Questions at Q1 FY2015 Earnings Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why was EBITDA growth rate lower (+4.7%) compared to that of net sales (+12.5%)?
A: From the first quarter, staffing company Peoplebank, one of acquired subsidiary, contributed to earnings and staffing company’s profit rate is lower compared to the other segment. In addition to this, we made several investment for the further growth over medium-to-long-term such as promotion of the introduction of ‘Air REGE’, the investment in Indeed to enhance its value, etc. As a result, EBITDA growth rate was lower than that of net sales.

Q: What impact did the exchange rate fluctuation have on results of the first quarter FY2015?
A: The exchange rate in the first quarter in FY2015 was ¥119.16/USD. Net sales increased ¥10.7 billion year-on-year due to the benefit from a weak yen. For every ¥1 decline in the yen's value against the US dollar, net sales rise around ¥3.0 billion.

Q: Why was the sales growth rate in the first quarter lower (+12.5%) compared to the full-year forecast (+19.2%)?
A: That came from the deference in schedule for consolidation of new subsidiaries which will be consolidated from FY2015. Chandler, which net sales are largest in newly consolidated subsidiaries, will be consolidated from the second quarter.
**Segment earnings results**

- **Marketing Media**

**Q: Why was EBITDA growth rate (+2.3%) lower compared to that of net sales (+5.8%)?**

A: It is mainly because, in the acquired subsidiaries, Quandoo which contributed to earnings from the first quarter is a start-up company and will report a loss on EBITDA in this fiscal year. However, its track record have trended steadily toward the outlook of this acquisition project.

**Q: In housing and Real Estate business, why did net sales increase by 6.1% year-on-year?**

A: In the business, net sales in the new condominium division decline trend, which reflect the impact from a reactionary drop in demand following the last-minute rush demand triggered by the consumption tax hike, have become moderate. Add to this, sales of detached house and previously-owned condominium, and rental apartment continued to trend favorably. As a result, net sales increased by 6.1%.

**Q: In Lifestyle operations, why did net sales increase favorably by 9.5% year-on-year?**

A: It was mainly because the sales of travel business increased by 15.4% year-on-year and the sales of beauty business increased by 20.8% year-on-year.

In the travel business, the guest nights increased in addition to the increase of accommodation price per person per night due to the improvement of domestic accommodations’ operation rate which was reflecting the impact from inbound travelers. These factors led net sales to increase.

In beauty business, as we promoted introduction of ‘SALON BOARD’ which enhance the convenience for clients and users, the number of online reservation has increased steadily. As a result, transaction value per client increased and acquisition of new clients also advanced steadily. These factors led net sales to increase.
Q: Why was EBITDA growth rate (+8.6%) lower compared to that of net sales (+16.2%)?
A: Net sales increased by 16.2% for two reasons. First reason was the favorable market environment trend in Domestic Recruiting operation through the quarter as it showed in the improving ratio of job-offers to job-seekers. Second reason was that the result of Indeed in Overseas Recruiting operation continued to trend strong. On the other hand, EBITDA growth rate remain an increase of 8.6% due to the investment in Indeed for further growth over the medium-to-long-term.

Q: Why did net sales in Overseas Recruiting operation trended favorably with an increase of 80.6% year-on-year?
A: It was due to the smooth growth in use of Indeed’s service by small and medium-sized clients. Considering this strong business expansion, we plan to increase investment in Indeed to achieve further growth in the medium-to-long term. We are going to continue investment to enhance the brand strength and to acquire users not only in the US, where our major source of profit, but also in the other regions.

Q: Why did both net sales (which growth rate increased by 13.6%) and EBITDA (which growth rate increased by 16.1%) trend favorably?
A: In Domestic Staffing operation, net sales trended favorably as a result of moderate recover of market environment. In Overseas Staffing operation, the contribution of Peoplebank, which we acquired and consolidated from this first quarter, and the impact from the weak yen led net sales to trend favorably. EBITDA trended favorably due to the improvement of EBITDA margin reflecting the continuous progress in effective management, which is our strength, in existing subsidiaries, in addition to the increase in net sales.
■ Other/adjustments

Q: Why was the other segment in the deficit continuously?
A: It was because that we posted expenses related to ‘ID point strategy’. We continue to strengthen this strategy.

Q: Why did decline of adjustments continue?
A: It was because that expenses of security measures and hiring/training IT engineers increased due to the enhancement of IT strategy, in addition to we changed the expenses report for M&A’s advisory fees to record in a lump from this quarter.

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