Acquisition of Australian staffing companies: Peoplebank and Chandler Macleod

January 14, 2015
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1. Highlights of the transaction
1. Highlights of the transaction

- Provided us full-scale entry into the strategically important and expanding Australian market

- As a result of the successful completion of both transactions, Recruit is now in the second position in the Australian staffing market

- Improve EBITDA margin of the acquired companies through the introduction of our Unit Management Method, cultivated in Japan
2. About Staffing industry market
2-1. Global Staffing market

- The staffing industry is mature and well established industry and is a key component of the overall labor market. Market size is Appx. JPY40 trillion globally (mostly in matured countries).
- Australia is one of the attractive market because of the high penetration rate and market size.

### Global Staffing markets (2013)

- Total Market US$422 Billion

### Staffing market penetration rate: Global

- **Global Average:** 0.9%

#### Global Staffing Markets (2013)

- US: 30%
- Japan: 14%
- Rest of the World: 22%
- Brazil: 3%
- Netherland: 4%
- Australia: 5%
- Germany: 6%
- France: 7%

#### Staffing market penetration rate: Global

- UK: 3.8%
- Australia: 2.9%
- Netherlands: 2.7%
- Germany: 2.2%
- US: 2%
- France: 2%
- Japan: 1.4%

(1) Calculated by adding the sales

(2) The above ranking does not include China due to the lack of reliable statistical data
Source: Ciett Economic Report 2014
2-2. Staffing market in Australia

We see steady growth in the Australian staffing market.

**Growth forecast of GDP(real): Australia**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (Bn AUD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,544</td>
</tr>
<tr>
<td>2018</td>
<td>1,785</td>
</tr>
</tbody>
</table>

**Staffing market growth forecast: Australia**

<table>
<thead>
<tr>
<th>Year</th>
<th>Staffing Market (Bn AUD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>18.5</td>
</tr>
<tr>
<td>2018</td>
<td>21.9</td>
</tr>
</tbody>
</table>

Source: IBIS World 「Temporary Staff Services in Australia」

Source: International Monetary Fund, World Economic Outlook Database, October 2014

CAGR 2.9%

CAGR 3.4%
3. About Peoplebank and Chandler Macleod
## 3-1. Company profile (1/2)

Both Peoplebank and Chandler Macleod are staffing businesses based in Australia.
- Peoplebank specialized in IT
- Chandler Macleod is diversified staffing firm with multiple services

<table>
<thead>
<tr>
<th>Peoplebank</th>
<th>Chandler Macleod</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate name</td>
<td>Corporate name</td>
</tr>
<tr>
<td>Peoplebank Holdings Pty Ltd</td>
<td>Chandler Macleod Group Limited</td>
</tr>
<tr>
<td>Established</td>
<td>Established</td>
</tr>
<tr>
<td>2007</td>
<td>1959</td>
</tr>
<tr>
<td>HQ</td>
<td>HQ</td>
</tr>
<tr>
<td>North Sydney, Australia</td>
<td>Sydney, Australia</td>
</tr>
<tr>
<td>Listed</td>
<td>Listed</td>
</tr>
<tr>
<td>Private</td>
<td>Listed (Australian Security Exchange)</td>
</tr>
<tr>
<td>Revenue</td>
<td>Revenue</td>
</tr>
<tr>
<td>$522million (AUD) in FY2014</td>
<td>$1,413million (AUD) in FY2014</td>
</tr>
<tr>
<td>EBITDA (margin)</td>
<td>EBITDA (margin)</td>
</tr>
<tr>
<td>$14million (AUD) in FY2014 (2.7%)</td>
<td>$38million (AUD) in FY2014 (2.7%)</td>
</tr>
<tr>
<td>Head count</td>
<td>Head count</td>
</tr>
<tr>
<td>Appx. 230</td>
<td>Appx. 1,100</td>
</tr>
<tr>
<td>Countries</td>
<td>Countries</td>
</tr>
<tr>
<td>5 (Australia, Singapore, Hong Kong, Indonesia, Malaysia)</td>
<td>7 (Australia, China (including Hong Kong), Singapore, Indonesia, New Zealand, UK and Ireland)</td>
</tr>
<tr>
<td>Business domain</td>
<td>Business domain</td>
</tr>
<tr>
<td>IT &amp; Engineering</td>
<td>Diversified staffing</td>
</tr>
<tr>
<td>Managements</td>
<td>Managements</td>
</tr>
<tr>
<td>Peter Acheson</td>
<td>Cameron Judson</td>
</tr>
<tr>
<td>CEO</td>
<td>CEO and Managing Director</td>
</tr>
</tbody>
</table>

