Summary of Financial Results for Q3 FY2016

Recruit Holdings Co., Ltd.

Results for Q3 FY2016
The third quarter highlights
1) Consolidated financial results
   Earnings for this third quarter, both net sales and EBITDA recorded double-digit growth.
   All three segments saw a rise both in net sales and EBITDA.
2) Dividend forecast
   We raised the dividend forecast from 50 yen to 60 yen per share. This is due to the revision of our payout ratio from 25% to around 30%. We review it each quarter, and this Q3 we determined the revision considering the financial status and competitor’s payout ratio. In addition, with an aim to pursue stable and sustainable returns to our shareholders, we have changed the definition of dividend resource as “net income prior to amortization of goodwill, excluding the effects of extraordinary items” which was previously defined as “net income before amortization of goodwill”.
3) IFRS adoption
   As we announced our plans to adopt IFRS during FY2017, Recruit has resolved its voluntary adoption of IFRS from the first quarter of the next fiscal year. We will explain details of the impact from the adoption following the release of the FY2016 full-year results.

■ Consolidated Earnings Summary

In this quarter, net sales increased by 14.2% year-on-year to 1,300.7 billion yen, and EBITDA grew by 13.8% year-on-year to 166.8 billion yen. Both indicators achieved double-digit increase. Additionally, operating net income trended favorably with a year-on-year increase of 12.6% to 92.2 billion yen. The net income attributable to owners of the parent increased by 41.8% to 67.6 billion yen.

In this third quarter, we consolidated USG People, a staffing company in Europe. As results of existing business, excluding financial results of newly included subsidiaries, EBITDA increased by 10.4% to 161.9 billion yen and trended favorably year-on-year.

■ Marketing Media

Net sales recorded 272.2 billion yen, a year-on-year increase of 8.6% with favorable trend both in Life event (+11.5%) and Lifestyle operation (+3.5%). It resulted in EBITDA growth of 14.8%
to 78.3 billion yen. Housing and real estate business in Life event and beauty business in Lifestyle achieved double-digit increase and largely contributed to the whole Marketing Media.

Dining and Beauty business trended favorably. High growth rate has continued steadily, and marked more than 30% year-on-year.

Air REGI achieved 267 thousand accounts, an increase of 21% year-on-year. We have already started its monetization from the fourth quarter of FY2016, through service packaging such as register function and monthly charge mainly in Dining business. Furthermore, as of the end of the last December, the number of contracted stores exceeded our initial expectation. In education business, the number of Study Sapuri high school student course paying subscribers recorded 237 thousand at the end of this third quarter, and grew by more than 50% year-on-year.

The current status of overseas subsidiaries, Quandoo and Treatwell are expanding continuously in terms of the number of partner restaurants and salons. In Quandoo, given that the increase on the number of reservation has not yet reached our initial expectation, our priority is given to acquire user-capturing restaurants and salons, and the strategy is same in Treatwell as well. Treatwell is expanding not only on the number of client salons but on the number of reservation steadily.

**HR Media**

Net sales increased by 14.6% year-on-year to 282.4 billion yen, as a result of favorable trend both in domestic and overseas business. The negative impact of foreign exchange fluctuation was 9.7 billion yen, and without it, the growth rate of its net sales was 63.0%. Despite impact by prior investment for achieving competitive advantages in domestic and active investment to increase its sales in overseas, EBITDA was in line with our forecast and recorded 59.8 billion yen, an increase of 1.3% year-on-year.

**Staffing**

Net sales increased by 16.0% year-on-year to 753.4 billion yen. Contribution of USG People consolidation was 81.8 billion yen. The contribution amount of USG People was 81.8 billion yen.

EBITDA grew by 24.6% to 45.2 billion yen, with net sales increase and development of unit management in overseas existing subsidiaries.
 Consolidate Earnings Full-year Forecast

■ Consolidated Earnings Summary Forecasts

There is no change in revised full year forecast announced on July 27. We have revised dividend forecast from ¥50 to ¥60 per share.

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