

Financial Results for Q2 FY2014

November 13, 2014



Recruit Holdings Co., Ltd.

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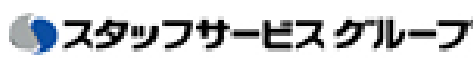


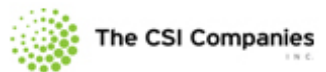


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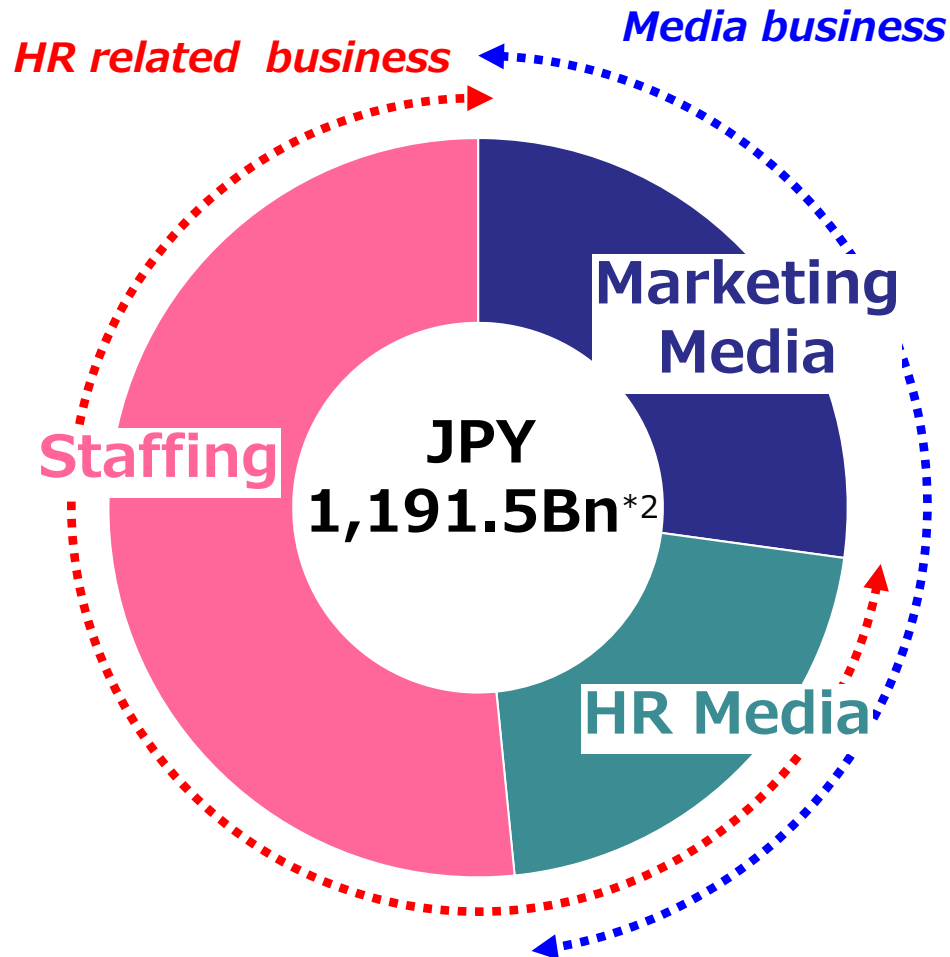
1. Recruit Group Summary

Business Segments & Major Services

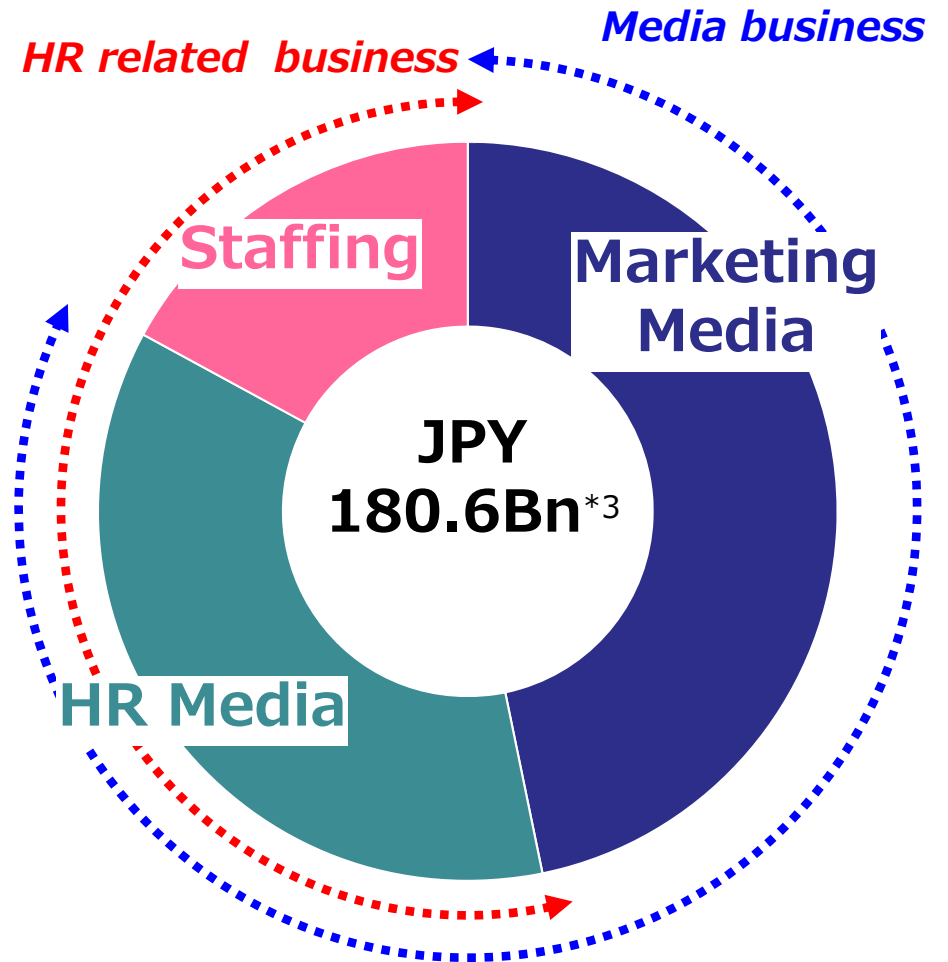
Marketing Media	Life Event	Housing and Real Estate, Bridal, Automobiles, Education    
	Lifestyle	Travel, Dining, Beauty, other info   
	Other	(Overseas) 
HR Media	Domestic Recruiting	Job Advertising, HR Placement    
	Overseas Recruiting	Job Advertising 
	Other	Executive Search, HR Training  
Staffing	Domestic Staffing	(Domestic)  
	Overseas Staffing	(Overseas)   
Other		 

Segment Net sales & EBITDA (FY2013)

Net sales



EBITDA^{*1}



*1 : EBITDA = Operating income + Depreciation and amortization + Amortization of goodwill

*2 : Net sales includes JPY (10.1) Bn of reconciliations / other adjustments. % of segment net sales is calculated based on net sales from external clients. Net sales for sub-segment is unaudited.

*3 : Total EBITDA includes JPY (22.8) Bn of reconciliations / other adjustments. Segment EBITDA Margins (% of EBITDA against net sales) are calculated excluding reconciliations / other adjustments.

Key management index : EBITDA

Goal : mid to high single digit EBITDA growth for each year in existing business

Reference : Principles for EBITDA margin

- **Marketing/HR Media : target around 25%~30%**
(Marketing Media : 29.5%/HR Media : 27.6%) *₁
- **Staffing : Top-class level on a global basis**
(Staffing : 5.7% *₁
Adecco : 4.7%/Randstad : 3.6%/Manpower : 3.0%) *₂

*₁ : Results for FY 2013

*₂ : Figures are calculated by Recruit based on each companies earnings release

Strategies for Achieving Mid to Long-term Vision

Be the No.1 in Global HR and Marketing Media Business by approximately 2030

Be the No.1 in Global HR Business by approximately 2020



Sustainable growth in domestic business

Strong client base

No. 1 market share (net sales) in major services

IT strategies

Acquire new clients by leveraging IT technologies

Further growth in overseas business

Improve profitability at subsidiaries

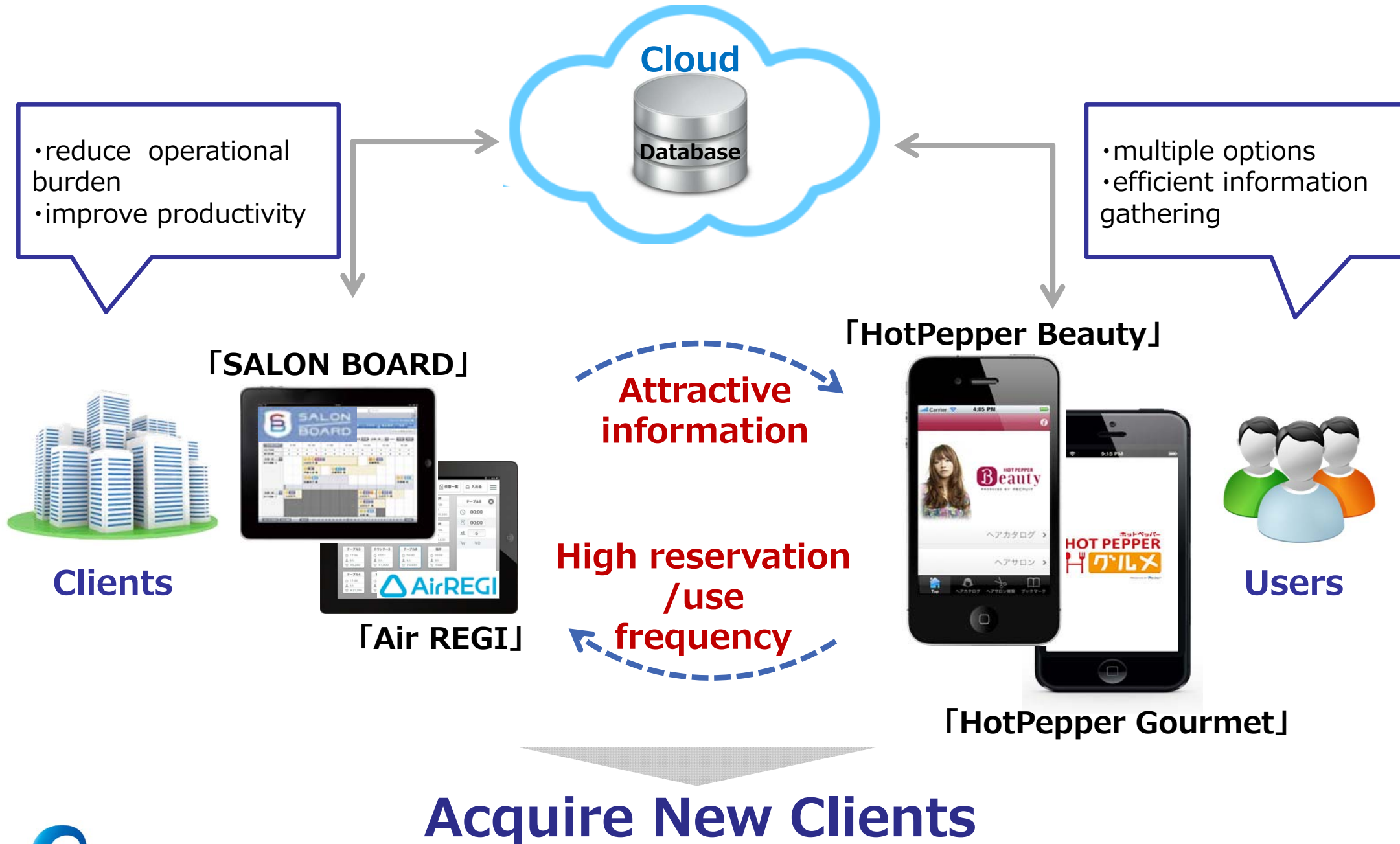
Enhance value by providing our operating knowhow

