Questions at FY2014 Earnings Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why did net sales in the fourth quarter remained at an increase of 13.1% YoY while EBITDA increased 45.0%?

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.

Q : Why did EBITDA remained at an increase of 6.0% YoY while net sales increased 9.1%?

A : We adopt EBITDA as a key management index and our target is to achieve mid to high single digit EBITDA growth in existing business. We are implementing policies, using a medium-to-long term outlook, to strengthen existing businesses and to gear up for growth investments with the available capacity required to outperform management targets for a single fiscal year. Due to the introduction of Air REGI, carrying out Point ID strategy and the marketing investments in overseas recruiting operations(in Indeed), the EBITDA growth rate is lower than the net sales.

Q : Why were the percentage of increase YoY in operating and ordinary income smaller than the one in EBITDA?

A: This primarily reflects an increase in depreciation expense mainly in conjunction with our growth investments, an increased goodwill amortization of acquired subsidiaries due to a weaker yen and various investment typified by security investment.

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 ¥105.79/USD, our net sales increased around ¥28.2 billion YoY owing to benefit from a weaker yen.

Q : Why will EBITDA remain at an increase of 5.0% YoY while net sales increase 19.2% in FY2015?

A : Due to further growth in existing business and subsidiary which are newly consolidated from this fiscal year the net sales growth rate will be 19.2% but the EBITDA growth rate is lower than the net sales due to the changes in the sales mix will occur because of newly consolidation of staffing company and start-up company which EBITDA is still deficit.

Q : Why will the total EBITDA forecast is lower than the EBITDA forecast from existing business?

A : EBITDA forecast of 202.5 billion yen is estimated by deducting the earnings forecast of subsidiary which are newly consolidated from this fiscal year. Quandoo GmbH, Germany and Hotspring Ventures Limited are start-up companies and the EBITDAs are still deficit so total EBITDA forecast of 201.0 billion yen from existing business is lower.

Q : Why will operating and ordinary income decrease of 8.6% and 6.9% YoY while EBITDA will increase 5.0%?

A : Because of the increase of depreciation expense and goodwill amortization due to a weaker yen and newly consolidation of acquired companies.

Segment earnings results

■Marketing Media

Q: Why did EBITDA remained at an increase of 1.1% YoY while net sales increased 3.4%?

A: Due to growth investments for medium-to-long term represented by the introduction of Air REGI and SALON BOARD.

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 3.0% 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.

■HR Media

Q: Why did EBITDA remained at an increase of 6.0% YoY while net sales increased 13.4%?

A: Net sales increased 13.4% for two reasons. First, in domestic recruiting operations, the market environment was brisk as evidenced in part by an ongoing improvement in the ratio of job-offers to job-seekers. Second, in overseas recruiting operations, the result of indeed was strong. On the other hand, EBITDA increased 6.0% due to the investment in Indeed to achieve further growth in the medium-to-long term.

Q: Why was the result of indeed strong?

A: Due to the smooth growth in service used by small and medium-sized clients. Given the brisk expansion of its business thus far, we plan to increase investment in Indeed to achieve further growth in the medium-to-long term. We plan to continue to make marketing investments and investments to attract customers not only in the US, which is currently our main profit market, but also in other regions.

■Staffing

Q: Why did net sales remained at an increase of 10.2% YoY while EBITDA increased 17.2%?

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 and the hiring and training of IT engineers, which are related to the IT strategy enhancements.