Questions at Q3 FY2014 Earnings Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why did net sales remained at an increase of 7.6% YoY while EBITDA decreased 3.8%?

A: This was mainly due to the change in launch timing of products for prospective new graduates such as 'RIKUNABI' from Q3 in the previous fiscal year to Q4 of this year. For your reference, in the earnings results of last year's Q3 minus the earnings results of the new graduate product, which had an effect on this term's earnings, this term's net sales would represent an increase of 9.6%, and EBITDA an increase of 4.7% YoY.

Q : Is favorable progress being made toward achieving the full fiscal year EBITDA forecast?

A : EBITDA for Q3 YTD was favorable progress toward achieving our full fiscal year forecast. The reason why EBITDA for Q3 YTD was decline was that the change in launch timing of products for prospective new graduates such as 'RIKUNABI' from Q3 in the previous fiscal year to Q4 of this year. The impact is incorporated into the full-year forecast announced at the beginning of the term and will disappear by Q4.

Our target is to achieve mid to high single digit EBITDA growth, and available capacity will be allocated to enhancing existing businesses and to investment in growth. Since we plan to allocate excess capacity gained until Q3 to various areas in Q4, there will be no changes to the forecast of financial results for full-year FY2014.

Q : Why were the percentage of decline YoY in operating and net income bigger than the one in EBITDA?

A: This primarily reflects an increase in depreciation expense mainly in conjunction with our growth investments, as well as an increased goodwill amortization of acquired subsidiaries due to a weaker yen. We note that we employ EBITDA (operating income + depreciation and amortization + goodwill amortization) as a key management index.

Q: What impact did the fluctuation in exchange rates have on earnings?

A: For every ¥1 decline in the yen's value versus the US dollar, sales rise around ¥3.0 billion. That said, given our foreign exchange rate assumption for FY2014 of ¥103/USD, our Q3 YTD sales increased around ¥12.0 billion YoY owing to benefit from a weaker yen.

Segment earnings results

■Marketing Media

Q: I believe both sales and EBITDA rose YoY in this segment. What catalysts drove this solid profit growth?

A : The reason why was that net sales in the Life Event operations trended solidly YoY, but those in the Lifestyle operations rose 7.3% reflecting favorable trend.

Q: In Life Event operations, why did sales drop -0.0% YoY?

A: This reflects a decline in sales in the housing and real estate business of 3.7% YoY. In the housing and real estate business, sales were brisk for secondary transaction of houses and condominiums, and also owing to demand for rentals. Meanwhile, in the new condominium division, sales trended weakly due in part to impact from a reactionary drop in demand, following the last-minute rush demand to beat the consumption tax hike. We expect to see similar trends in Q4.

■HR Media

Q: Why did net sales remained at an increase of 7.4% YoY while EBITDA decreased 10.1%?

A: This was mainly due to the change in launch timing of products for prospective new graduates such as ‘RIKUNABI’ from Q3 in the previous fiscal year to Q4 of this year. For your reference, net sales of mainly mid-career and part-time/temporary worker services had no change in the favorable trend effect, since Q3 YTD earnings results were +9.9% YoY.

■Staffing

Q: I believe both sales and EBITDA rose YoY in this segment. What catalysts drove this brisk profit growth?

A: In the domestic and overseas staffing businesses, earnings trended briskly underpinned by a gradual recovery in the market environment. Moreover, in the overseas staffing business, we posted an improvement in the EBITDA margin thanks to advancements in management efficiency, which is one of our strengths.

■Other/adjustments

Q: In other segment, how do you explain the widened decline in EBITDA?

A: We posted expenses in this segment related to the ID point strategy. This reflects the intensive investment to implement this strategy since Q4 FY2013.

Q: How did adjustments trigger a widened decline in EBITDA?

A: This reflects costs for strengthening security measures, the hiring and training of IT engineers, which are related to the IT strategy enhancements, and one-off costs related to the listing of our shares.