M&A strategies

Expand and enhance business foundation through M&A

**Sustainable growth
in domestic business**

IT Strategies (Dining/Beauty business)



IT Strategies (Highlights for 1H FY2014)

■ Dining business

**No. of online reservations
HotPepper Gourmet***
(1H FY2014)

9

million users

■ Beauty business

**No. of online reservations
HotPepper Beauty***
(1H FY2014)

13.41

million reservations

**Further growth
in overseas business**

1 “2-Phase Approach” for Global Expansion

Phase 1

- Feasibility evaluation
 - Small-size acquisitions / minority investments etc.
- 

Phase 2

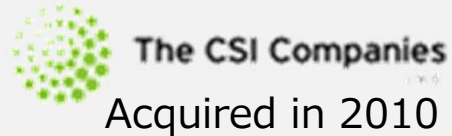
- Global expansion through acquisitions
- Maximizing value of acquired companies

2 Disciplined Investment Criteria

- Implementing appropriate hurdle rate when making investment decisions

Overseas M&A Track Record

Staffing

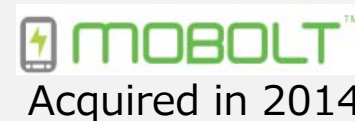


4
companies

HR Media



Minority Investment
in 2010
100% Acquisition in 2013



5
companies

Marketing Media



9
companies



Phase 1

Minority investment/
Feasibility evaluation

Phase 2

M&A /
Global expansion



M&A Strategies (Highlights for 1H FY2014)

■ Marketing Media



「Wahanda」

Largest beauty salon online reservation service in Europe (UK/ Germany)



「Quandoo」

Largest class dining online reservation service in Europe (9 countries including Germany/Italy/Austria/Turkey)



「Tripping」

Largest search site for holiday let data stocks (over 36,000 cities, more than 1 million data)



「Trip me」

One of the largest OTA site in English/German-speaking countries



「Wongnai」

Largest word-of-mouth search site for dining and beauty salon in Thailand (more than 1 million members, over 200 thousand reviews)

Financial Policies

EBITDA: Key management index

High single digit growth each period at existing businesses

Growth investments: investment capability of **JPY700 billion** in the medium term

Leverage: effectively use debt financing while maintain sound credit (relevant to **A rating** from domestic rating agency)

Capital efficiency: Adjusted ROE_{*1} maintain around **15%**

Payout ratio: Around **25%** of adjusted net income_{*2}

*1: Amortization of goodwill was added back into net income

*2: Adjusted net income = Net income + Amortization of goodwill

2. Q2 FY2014

Consolidated Financial Highlights

2-(I) Consolidated Earnings Summary

■ Making favorable progress towards achieving our full fiscal year forecast

- Net sales increased 10.4 % YoY owing in part to increase in demand for job recruitment
- EBITDA increased 1.1 % YoY reflecting investments carried out for medium-term growth

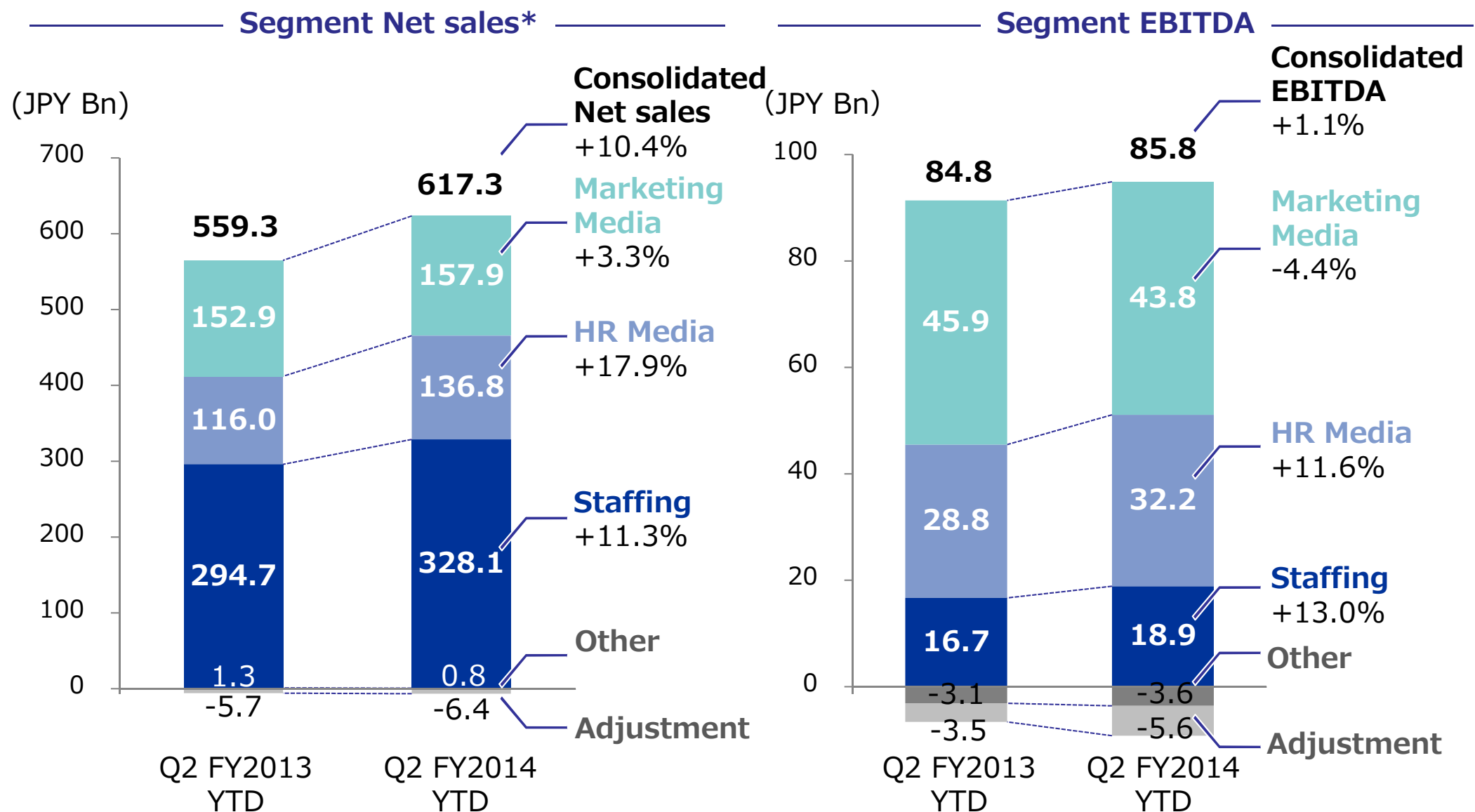
(JPY Bn)	FY2013	FY2014	
	Q2 YTD	Q2 YTD* ₃	YoY Change
Net sales	559.3	617.3	+10.4%
EBITDA* ₁	84.8	85.8	+1.1%
EBITDA Margin	15.2%	13.9%	-1.3pt
Operating income	55.1	53.4	-3.2%
Ordinary income	57.3	55.3	-3.6%
Net income	29.6	28.4	-4.1%
Adjusted net income* ₂	46.6	46.3	-0.5%

*1: EBITDA = Operating income + Depreciation and amortization + Amortization of goodwill

