

Questions at Q2 FY2016 Earnings Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Net sale and EBITDA in FY 2016 Q2 YTD achieved favorable results of double-digit increase. Please describe their achievements toward your forecast.

A: During the period, we achieved strong earnings toward our forecast mainly in the Housing and real estate and the Beauty business (Marketing Media segment) and the Overseas Recruiting business (HR Media segment).

Regarding quarterly investment, we flexibly implement each investment and manage the total amount in full-year. Therefore, some of the investment plan in the first half was carried over to the second half. Deducting the impact, EBITDA of Q2 FY2016 YTD exceeded our forecast by billions of yen.

Q: Please describe the growth investment plan for the second half.

A: We continuously invest mainly in Indeed to strengthen the competitive edge of existing businesses both in Japan and overseas. Also we plan to invest in new businesses such as Air Series and Study Sapuri.

Q: What impact did exchange rate fluctuation have on results of Q2 FY2016?

A: Exchange rates during the first half in FY2016 were ¥111.70/USD and ¥81.88/AUD. A negative impact on net sales was ¥29.8 billion year-on-year. In FY2016, for every ¥1 rise in the yen's value against the US dollar, net sales decrease around ¥3.7 billion, against the Australian dollar, net sales decrease around ¥1.9 billion.

Segment earnings results

■ Marketing Media

Q: Why did net sales in the Housing and real estate business trend favorably (+15.9% YoY)?

A: The independent housing and leasing division trended favorably and the condominium apartment division, which showed a sluggish trend in the previous fiscal year, trended favorably as well, reflecting a rise of major developers' customer acquisition needs in the Tokyo metropolitan area. There is a temporary impact on business related to custom-build housing sales from sales report timing change in the first quarter.

Q: In travel business, why was net sales year-on-year growth rate (+0.3%) lower than the rate in FY2015 (+16.4%)?

A: Net sales growth rate remained at an increase of 0.3% due to an impact of the transfer of Yuko Yuko Corporation's shares. Deducing it, net sales achieved a high single-digit increase. In addition, room rate and the number of guests increased year-on-year by low single-digit, which became moderate compared to the previous fiscal year, since the weather was bad, holidays fell in weekdays, and hotels' operation growth which benefited recent inbound tourism surge had become moderate.

Q: Please describe reasons of a 18.2% increase in the Life Event Other division and a 31.0% decrease in Lifestyle Other division?

A: The main reason was transfer of some businesses which was included in the Lifestyle Other in the previous fiscal year. We transferred *Akasugu*, a mail order service for maternity and nursing parents, and *Keiko to Manabu*, a learning service for working people, to the Life Event Other from Q1 FY2016.

■ HR Media

Q: Why did EBITDA decreased by 0.1% while net sales increased by 20.6%?

A: Net sales increased by 20.6%, as a result of favorable trend in the Domestic Recruiting operation, reflecting favorable market environment, such as ratio of job offers to applicant improvement, and continuous favorable results of Indeed in Overseas Recruiting operation. On the other hand, EBITDA decreased due to investment in promotion for Domestic Recruiting business (mainly in TV commercials), and operating system enhancement, and user-acquisition investment in Indeed aiming further growth over the mid- to long-term. The investment scale will shrink in the second half and there will be return on the investment in the first half, and therefore we expect that the full-year EBITDA in HR Media segment will increase.

Q: Why did net sales in the Overseas Recruiting operation trend favorably with an increase of 56.5% year-on-year? Please describe future growth strategy.

A: In overseas recruiting business, net sales rose favorably by 56.5%, owing to the increase of small- and medium-sized clients' service usage in Indeed. The negative impact from the foreign exchange rate fluctuation was ¥4.3 billion. Deducting the impact, net sales increased by 68.5%. We will continue investments for user-base enhancement including UV increase measures. In addition to that, we will focus on measures to expand the client base, such as establishing local corporations and increase sales reps in the regions where we hold solid user base, aiming full-scale monetization outside the US.

■ Staffing

Q: Why did both net sales (+8.9% YoY) and EBITDA (+13.4% YoY) trend favorably?

A: In the Domestic Staffing operation, net sales trended favorably reflected measures to increase the number of registered workers of our services amid continuous moderate expansion of business environment. In the Overseas Staffing operation, we had a negative impact of ¥24.5 billion on net sales from the currency fluctuation, however, the benefit from contribution of subsidiaries acquired in the previous fiscal year, Chandler, Peoplebank, Atterro have a positive impact of ¥38.3 billion on the operation, and resulted in a favorable trend. EBITDA also trended favorably due to the EBITDA margin improvement which was because existing subsidiaries had improved with one of our strength, efficient operation, in addition to net sales increase.

■ Other/adjustments

Q: What impact will USG People have on your FY2016 earnings?

A: In FY2016, the consolidation period of USG people is to six month, starting the third quarter. We expect a positive impact on consolidated earnings results: net sales is to increase ¥150.0 billion, EBITDA is to increase ¥8.0 billion, net income attributable to owners of the parent is to decrease ¥3.5 billion. The decrease is due to amortization of goodwill and depreciation of purchase price allocation (PPA).

Q: You will adopt IFRS during FY2017, could you tell me more specific completion time? How much impact will the adoption have on your earnings results?

A: A project team is working for the adoption. Now we are considering the time of the completion and examining the impact amount as well. We will announce them when the time comes.

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