

Questions at FY2016 Financial Results

Recruit Holdings Co., Ltd.

Consolidated earnings results

Q: Why did FY2016 net sales increase approx. JPY 10.0 billion and EBITDA exceed more than JPY 8.0 billion vs. revised full-year forecast announced on July 27, 2016?

A: Net sales trended favorably toward full-year forecast in all segments, mainly in Indeed. EBITDA also achieved favorable results as well in Staffing business in addition to Indeed.

Q: Regarding FY2017 full year forecast - why does operating income decrease by 4.3% YoY and profit attributable to owners of parent decrease by 10.3% YoY, despite EBITDA is expected to grow 8.0% YoY?

A: Under IFARS, most of extraordinary income and non-operating income under JGAAP are reported on other operating income/expenses which compose operating income. The operating income decrease is due to a negative impact arising from other operating income of JPY 24.3 billion in FY2016 which we recognize as proceeds from sales of shares of subsidiaries. Profit attributable to owners of parent is expected to decrease due to depreciation cost and a decrease in tax deduction as a result of a change in taxation in Japan. Compared to operating income in FY2016 excluding proceeds from sales of shares of subsidiaries and tax reconciliation regarding the proceeds, operating income in FY2017 is to increase by 8.0% YoY and profit attributable to owners of parent is to increase by 4.3%.

Q: Why will adjusted EPS of FY2018 remain at an increase of 2.0% YoY compared to FY2017 (under JGAAP) which achieved a 15.1% increase YoY?

A: EBITDA in FY2017 is expected to increase by 8.0% YoY, however, adjusted EPS will remain at a moderate increase of 2.0%, due to depreciation cost and a decrease in tax deduction as a result of a change in taxation in Japan.

We set a management target, a high single digit CAGR for adjusted EPS over the three years. Last two fiscal years CAGR recorded 8.4%, and we remain on track to achieve this target.

Q: What impact from exchange rate fluctuation will you estimate on FY2017 earnings?

A: The FY2017 assuming exchange rates are ¥110.00/USD, ¥118.0/EUR, ¥82.00/AUD. For every ¥1 increase in the yen's value against the US dollar, net sales decrease around ¥4.3 billion. When the same increase of yen's value against EURO, results in net sales decline around ¥2.8 billion, and vs. Australian dollar, results in net sales decline around ¥1.9 billion.

Earnings Results by Segment

■ Marketing Media

Q: Why did sales of the Housing and Real Estate business record favorable results achieving an increase of 13.1% YoY?

A: In addition to the favorable trend in the Independent Housing and the Leasing division continued in this fiscal year, the Condominium Apartment division, which showed a sluggish trend in the previous fiscal year, trended favorably as well, with major developers' rising needs of attracting customer in the Tokyo metropolitan area. There is a temporary positive impact on business related to custom-build housing sales because we changed its sales report timing in the first quarter.

Q: Why did sales in the Travel business decreased by 3.8% YoY?

A: Sales in travel business decreased due to an impact of the transfer of Yuko Yuko Corporation's shares in the second quarter. Excluding the impact, its sales achieved a mid-single-digit increase.

Q: Why did sales in Life Event Other division increase by 15.6% and sales in Lifestyle Other division decrease by 24.6%?

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

Q: Please explain about the progress of business support services in dining business and Air Platform.

A: We are offering Operation Support Package which includes core services such as restaurant board and Air REGI, and value-added services such as Air Wait, website builder, and customer management service. We have started taking fee from clients since January, 2017. The number of paying client reached to 12 thousand as of March 31, 2017, achieving steady progress.

■ HR Media

Q: Why did sales in HR Media recorded favorable trend with an increase of 12.8% YoY?

A: In domestic recruiting, favorable employment environment had continued. Effective ratio of job offers to job seekers was highly stable, and number of recruitment ads increased. In overseas business, we had an impact from strong yen, however, we started business with new clients and increased transaction with existing clients. As a result, we achieved the strong sales growth.

Q: Please explain Indeed's growth strategy.

A: Looking further growth of Indeed over the mid to long term, we continue to invest in measures to enhance brand recognition and in attracting users, not only in the US, a current main revenue producing country, but also in other countries and regions.

In some regions outside of the US, we will strengthen measures for full-scale monetization such as establishing new offices and increasing sales personnel. We also plan to enter other HR related businesses in addition to recruiting ad business utilizing M&A.

■ Staffing

Q: Why did sales growth rate (+20.1% YoY) and EBITDA growth rate (+27.6% YoY) trend favorably?

A: Despite a negative impact from currency fluctuation of 58.9 billion yen, we achieved favorable sales trend in the Staffing business due to impact of new subsidiaries -163.7 billion yen contribution from USG People from the third quarter and 38.3 billion yen of full-year contribution of Chandler, Peoplebank, and Atterro which we acquired in the previous fiscal year - and double-digit growth rate in domestic business with solid business environment.

We saw strong trend in EBITDA as well, due to the improvement of EBITDA margin reflecting the continuous progress in effective management of overseas staffing business, which is one of our advantage, in addition to the sales increase.

Other

Q: Please explain the reason for IFRS adoption.

A: Recruit group has actively expanding its business in global. To accelerate the expansion, we have to provide comparable/convenience financial information to the global capital market, as well as strengthening group management fundamental. Considering those factors, we determined the voluntary adoption of IFRS.

Q: How much impact will the IFRS adoption have on your earnings results?

A: Goodwill is not amortized under IFRS, therefore, operating income increase. We reported JPY 53.5 billion on goodwill amortization in FY2016. Also there is an impact from consolidation period difference of USG people (consolidated in FY2016): the period used to be six months (July 2016 - December 2016) under JGAAP but changed to ten months (June 2016 – March 2017) under IFRS.

Those factors made the impact on FY2016 results under IFRS: revenue increase of JPY101.9 billion, EBITDA increase of JPY1.6 billion, operating income increase of JPY66.5 billion, and profit attributable to owners of parent increase of JPY50.5 billion.

Disclaimer

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