*2: Adjusted net income = Net income + Amortization of goodwill

*3: Average exchange rate: JPY102.46/USD

2-(II) Segment Net sales & EBITDA



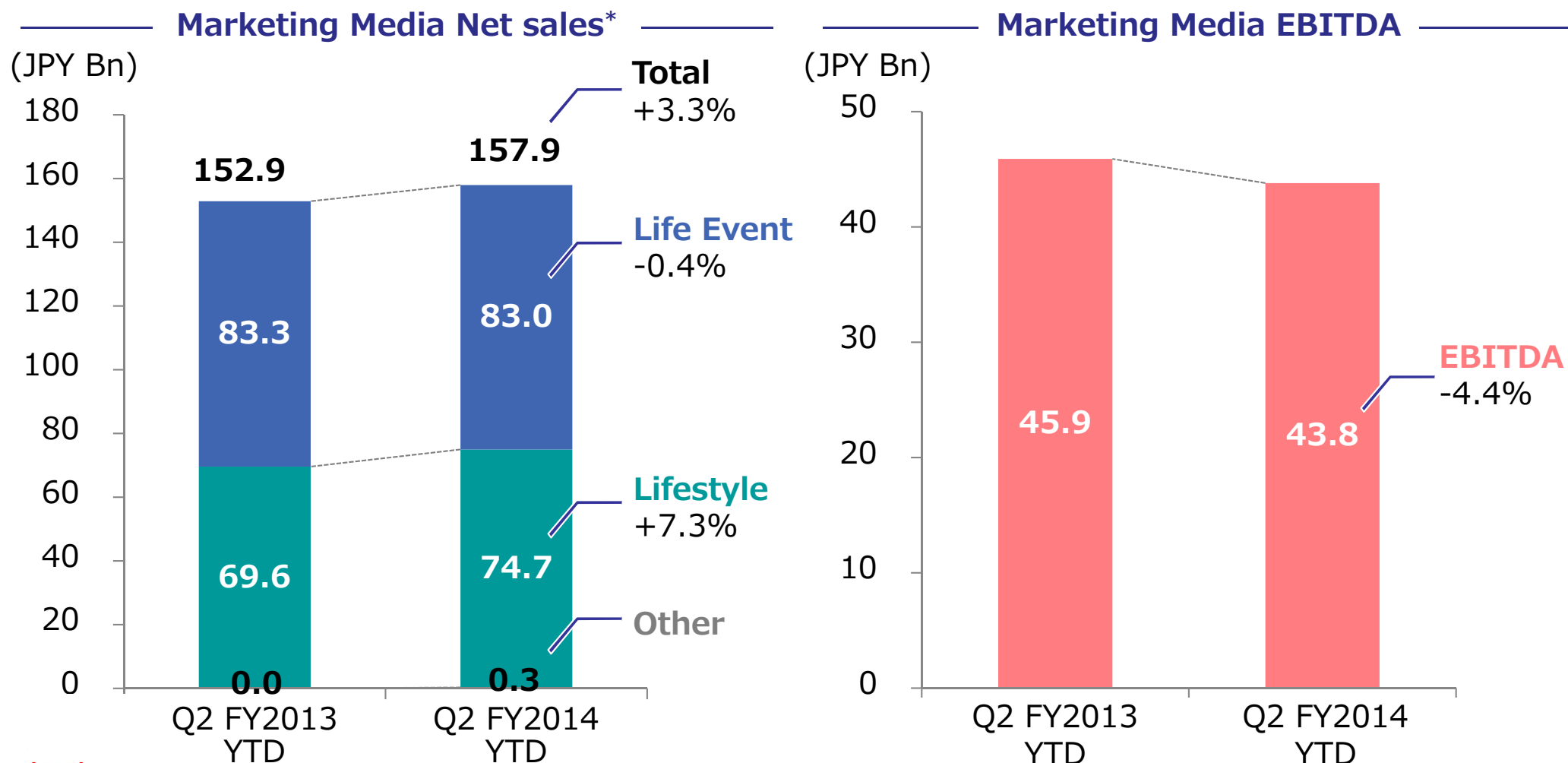
*Segment Net sales includes net sales and transfers between segments

3. Earnings Results by Segments for Q2 FY2014

**3. Earnings Results by Segments
for Q2 FY2014
(I) Marketing Media**

3-(I) Marketing Media Net sales & EBITDA

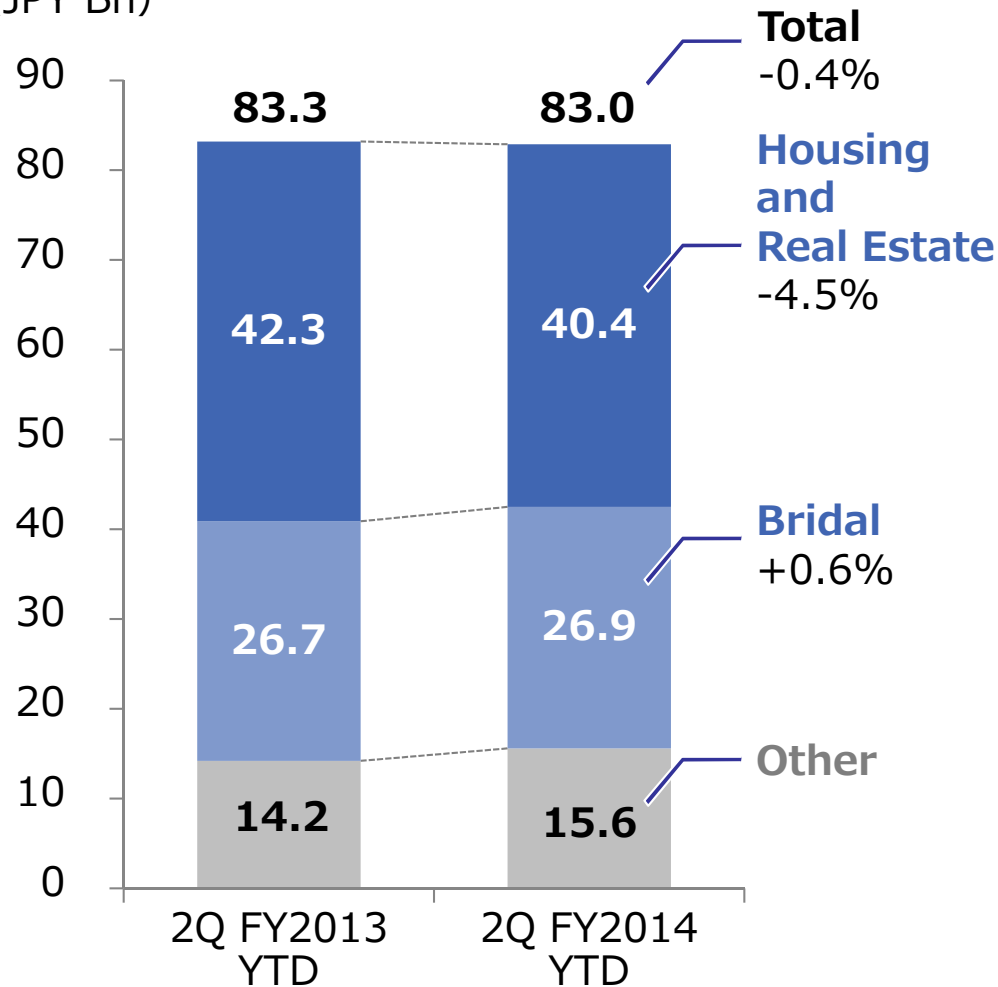
- Net sales increased 3.3% YoY. While Life Event operations net sales were weak, the Lifestyle operations net sales trended favorably
- EBITDA decreased 4.4% YoY, reflecting growth investments in the Lifestyle operations



3-(I) Marketing Media: Life Event Operations

Life Event Net sales*

(JPY Bn)



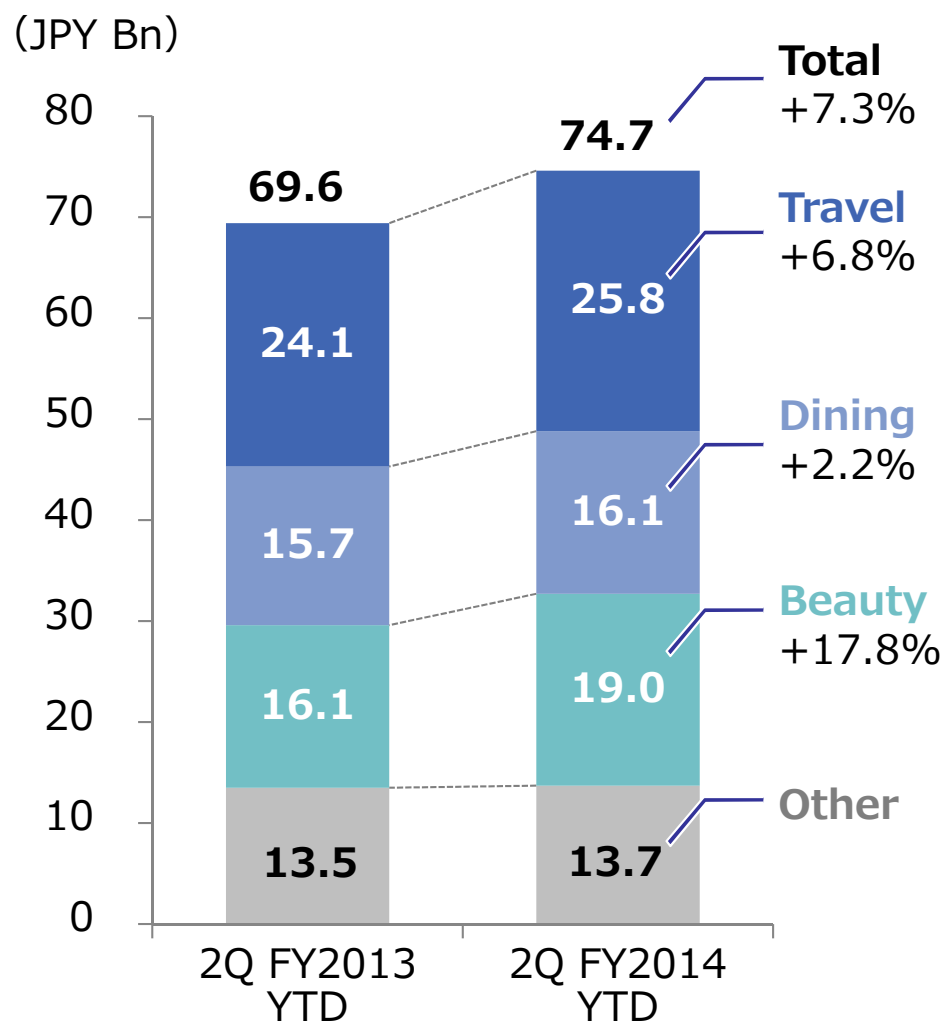
*Segment net sales includes net sales and transfers between segments

Weak net sales

- Net sales trended sluggish in the condominium apartment division reflecting in part, the increase in consumption tax which negatively impacted the housing and real estate business.
- Net sales trended solidly in the bridal business, owing in part to new store openings by major clients that operate wedding halls.