Peter Acheson
CEO

Cameron Judson
CEO and Managing Director
3-1. Company profile (2/2)

Through acquisition of Peoplebank and Chandler Macleod, we will become one of the market leaders in the Australian staffing market.

Each acquired companies will operate independently to maximize their specialty, in line with the approach to previously acquired company.

**Market Share among Australian staffing business**

<table>
<thead>
<tr>
<th>Skilled Group</th>
<th>8.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chandler MacLeod Group</td>
<td>5.1</td>
</tr>
<tr>
<td>Manpower Services (Australia)</td>
<td>2.5</td>
</tr>
<tr>
<td>Adecco Holdings (Australia)</td>
<td>2.1</td>
</tr>
<tr>
<td>Peoplebank Holdings</td>
<td>1.9</td>
</tr>
<tr>
<td>WorkPac</td>
<td>1.6</td>
</tr>
<tr>
<td>Hays Specialist Recruitment (Australia)</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: IBISWorld 「Temporary Staff Services in Australia」

**Business Domain/Service line-ups**

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</tbody>
</table>

Source: IBISWorld 「Temporary Staff Services in Australia」
3-2. Growth strategy and Track record

- In the past M&A, we have improved EBITDA margin of the acquired companies through the introduction of our Unit Management Method, cultivated in Japan.
- We expect a similar performance from both acquisitions in Australia.
4. Acquisition cost and Impact to our Financial results

Total acquisition cost: Appx. JPY36Bn\(^{(1)}\)
(Cost for ordinary share: Peoplebank AUD 68.6 MM (Appx. JPY 6.7Bn)\(^{(2)}\),
Chandler Macleod AUD290.4MM (Appx. JPY 28.3Bn)\(^{(2)}\))

(1) Total acquisition cost include Advisory and other related costs
(2) JPY 97.43/ AUD

Impact: Insignificant impact to financial results for FY2014
(Consolidation to our FS will occur from FY2015)

Financing arrangements: None
(cash in hand, partly generated by the IPO)
Appendix
Our Mid-to-Long term vision

- Our plan is to grow our global business whilst maintaining our dominant position in Japan.
- We set our target to be the No.1 in Global HR Business by appx. 2020 and No.1 in Global HR and Marketing Media by appx. 2030.
- We will promote further M&A overseas with cash generated from our domestic business.

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

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

### Sustainable growth in domestic business

- **Strong client base**
  - No. 1 market 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
M&A policy

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
M&A track record

- We are driving global expansion in Staffing, HR Media and Marketing Media segments.
- For Staffing and HR Media, we will accelerate our investments within Phase 2 criteria.

**Phase 1**
Minority investment/
Feasibility evaluation

**Phase 2**
M&A /
Global expansion

### Staffing
- **The CSI Companies**
  - Acquired in 2010

### HR Media
- **Gofish Creations**
  - Acquired in 2009
- **Bó Lè Associates**
  - Acquired in 2010
  - Minority Investment in 2009
- **NuGrid Consulting**
  - Acquired in 2013
- **indeed**
  - Acquired in 2012

### Marketing Media
- **MOVOTO**
  - Acquired in 2013

**In total:**
- 9 companies
SHAREHOLDER AND ANALYST ENQUIRIES

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