

Acquisition of HotSpring - Online Beauty Reservation Service Provider in Europe -

May 1, 2015



Recruit Holdings Co., Ltd.

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1. Transaction highlights

1. Highlights of the transaction


- This is the **first milestone of the overseas expansion in beauty sector**
- In Europe, Hotspring is already **No.1 in # of listed salons/UVs/# of reservations**
 - European online beauty reservation market is a promising market **which is expected to grow significantly going forward**
- **Acceleration of Value-up** by transferring our knowhow
 - Transferring “Organizational management knowhow” and “CRM(Customer Relationship Management) knowhow”

2. Overseas strategy for Marketing Media business

2. Overseas strategy for Marketing Media business

- Given accumulated knowhow through domestic businesses and market sizes, we are targeting overseas expansion in housing and real estate, travel, dining, and beauty verticals
- We are pursuing expansion of business in cooperation with excellent partners in each country

<Current status of business expansion>

	North America	Europe	Asia		
Housing and Real Estate	 (100% acquisition/Phase1) Real estate information service in the US	---	---		
Travel	 (Minority investment/Phase1) Largest search site for holiday let data stocks	 (Minority investment/Phase1) One of the largest OTA site in English/German-speaking countries	 (Minority investment/Phase1) Travel reservation service in Vietnam	 (Minority investment/Phase1) Travel reservation service in Indonesia	 (Subsidiarization/Phase1) Travel reservation service in Philippines
Dining	---	 (100% acquisition /Phase2) Largest class dining online reservation service in Europe	 (Minority investment/Phase1) Largest word-of-mouth search site for dining and beauty salon in Thailand	---	
Beauty	---	 (Subsidiarization/Phase2) Largest beauty salon online reservation service in Europe	---		

3. Overview of Hotspring

3-1. Company overview (1/2)

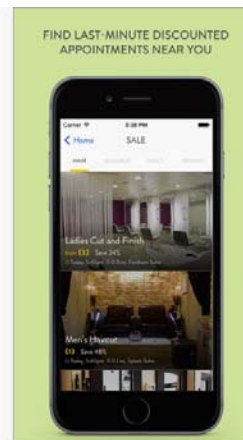
- Headquartered in London, Hotspring is an operator of Wahanda, an online beauty reservation site
- Starting reservation services in 2012, it is already No.1 in # of listed salons, UVs and # of reservations



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Company Overview

Company	:	Hotspring Ventures Limited
Business	:	Online beauty booking service
Established	:	February 2008
Headquarters	:	London (UK)
Listed/Private	:	Private
Sales	:	£ 4.30million (FY2014)
EBITDA	:	£ ▲6.30million (FY2014)
Headcount	:	Approx. 130
Countries	:	5

3-1. Company overview (2/2)

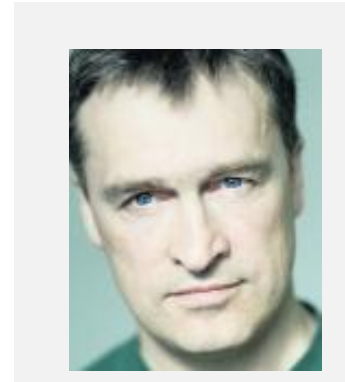
■ Management team with abundant management/execution experiences in the reservation business in Europe

Lopo Champalimaud
(Co-Founder, CEO)



- Founded Fulcrum Analytics (online research service)
- Lastminute.com (last-minute reservation site)
Managing Director
- Livebookings (online restaurant reservation site)
Director
- Founded Hotspring (2008)

Klaus Nyengaard
(Chairman)



- JustEat (World's No.1 delivery order site) CEO

Chris Wood
(Chief Commercial Officer)



- Hilton International
Director of Brands
- Toptable (online restaurant reservation site)
Managing Director

Simon Lambert
(Chief Technology Officer)



- Lastminute.com (last-minute reservation site)
Head of Development
- moo (UK's No.1 EC site for stationery) CTO