3-(I) Marketing Media: Lifestyle Operations

Lifestyle Net sales*



*Segment net sales includes net sales and transfers between segments

■ Strong net sales

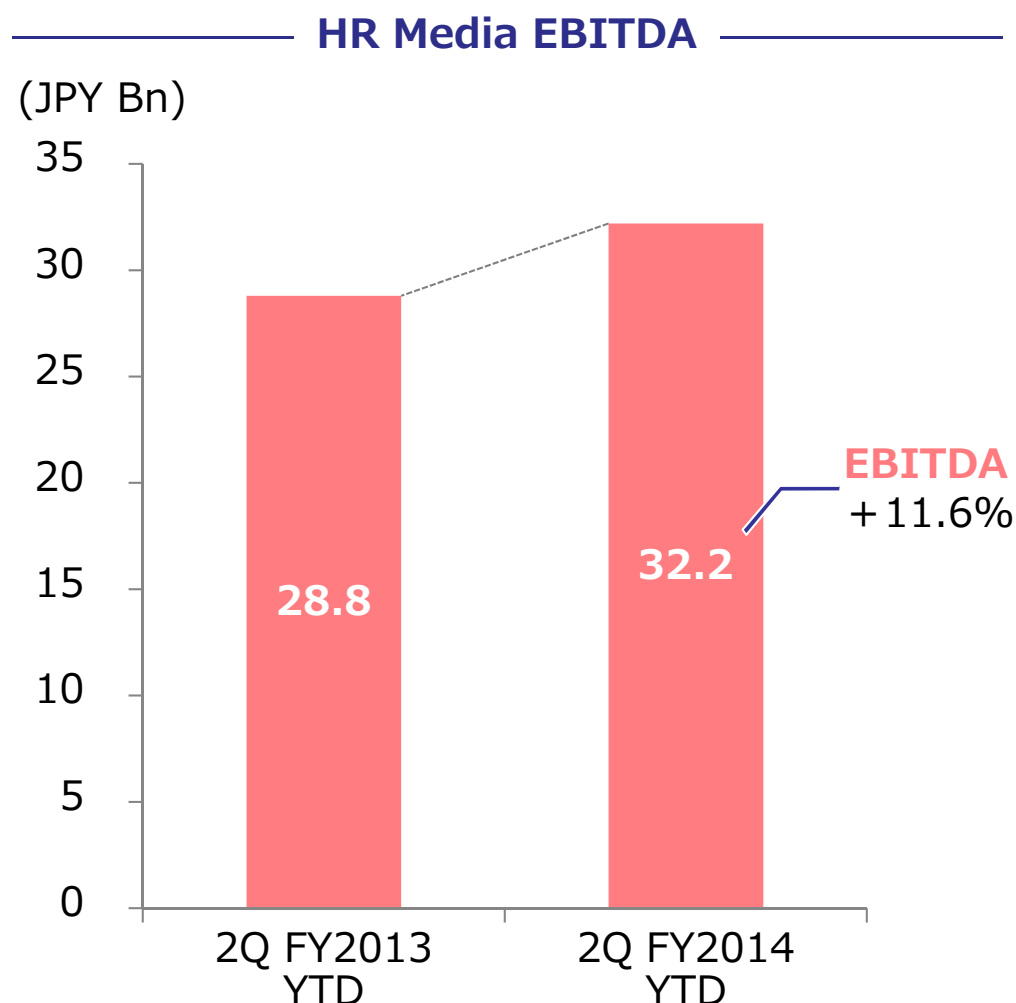
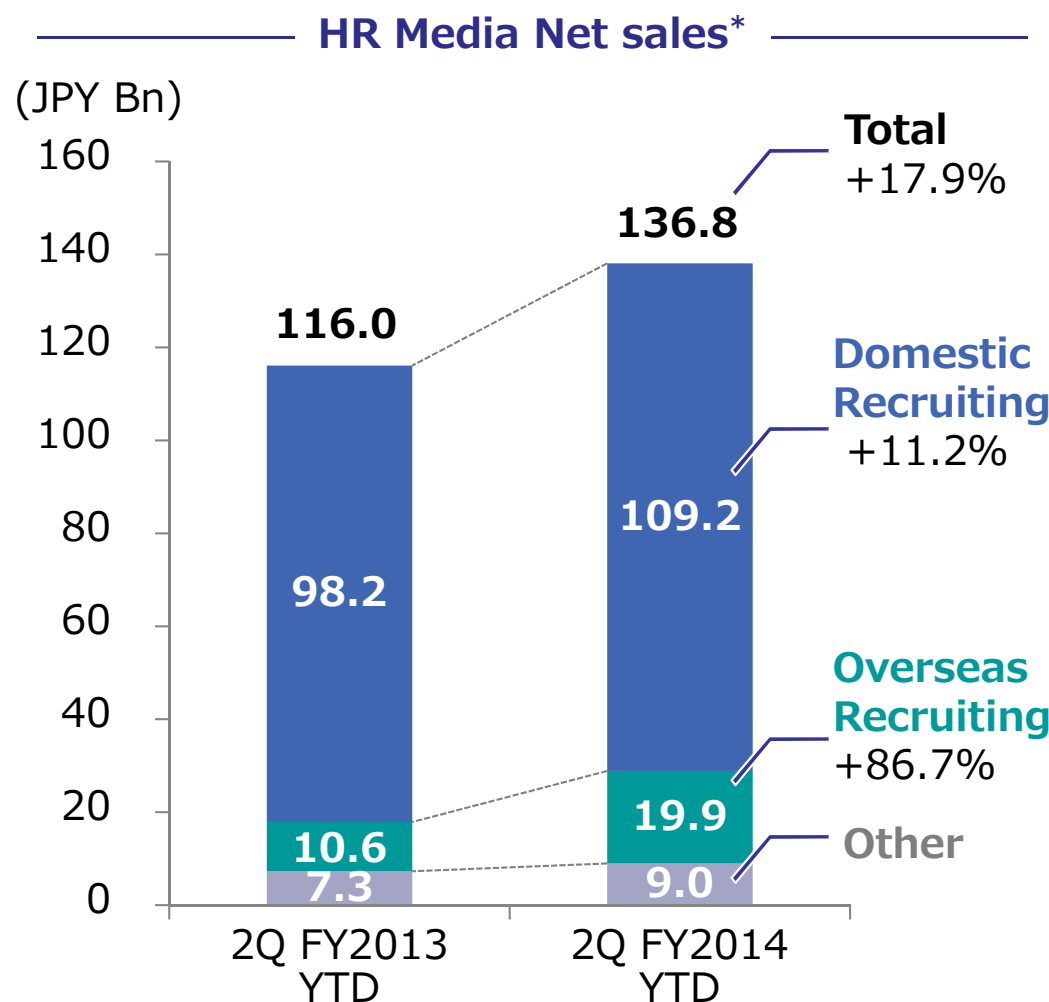
- Net sales trended favorably in the travel business, owing in part to a rise in the unit price for hotels and other accommodations.
- Net sales were solid in the dining business, reflecting in part to the introduction of Air REGI.
- Net sales trended favorably in the beauty business, reflecting an increase in business transactions with clients owing to the intensive introduction of SALON BOARD.

**3. Earnings Results by Segments
for Q2 FY2014
(II) HR Media**

3-(II) HR Media Net sales & EBITDA

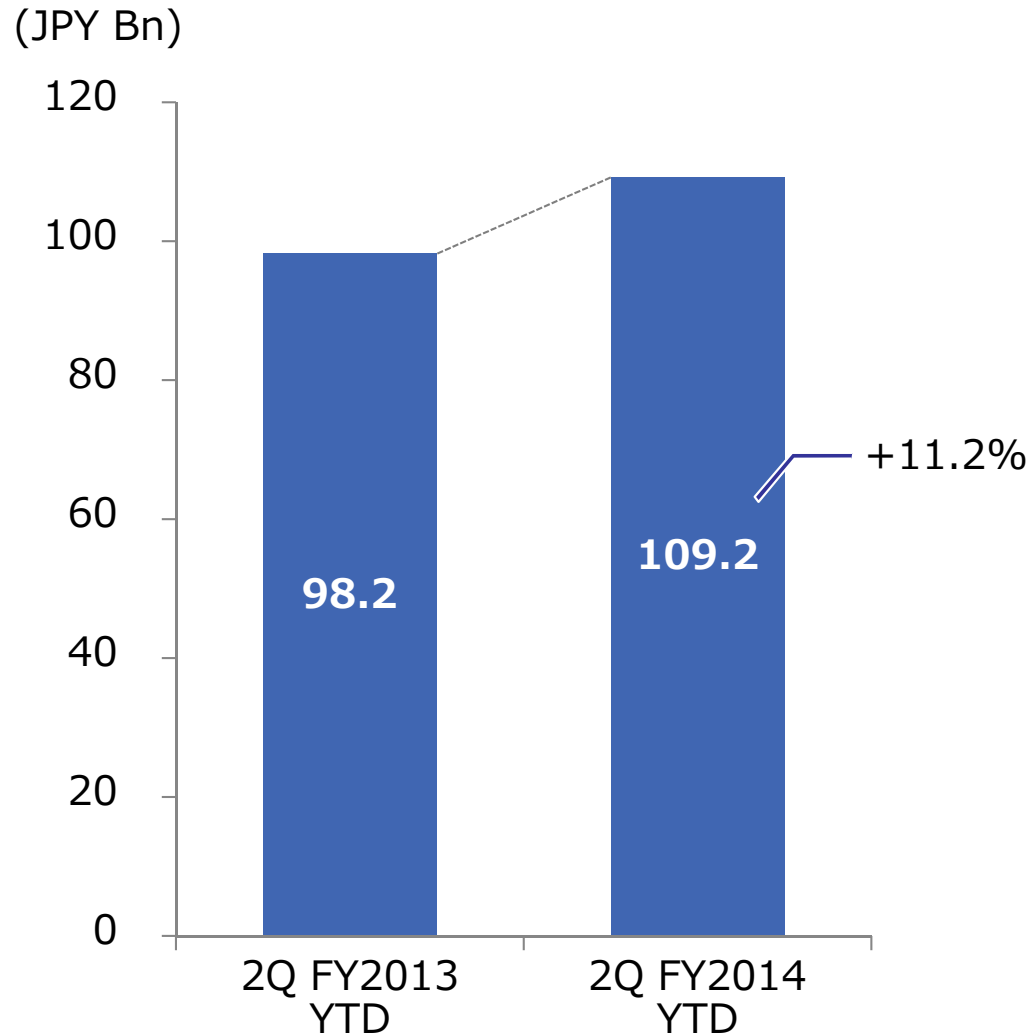
■ Net sales increased 17.9% YoY for both domestic and overseas recruiting was brisk

■ EBITDA increased 11.6% reflecting the increase in net sales



3-(II) HR Media: Domestic Recruiting

Domestic Recruiting Net sales



■ Favorable market environment

- The ratio of job-offers to job-seekers and number of placed recruitment advertisement continued to improve.

