.

Q : Google for jobs launched in late June, 2017. We understand that it won't have short-term impact on Indeed. But have you seen any change of your service usage in July?

A. As of now, it shows no significant impact.

Q : Indeed's EBITDA margin achieved around 17%. Will EBITDA margin continue to be the same level, or change going forward?

A. Our initial strategy remains unchanged. We will control the investment amount to keep EBITDA margin at 10-20% in full-year.

Q : Online reservation in Beauty business is achieving healthy growth. What measures will you implement to further increase the number of clients?

A. Now we are acquiring clients in local areas as well as metropolitan areas. We will continue this strategy going forward.

Q : As for continuous high revenue growth in Domestic Staffing, do you expect this trend will continue on and after Q2? Was this high EBITDA margin temporarily achieved, or can you keep this margin level going forward?

A : Revenue increased with favorable market environment. However, we expect revenue growth rate would be moderate, given that we saw high growth in last fiscal year. EBITDA margin rose due to productivity improvement which we had been working on since last fiscal year and revenue increase. Even if the revenue growth slows down, we will aim at around 7% of EBITDA margin as ever.

Q : Please explain specific measures for productivity improvement in domestic staffing business and whether it will continue or not. Also, is there any difference in measures between Recruit Staffing and STAFF SERVICE HOLDINGS?

A : We have two factors for productivity improvement. There is no difference in measures between Recruit Staffing and STAFF SERVICE HOLDINGS.

- 1) To control SG&A, we strictly control headcount. We have been working on it since previous fiscal year and we see its effect especially after April 2017.
- 2) We strictly examine what to invest, with aiming at lean management in our core business.

Introduction to Staffing Business

Q : Please describe the M&A strategy for the future. How do you evaluate candidate companies? (e.g. acceptability of the Unit Management Method, operating area, business category)

A : It is important to select the company which EBITDA margin is not too high. In terms of PMI, the size of a company, etc. do not effect on what we do to improve 1% of EBITDA margin.

As for the area target, we focus on areas where we operate now: North America, Europe, and Australia. Also, company with larger revenue would be better, because when we realize the EBITDA margin improvement, increased EBITDA amount will be larger.

Q : To achieve 1 trillion yen overseas revenue by around 2020, how much revenue increase do you estimate from organic growth and from M&A? As for M&A investment, how do you put priority among several businesses including Indeed?

A : We do not specifically estimate organic growth and M&A impact as separate factors.

In terms of organic growth, we do not put priority on revenue growth under the Unit Management. However, we would aim to take advantage of the growing demand supported by economic condition.

Mid-term investment capability is approx. 500 billion yen for whole group. We aim to use it mainly in HR Technology segment, except cash we need for achieving 1 trillion yen revenue in overseas staffing business.

We will continue to carefully considering IRR as our investment criteria, no matter which business segment it is.

Q : Under the growing global labor market, your competitors are also growing. Given that your strategy to acquire the company with lower EBITDA margin, do you have any concerns about securing candidate companies?

A : There are not so many companies with lower EBITDA margin. However, there are some candidate companies which we keep in mind as we have been examining target companies since we started acquisition. It is hard to mention the size of the company, category of the company, and when to acquire it.

Q. Please tell us why you do not target at immature labor market?

A. One of the reason is that certain size of the market for staffing business is not expected if the labor market is immature. It is required for staffing business that labor market gets mature and needs for temporary workers arise. Such environment has not been developed in immature labor market yet. Accordingly, our investment priority is put on North America, Europe, and Australia, where we are now operating our business.

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