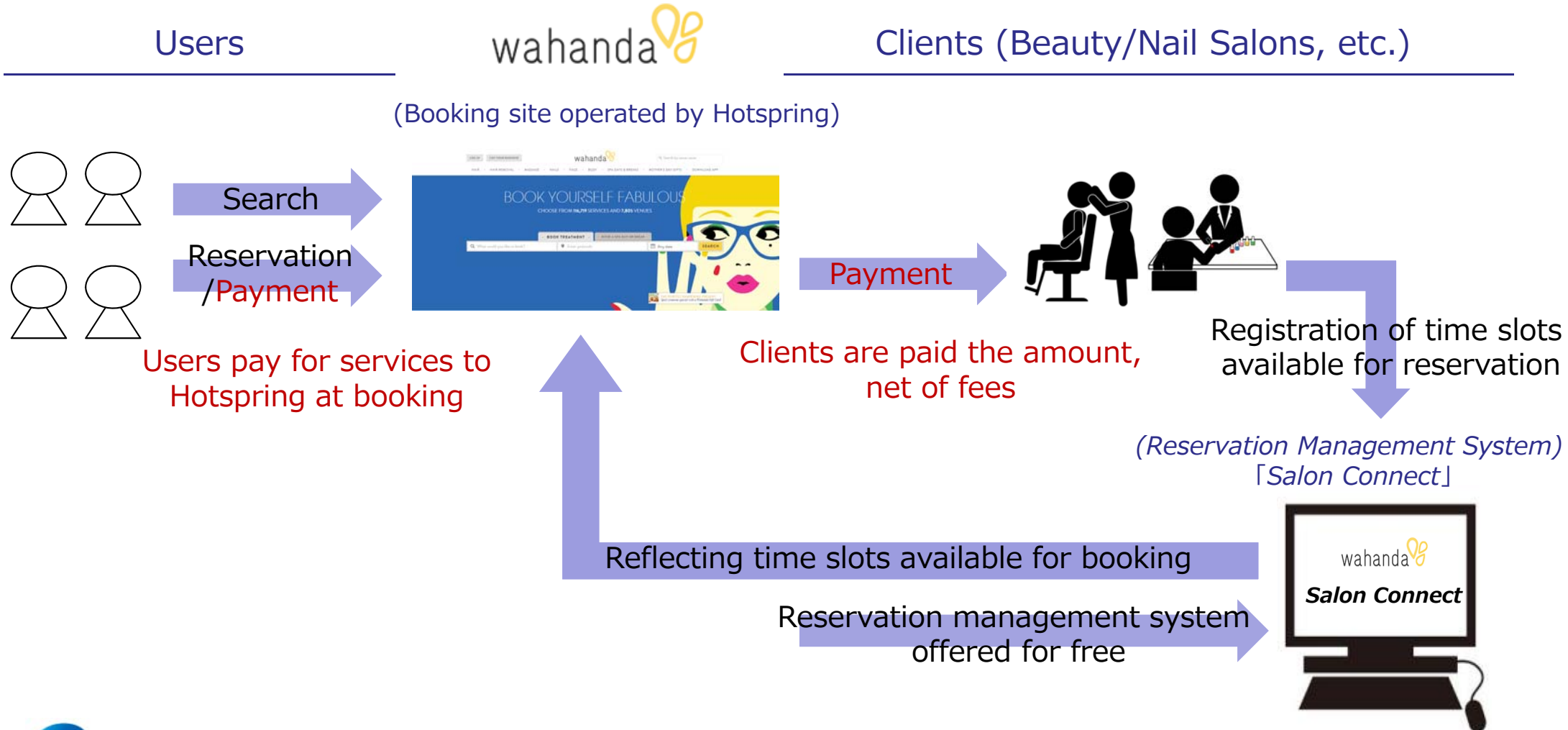
Giorgio Ponticelli
(MD, International)



- JustEat (World's No.1 delivery order site)
Business Development
Director

3-2. Business model

- Operator of online reservation site, offering reservation management system for free to beauty and nail salons
- Clients (stores) are charged fees for reservations made by users via the site