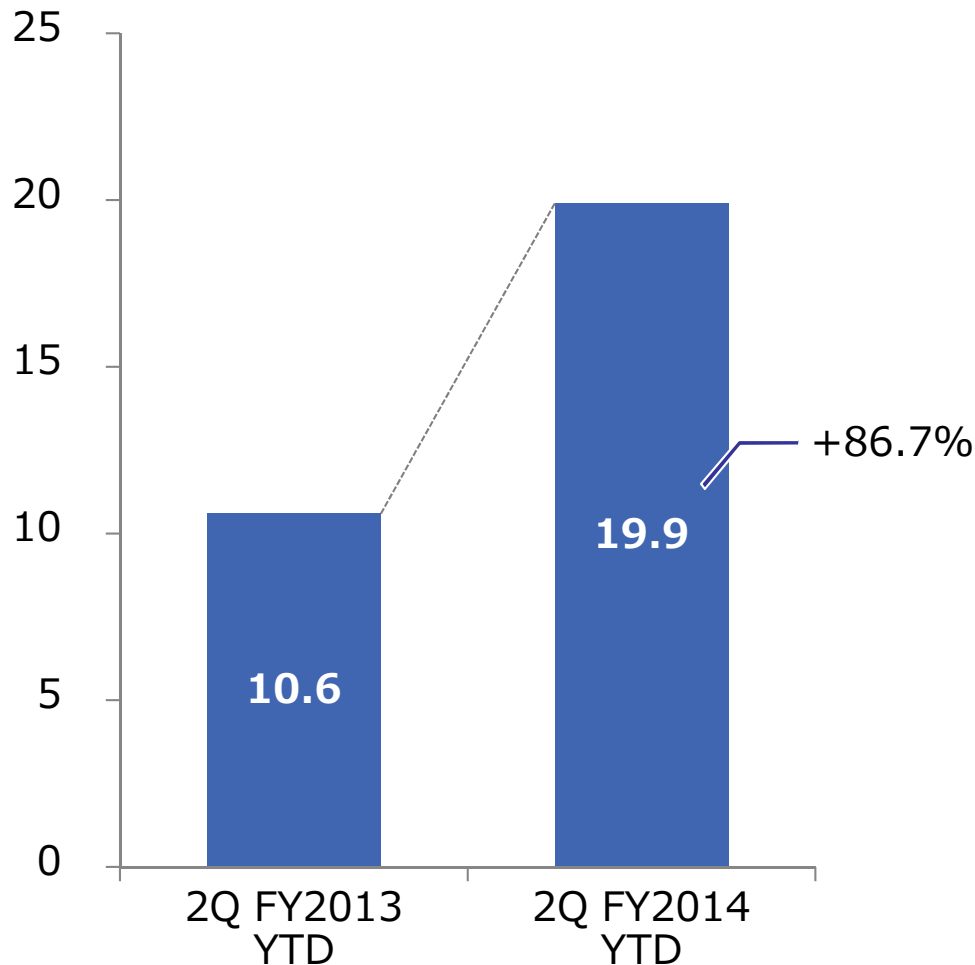
■ Strong net sales

- Net sales trended favorably, mainly in the mid-career and temporary/part-time worker service, owing mainly to strengthening our sales force.

3-(II) HR Media: Overseas Recruiting

Overseas Recruiting Net sales (Indeed)

(JPY Bn)



■ Strong net sales

- Net sales trended favorably reflecting smooth growth in service use by small and medium-sized clients.

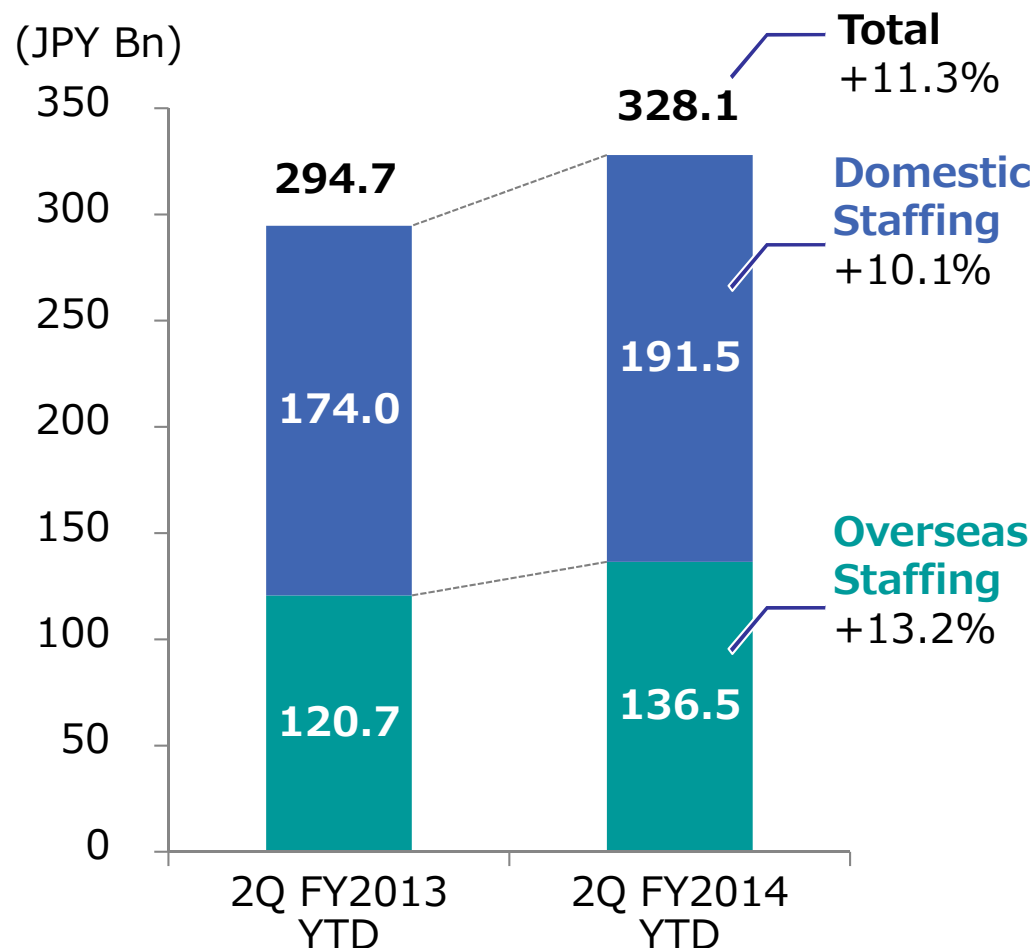
**3. Earnings Results by Segments
for Q2 FY2014
(III) Staffing**

3-(III) Staffing Net sales & EBITDA

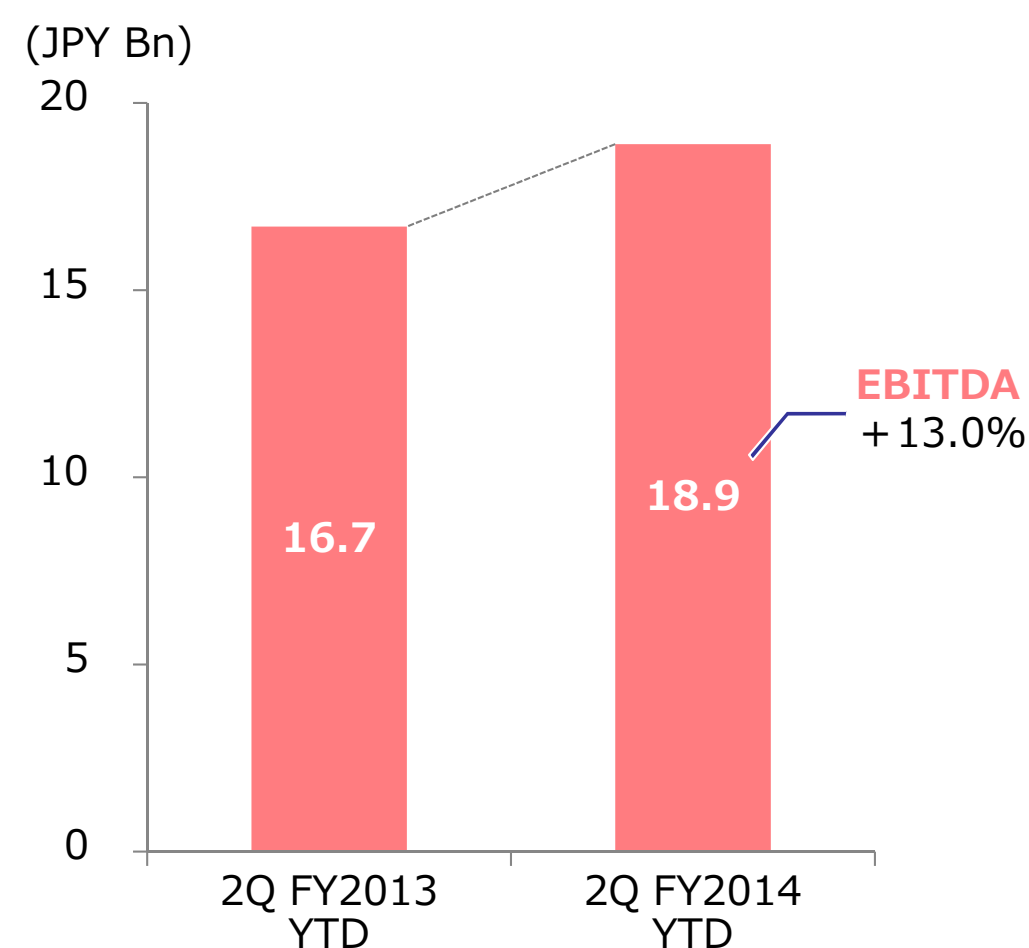
■ Net sales increased 11.3 % YoY owing to brisk domestic and overseas staffing business

