

Summary of Financial Results for Q3 FY2017

Recruit Holdings Co., Ltd.

Results for Q3 FY2017

■ Consolidated Earnings Summary

In the third quarter of FY2017, revenue and EBITDA grew in all three segments. Revenue increased 13.6% year on year to 1,616.8 billion yen. EBITDA grew 13.8% to 215.6 billion yen. Strong revenue growth continued in Indeed, the highest growth business, with 60.6% increase year over year on a US Dollar basis.

Adjusted profit, which excludes extraordinary income and losses, was 122.7 billion yen, an increase of 9.6%, and Adjusted EPS grew 9.6% to 73.48 yen.

■ Financial Results Highlights by Segment *Q3 three-month results (October-December)

○ HR Technology segment

Quarterly revenue in the HR technology segment was up 67.3% year on year to 57.4 billion yen. This growth was mainly due to a combination of new customer acquisition and expanding spend from existing customers, against the backdrop of a favorable economic environment and strong labor market. On a US dollar basis, year-on-year revenue growth was 62.9%. Quarterly segment EBITDA increased 51.3% year on year to 7.0 billion yen. To support future revenue growth, the HR Technology segment is strategically making investments, which fluctuates throughout the year, in its sales force, in marketing activities to acquire new users and customers, and in product enhancements to increase user and customer engagement. Indeed continued to achieve robust top line growth in the US, while revenue growth outside the US accelerated. As a result, it has reached a significant milestone of 250 million unique visitors in January 2018 with double digit growth year on year.

○ Media & Solutions segment

Quarterly revenue in the Media & Solutions segment was up 4.4% year on year to 166.7 billion yen mainly due to the Marketing Solutions' solid trend centering on the Beauty business, and due to the continued steady revenue growth in the HR Solutions. Quarterly EBITDA was up 1.2% year on year to 46.1 billion yen.

<Marketing Solutions>

Quarterly revenue of the Beauty business increased 14.0% year on year to 16.2 billion yen, due to the further increase in the number of clients, mainly driven by the efforts to extend its

reach to non-urban area salons.

In the Housing and Real Estate business, revenue in the independent housing and leasing divisions grew as a result of the sales initiatives to offer clients solutions and strengthen user attraction to our platform, while the new condominium apartment market showed a slowdown in the number of new construction starts in Japan.

However, due to a sale of a subsidiary in Housing business, overall quarterly revenue decreased 3.6% from the year-ago quarter to 23.5 billion yen. Excluding this one-time impact, the quarterly revenue was up 3.2%.

Quarterly revenue of the Travel business increased 5.3% year on year to 14.0 billion yen, driven by an increased number of hotel guests through its online reservation platform.

In the Dining business, the restaurant operators have been facing a challenging environment, mainly because of the workforce shortage in Japan. In the circumstances, a few of our major clients were forced to limit their sales promotion spending. As a result, quarterly revenue decreased 1.3% year on year to 9.9 billion yen. Simultaneously, the Dining business intensively focused on promoting *Air Platform*, a cloud-based operational support package, and strengthening relationships with them. The revenue of this operational support package is recorded in Other business in Marketing Solutions.

As a result, in Marketing Solutions, quarterly revenue increased 3.9% to 93.4 billion yen, and EBITDA increased 10.4% year on year to 29.7 billion yen.

<HR Solutions>

In the HR Solutions, quarterly revenue increased 5.1% year on year to 71.3 billion yen, driven by the continued favorable business environment in Japanese labor market. EBITDA decreased 3.8% to 19.8 billion yen, primarily due to impact from lower-level marketing investment in the year-ago quarter.

○Staffing segment

Quarterly revenue of the Staffing segment was up 8.9% year on year to 336.2 billion yen, as a result of performance improvement in the Domestic Staffing under the solid market environment and a positive impact of foreign exchange rate on the Overseas Staffing revenue. EBITDA increased 25.0% year on year to 22.1 billion yen.

<Domestic Staffing>

The Japanese staffing market continues to expand as evidenced by the continued increase in

the number of active agency workers. Under this environment, the Japanese operations focused on extending existing staffing contracts. As a result, quarterly revenue in the Japanese operations was favorable, an increase of 11.9% year on year to 130.6 billion yen. Quarterly EBITDA increased 41.0% year over year to 10.6 billion yen, driven by the revenue growth and our operating focus on profitability.

<Overseas Staffing>

In the overseas operations, quarterly revenue increased 7.1% to 205.6 billion yen. The positive effect of foreign exchange rate movements on its revenue during this quarter was 15.6 billion yen. Excluding this effect, the quarterly revenue declined 1.2% year on year. This decrease was primarily due to its operating focus on profitability based on the unit management system. In addition, the overseas operations experienced a decrease in transactions with existing clients who limited their spending due to the challenging business environment in some industries in the United States. Quarterly EBITDA increased 13.2% to 11.5 billion yen.

FY2017 Full-year Forecast

We made upward revision to our full-year forecast, reflecting the favorable nine-month results primarily driven by HR technology and Staffing, as well as the expected effects of tax reforms in the United States and European countries.

In the fourth quarter of FY2017, the Staffing segment will make investment to attract temporary workers under the favorable market environment. The HR Technology segment will continue to invest in its sales force, marketing and product enhancement. The Media & Solutions segment will also continue its marketing investment to attract users, in both Marketing Solutions and HR Solutions, for its sustainable growth.

Considering these factors, the revised revenue forecast is 2,166.0 billion yen, up 11.5%, the revised EBITDA forecast is 258.0 billion yen, an increase of 11.1%, and adjusted EPS was revised to 85.3 yen, up 6.5%.

Our dividend forecast remains unchanged. Following our dividend policy, which is payout ratio of approximately 30%, we will review the dividend forecast for FY2017 based on the full-year financial results.

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