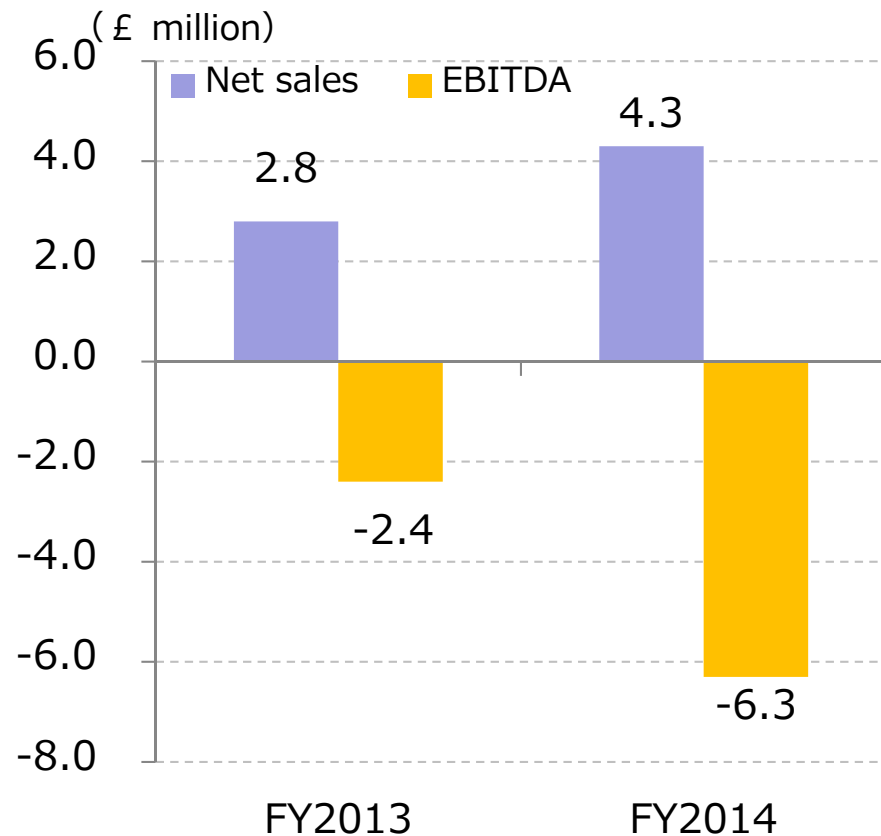


3-3. Business performance in FY2014

- Net sales of £4.3 million and negative EBITDA of £6.3 million
- Expanding footprint, # of listed salons dramatically increased in 12 months