■ EBITDA increased 13.0% YoY

Staffing Segment Net sales*



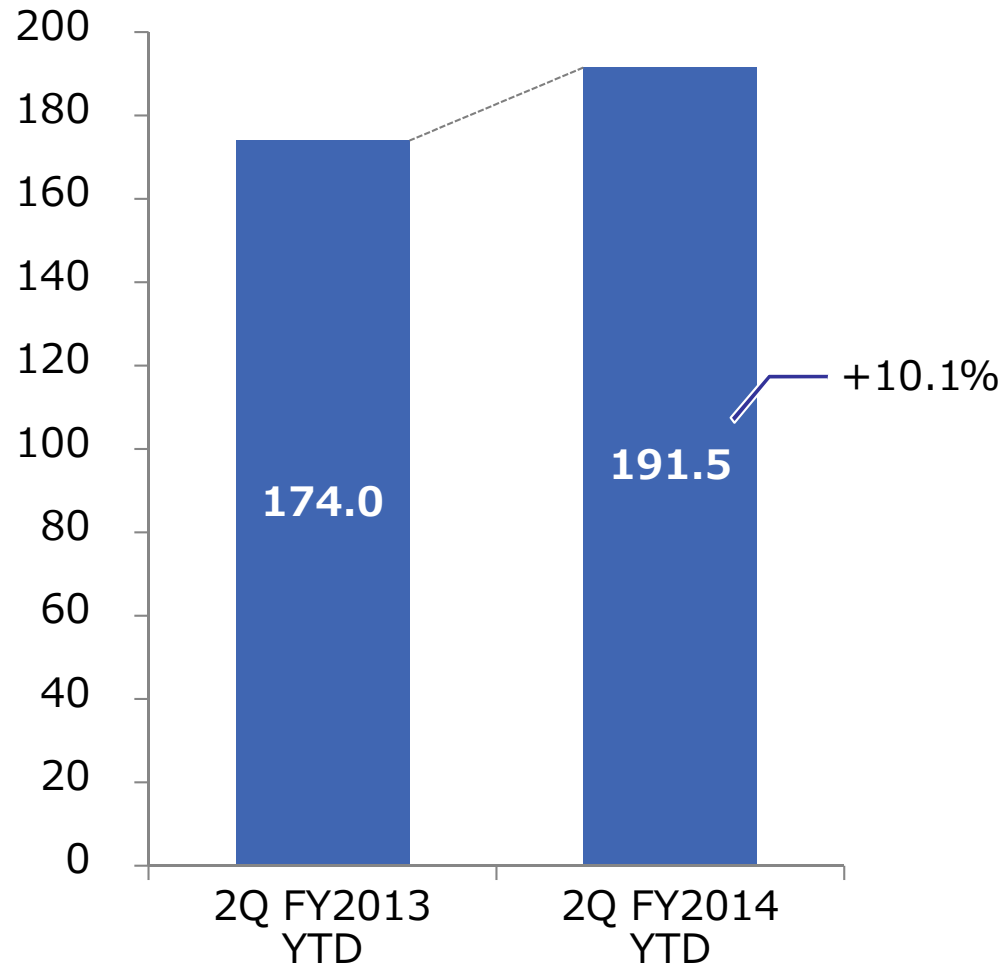
Staffing Segment EBITDA



3-(III) Staffing: Domestic Staffing

Domestic Staffing Net sales

(JPY Bn)



■ Strong market environment

- Sustained growth in the number of active agency workers.

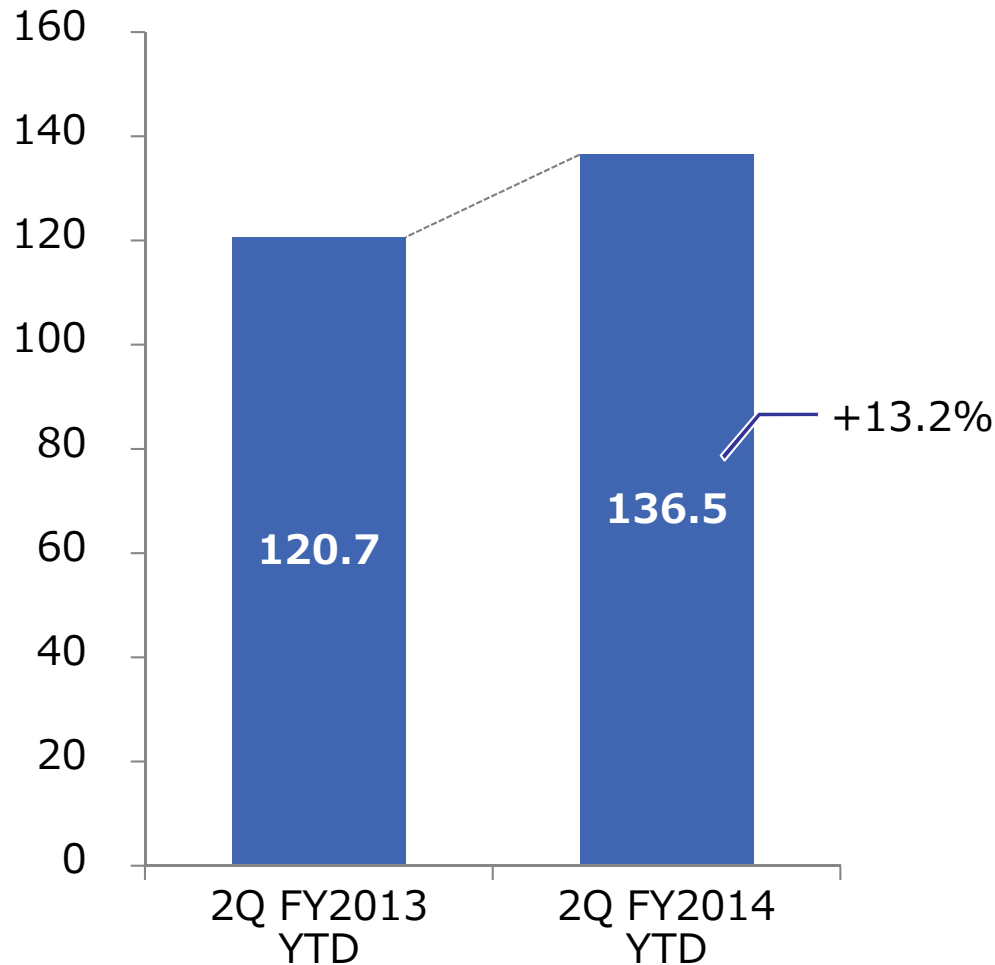
■ Strong net sales

- Net sales in Recruit Staffing trended favorably owing to enhanced sales force in the administration and IT positions in the Tokyo area.
- Net sales in Staff Service trended favorably, mainly in the administration, medical, and manufacturing positions, owing to the extension of existing staffing contracts and an increase in new staffing contracts.

3-(III) Staffing: Overseas Staffing

Overseas Staffing Net sales

(JPY Bn)



■ Strong market environment

- The staffing market in North America and Europe continued to expand gradually
- Positive impact from a weak yen.

■ Strong net sales

- Net sales trended favorably owing in part to solid earnings growth at Advantage Resourcing Europe B.V. (UK).

Appendix

Consolidated Statement of Income

(JPY Bn)	Q2 FY2013 YTD	Q2 FY2014 YTD	Change	Change (%)
Net sales	559.3	617.3	+57.9	+10.4%
Operating expenses	504.1	563.8	+59.7	+11.9%
EBITDA*1	84.8	85.8	+0.9	+1.1%
(Depreciation and amortization)	12.7	14.5	+1.7	+13.7%
(Amortization of goodwill)	16.9	17.8	+0.9	+5.7%
Operating income	55.1	53.4	-1.7	-3.2%
Non-operating income	3.0	2.6	-0.4	-14.1%
Non-operating expenses	0.8	0.7	-0.1	-15.9%
Ordinary income	57.3	55.3	-2.0	-3.6%
Extraordinary income	0.2	0.6	+0.3	+160.2%
Extraordinary losses	0.7	0.5	-0.2	-29.8%
Income before income taxes and minority interests	56.8	55.3	-1.4	-2.6%
Income taxes: Current	22.0	23.0	+0.9	+4.5%
Income taxes: Deferred	5.0	3.8	-1.2	-24.6%
Minority interests in net income	0.0	0.0	-0.0	-35.5%
Adjusted Net Income*2	46.6	46.3	-0.2	-0.5%
Net income	29.6	28.4	-1.2	-4.1%

*1: EBITDA = Operating income + Depreciation and amortization + Amortization of goodwill

*2: Adjusted net income = Net income + Amortization of goodwill

Financial Results by Segment

(JPY Bn)	Q2 FY2013 YTD	Q2 FY2014 YTD	Change	Change (%)
Net sales*1	559.3	617.3	+57.9	+10.4%
Marketing Media	152.9	157.9	+5.0	+3.3%
Life Event	83.3	83.0	-0.3	-0.4%
Housing and Real Estate	42.3	40.4	-1.8	-4.5%
Bridal	26.7	26.9	+0.1	+0.6%
Other	14.2	15.6	+1.4	+9.9%
Lifestyle	69.6	74.7	+5.0	+7.3%
Travel	24.1	25.8	+1.6	+6.8%
Dining	15.7	16.1	+0.3	+2.2%
Beauty	16.1	19.0	+2.8	+17.8%
Other	13.5	13.7	+0.1	+1.4%
Other	0.0	0.3	+0.3	+1315.4%
HR Media	116.0	136.8	+20.8	+17.9%
Domestic Recruiting	98.2	109.2	+11.0	+11.2%
Overseas Recruiting	10.6	19.9	+9.2	+86.7%
Other	7.3	9.0	+1.6	+22.1%
Staffing	294.7	328.1	+33.4	+11.3%
Domestic Staffing	174.0	191.5	+17.5	+10.1%
Overseas Staffing	120.7	136.5	+15.8	+13.2%
Other	1.3	0.8	-0.5	-42.3%
Adjustment	-5.7	-6.4	-0.6	-
EBITDA*2	84.8	85.8	+0.9	+1.1%
Marketing Media	45.9	43.8	-2.0	-4.4%
HR Media	28.8	32.2	+3.3	+11.6%
Staffing	16.7	18.9	+2.1	+13.0%
Other	-3.1	-3.6	-0.5	-
Adjustment	-3.5	-5.6	-2.0	-
EBITDA Margin	15.2%	13.9%	-	-1.3pt
Marketing Media	30.0%	27.8%	-	-2.2pt
HR Media	24.9%	23.5%	-	-1.3pt
Staffing	5.7%	5.8%	-	+0.1pt