Net sales/EBITDA

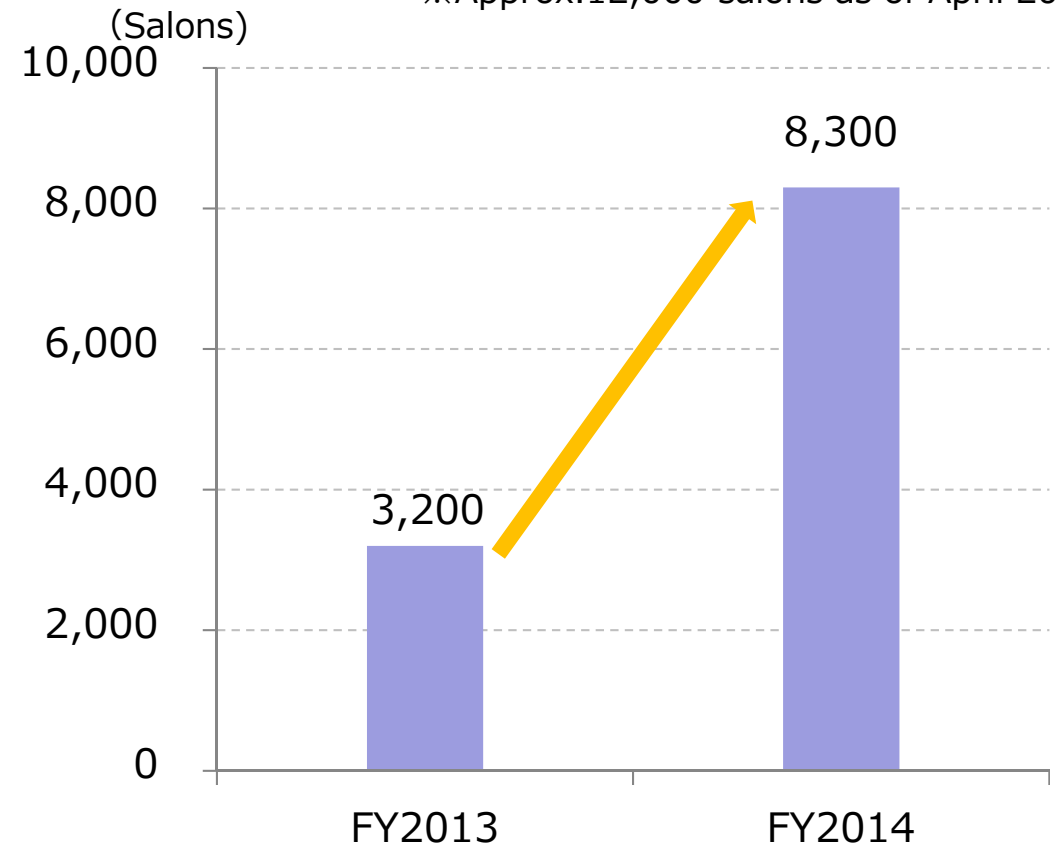
– Reported Negative EBITDA as a result of accelerating expansion



of listed salons

– 8,300 salons, up Approx.150% YoY in FY2014

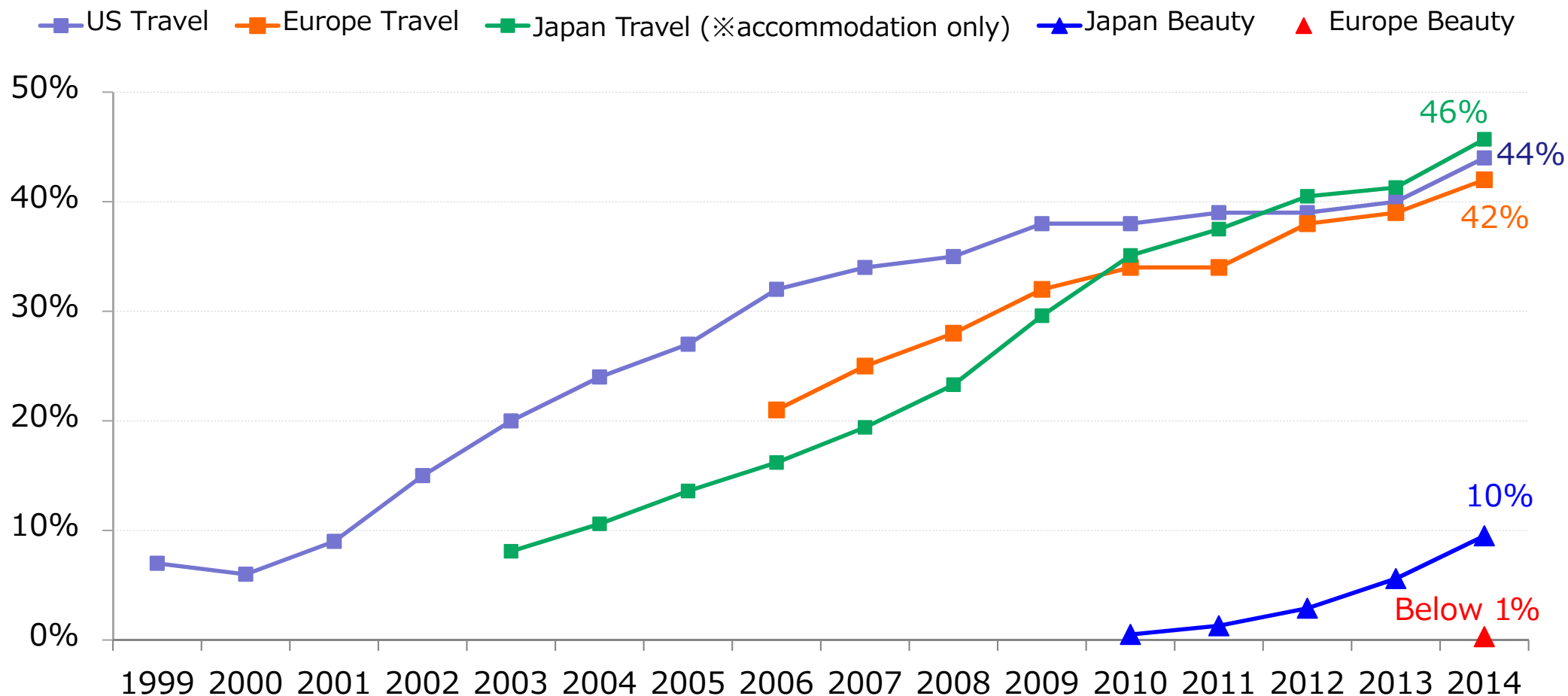
※Approx.12,000 salons as of April 2015



3-4. Beauty market in Europe

■ Online beauty reservation market in Europe is expected grow significantly

% of online reservation in Travel/Beauty Sectors



※Source : US Travel/Europe Travel : PhoCusWright
 Japan Travel/Japan Beauty : Recruit estimates based on actual performance
 European Beauty : Recruit estimates based on questionnaire survey (UK/France/Germany/Spain/Italy)



3-5. Positioning in beauty reservation market