*1: Segment net sales includes net sales and transfers between segments

*2: EBITDA = Operating income + Depreciation and amortization + Amortization of goodwill

Consolidated Balance Sheets (Assets)

(JPY Bn)	FY2013 Full Year	Q2 FY2014 YTD	Change
Current assets	390.3	378.5	-11.7
Cash and deposits	161.1	174.8	+13.6
Notes and accounts receivable - trade	162.4	155.9	-6.4
Securities	26.0	9.2	-16.8
Noncurrent assets	470.0	451.3	-18.7
Net property and equipment	23.5	23.8	+0.3
Total intangible assets	302.2	277.2	-24.9
Goodwill	193.7	171.0	-22.6
Software	46.2	50.7	+4.5
Total investments and other assets	144.3	150.2	+5.8
Investment securities	106.5	111.0	+4.5
Total assets	860.3	829.8	-30.4

Consolidated Balance Sheets (Liabilities & Equity)

(JPY Bn)	FY2013 Full Year	Q2 FY2014 YTD	Change
Current liabilities	233.1	199.6	-33.4
Notes and accounts payable - trade*	51.9	49.5	-2.3
Short-term borrowings	0.0	0.1	+0.0
Current portion of long-term debt	26.7	15.7	-10.9
Long-term liabilities	80.6	75.5	-5.1
Long-term debt	30.0	22.5	-7.5
Total liabilities	313.7	275.2	-38.5
Total shareholders' equity	462.8	476.5	+13.7
Total accumulated other comprehensive income	80.5	74.8	-5.6
Stock acquisition rights	0.3	0.3	-0.0
Minority interests	2.9	2.8	-0.0
Total equity	546.6	554.6	+8.0
Total liabilities and equity	860.3	829.8	-30.4

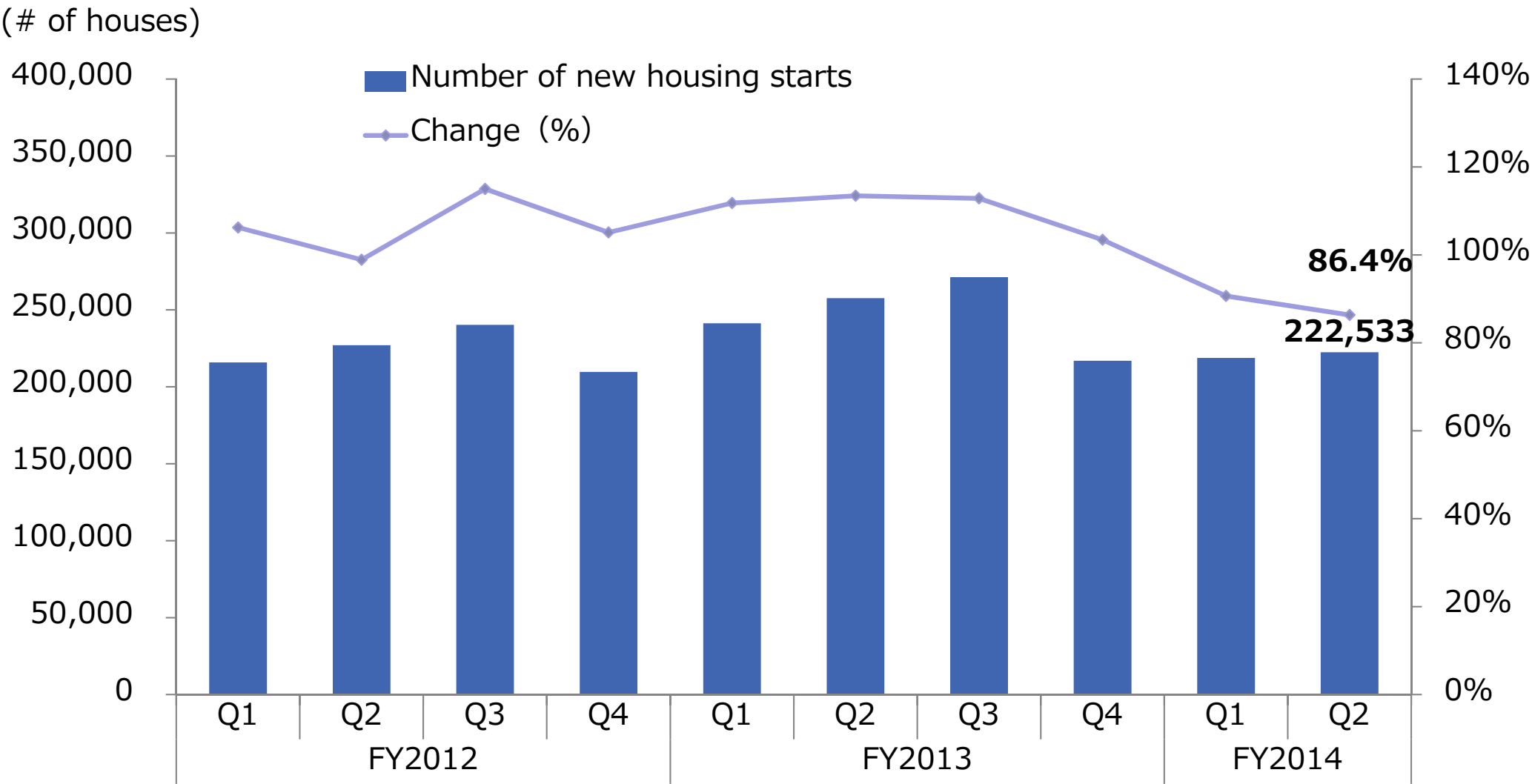
*Includes electronically recorded obligations

Consolidated Cash Flow Statement

(JPY Bn)	Q2 FY2013 YTD	Q2 FY2014 YTD	Change
Operating activities	42.0	47.5	+5.4
Income before income taxes and minority interests	56.8	55.3	-1.4
Depreciation and amortization	12.7	14.5	+1.7
Amortization of goodwill	16.9	17.8	+0.9
(Increase) decrease in trade receivables	8.8	4.4	-4.3
Increase (decrease) in trade payables	-6.6	-6.5	+0.1
Income taxes—paid	-42.6	-34.5	+8.1
Net cash used in investing activities	-20.1	-23.6	-3.5
Payments for purchase of property and equipment	-2.0	-3.1	-1.1
Payments for purchase of intangible assets	-11.2	-12.3	-1.0
Payments for purchase of investment securities*	-0.7	-3.4	-2.7
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	-4.3	-	+4.3
Payments for purchase of investments in subsidiaries	-0.2	-0.3	-0.0
Financing activities	-73.1	-31.9	+41.1
Increase (decrease) in short-term borrowings—net	-2.1	0.1	+2.2
Increase in long-term debt	-	-	-
Repayments of long-term debt	-83.3	-18.4	+64.8
Dividends paid	-12.8	-13.6	-0.7
Foreign currency translation adjustments on cash and cash equivalents	-0.1	0.8	+1.0
Net increase (decrease) in cash and cash equivalents	-51.3	-7.1	+44.2
Cash and cash equivalents at beginning of period	201.4	187.1	-14.2
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	-0.0	-	+0.0
Cash and cash equivalents, end of the period	150.0	180.0	+30.0