- No.1 position in Europe based on # of listed salons, UVs and reservations
- Enjoying a wide lead over competitors in knowhow and speed of multinational expansions

Company	Established	Countries	# of Salons
Hotspring	2008 (2012 for reservation)	UK/Germany/ Lithuania/ Switzerland/ Austria	12,000
Company A	2013	Netherlands/ Germany	2,000
Company B	2010	France	1,000
Company C	2012	Spain	700
Company D	2014	Italy	---
(Reference) Recruit beauty business	---	Japan	47,049^{※1}

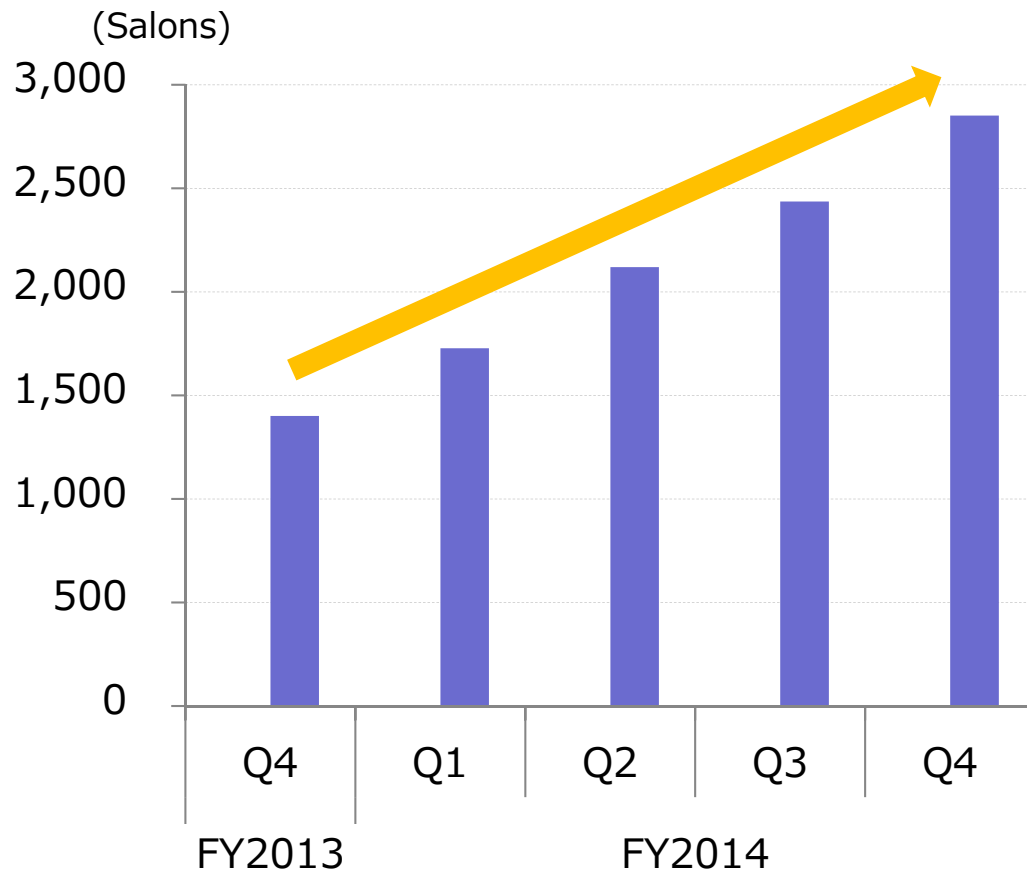
※Source : Ernst & Young, April 2015 survey
 ※1 : As of March 2015

3-6. Competitive advantages

- Excellent marketing capabilities on the back of abundant knowledge of booking services
- Highly convenient reservation management system (available for free), which helps reduce client workload

of Listed Salons in London

– Rapidly increasing in # of listed salons



Booking Management System

Functions Available (Example)			Company A
Reservation Management	Booking /Schedule management	✓	✓
	Booking/Work schedule management	✓	---
	Booking data output	✓	✓
Customer Management	User information management	✓	---
Message Transmission	Blast messaging	✓	---
Salon Direct	Link to its own webpage	✓	---
	Link to SNS	✓	---
Sales Register	Calculation	✓	---
Discount offer	Automatic discount offer	✓	---
Site Listing Management	Editing of information posted	✓	✓
	Responding to word-of-mouth	✓	---

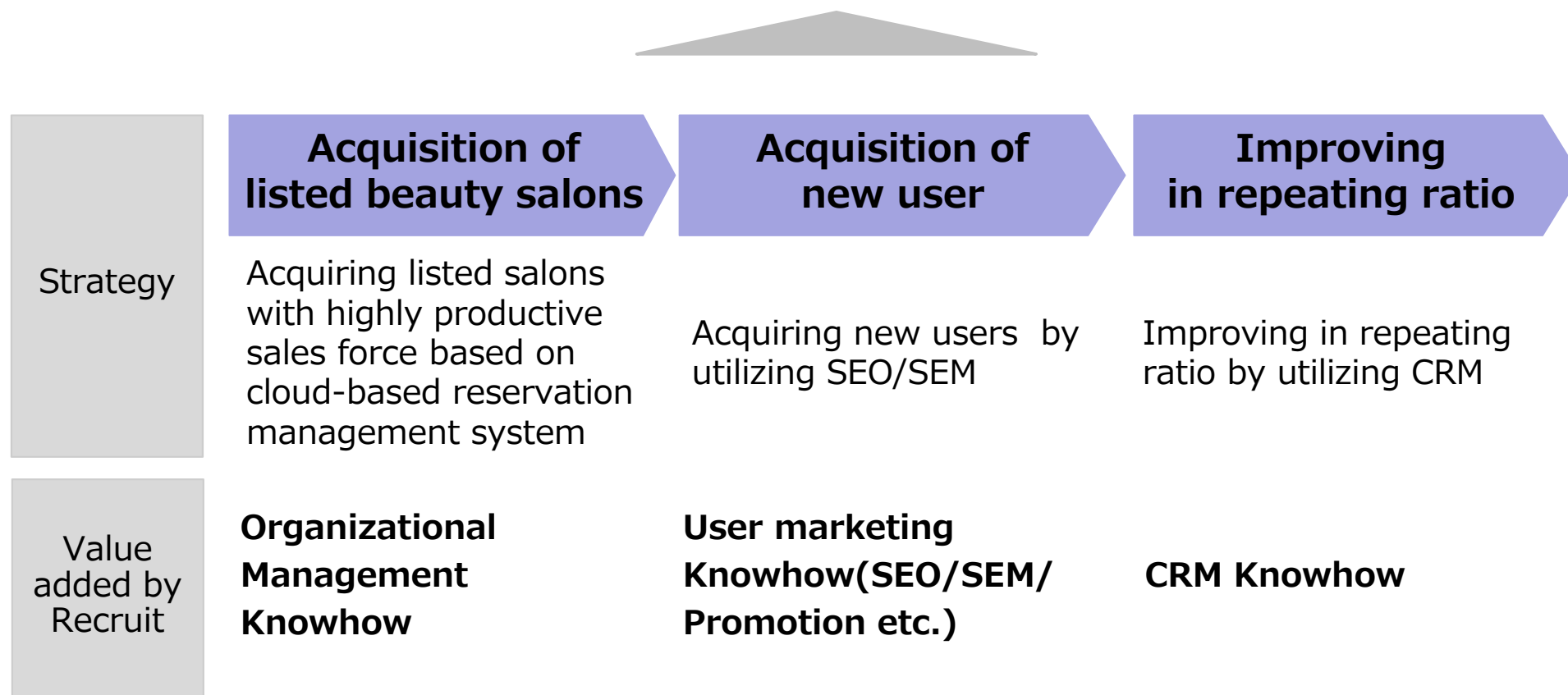
※Recruit survey

4. Growth strategies

4. Growth strategies

Mid to Long-term vision

- To become the clear No.1 European online beauty platform (# of bookings)



5. Acquisition cost and impact to Consolidated Financial Results

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Total acquisition cost: JPY21.0Bn

Acquisition price: JPY 20.4Bn (Appx. GBP112.5mm) ※JPY181.55/GBP

Advisory fees and other related costs: JPY0.6Bn

Impact: Insignificant impact to financial results in FY2014

(Consolidation to Recruit's financial statements will occur from FY2015)

Financial arrangements: Cash in hand (partly generated by the IPO)

Financial Policies

Key management index: EBITDA

Mid to high single digit growth each period at existing businesses

Growth investments: investment capability of **JPY700 billion** in the medium term

Leverage: effectively use debt financing while maintain sound credit (relevant to **A rating** from domestic rating agency)

Capital efficiency: Adjusted ROE_{*1} maintain around **15%**

Payout ratio: Around **25%** of adjusted net income_{*2}

*1: Amortization of goodwill was added back into net income

*2: Adjusted net income = Net income + Amortization of goodwill

Appendix

Mid to Long-term vision

Be the No.1 in Global HR and Marketing Media Business by approximately 2030

Be the No.1 in Global HR Business by approximately 2020



Sustainable growth in domestic business

Strong client base

No. market 1 share net sales) in major services

IT strategies

Acquire new clients by leveraging IT technologies

Further growth in overseas business

Improve profitability at subsidiaries

Enhance value by providing our operating knowhow

M&A strategies

Expand and enhance business foundation through M&A

1 “2-Phase Approach” for Global Expansion

Phase 1

- *Feasibility evaluation*
- *Small-size acquisitions / minority investments etc.*

Phase 2

- *Global expansion through acquisitions*
- *Maximizing value of acquired companies*

2 *Disciplined Investment Criteria*

- *Implementing appropriate hurdle rate when making investment decisions*

Overseas M&A track record

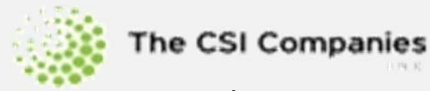
Phase 1

Minority investment/
Feasibility evaluation

Phase 2

M&A /
Global expansion

Staffing



Acquired in 2010



Acquired in 2011



Acquired in 2011



Acquired in 2013



Acquired in 2015

HR Media



Creations

Acquired in 2009



Minority Investment in 2010
Acquired in 2013



Acquired in 2013



Acquired in 2012



Acquired in 2014

Marketing Media



JV (Minority Investment)
in 2012



Acquired in 2013



Minority Investment in 2014



Minority Investment in 2014
Acquired in 2015