Market Environment: Housing and Real Estate Business

Number of new housing starts



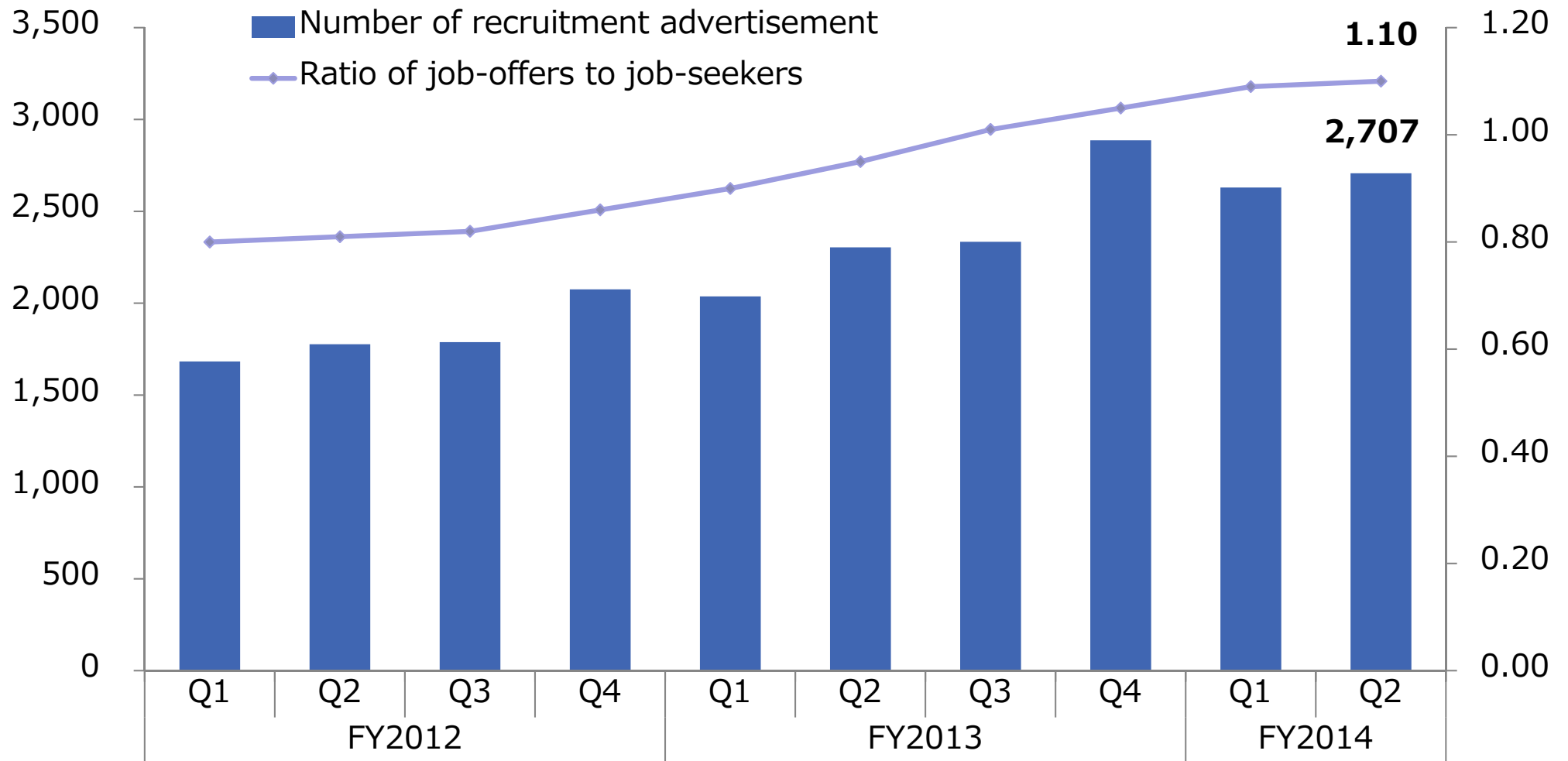
*Source: MLIT housing start statistics

Market Environment: Domestic Recruiting Operations

— Number of recruitment advertisements / Ratio of job-offers to job-seekers —

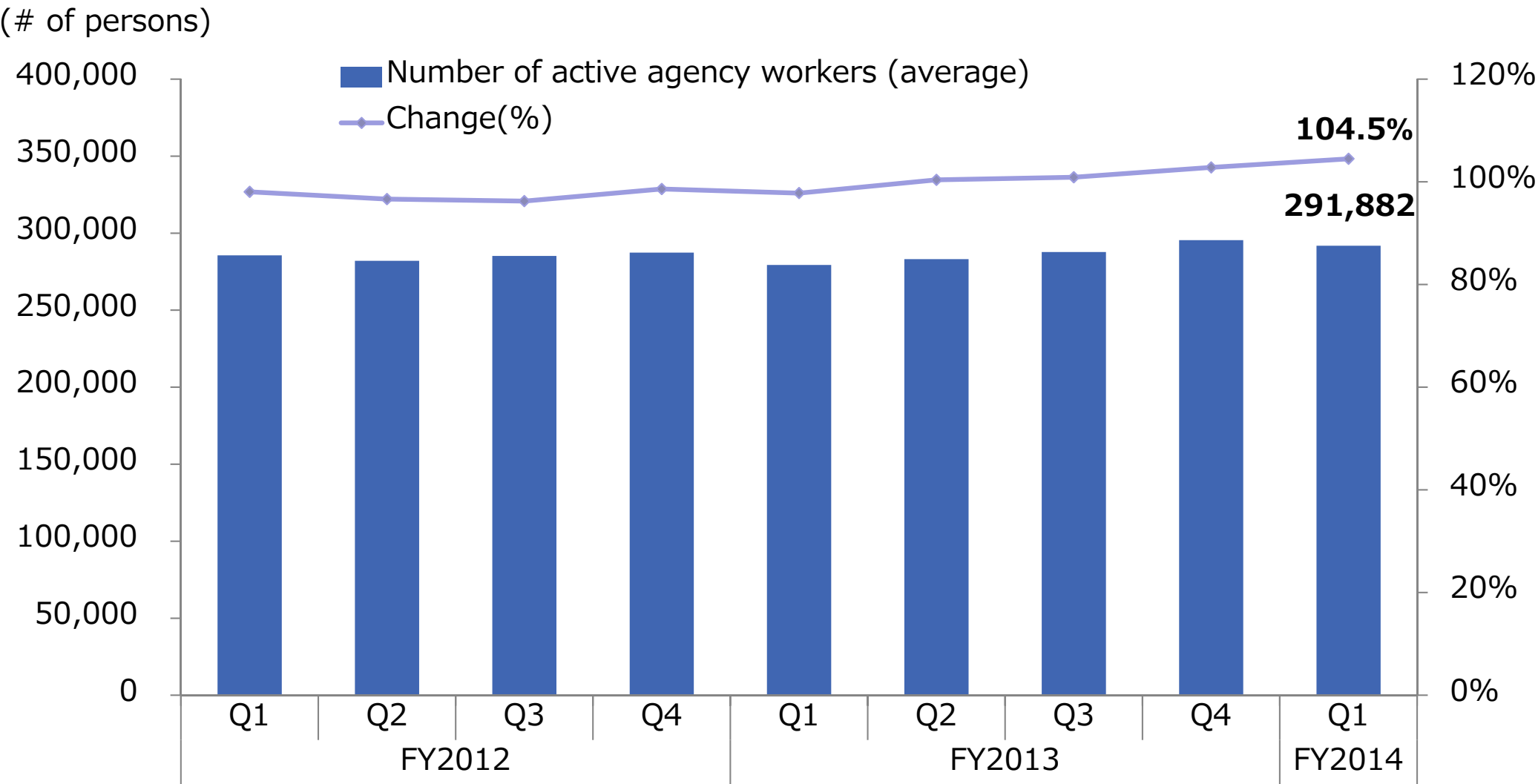
(Unit: 1,000)

(Unit: ratio)



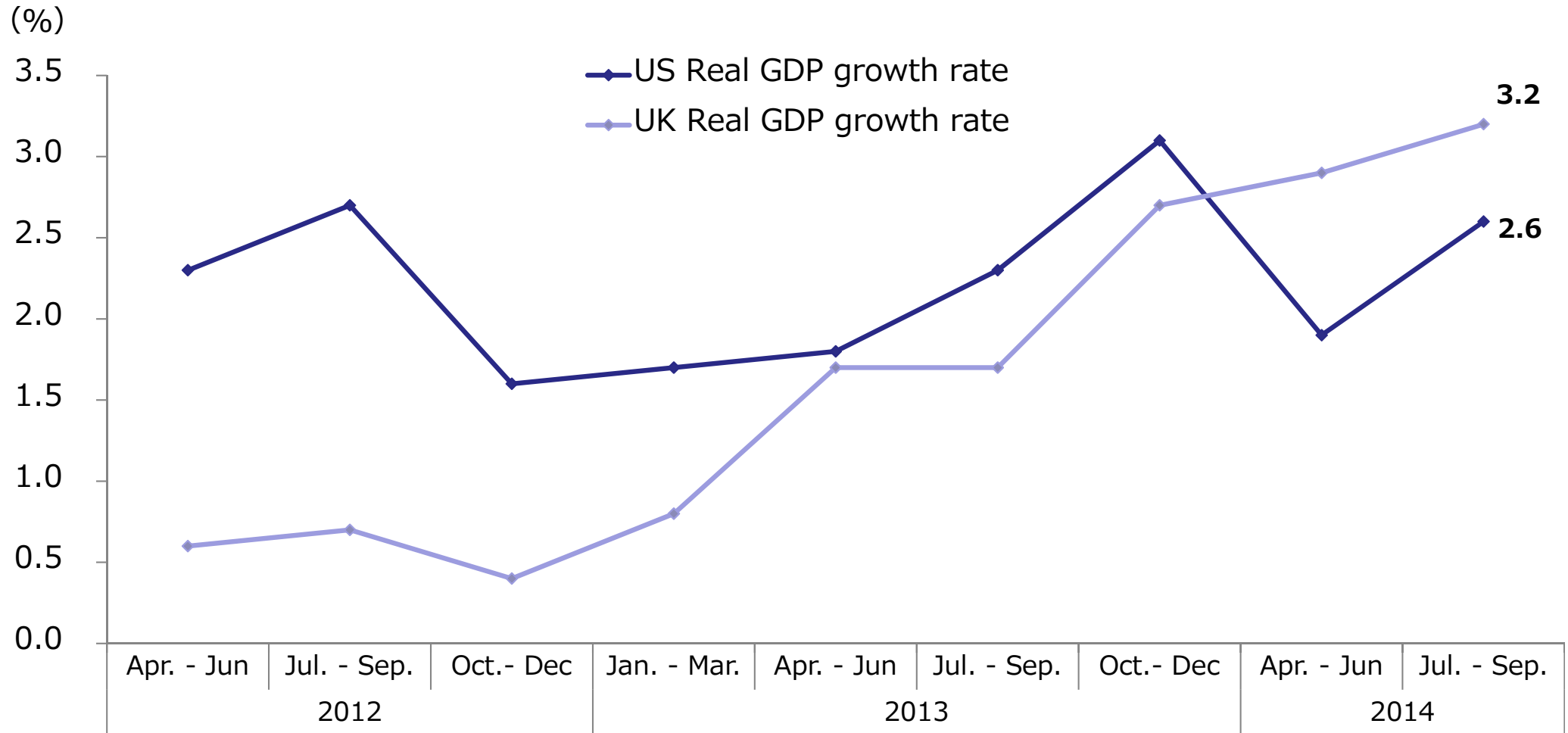
Market Environment: Domestic Staffing Operations

Number of active agency workers



Market Environment: Overseas Staffing Operations

Real GDP Growth Trends (US & UK)



*Source:

- U.S. Department of Commerce: National Income and Product Accounts Table 1.1.11. Real Gross Domestic Product: Percent Change From Quarter 1Year Ago
- UK Office for National Statistics Gross Domestic Product: Quarter on quarter previous year