

Issues to be Addressed

Mid-Term Management Strategy

57th Fiscal Year – 59th Fiscal Year



Now, I will discuss our management strategy for the next three years from the perspective of the issues to be addressed.

■ Mission

We are focused on responding to the needs of society by creating new value, thereby contributing to a brighter and more fulfilling world in which all individuals can live life to the fullest

■ The Recruit Way

Creation of new value

Contribution to society

Respect for all individuals

Firstly, I will explain Recruit Holdings' management philosophy.

As shown in the slide, we define our Mission and the Recruit Way.

Based on this management philosophy, our management team and all employees are working to maximize corporate value and shareholder value over the long term through the creation of new value.



2020

Be the No. 1 in Global HR Business

No. 1 in number of positions filled

2030 Be the No. 1 in Global HR & Marketing Media Businesses

No. 1 in service user population

In addition, as steps to realize the management philosophy, we define our long-term vision of growing to become the world's leading matching platform in the HR business by 2020 and in the HR and marketing media businesses by 2030.

Acquisition of USG People N.V.



FY 2015

Net sales: **¥316.0 billion***

EBITDA: **¥11.0 billion***

EBITDA margin: **3.6%**



Operating in the Netherlands, Belgium, Germany, and France.

* Converted at exchange rate as of May 13, 2016 3

Before discussing the mid-term strategy, I would like to take this opportunity to inform you about the acquisition of a staffing business in Europe that we have been working on, although it has been already publicly announced.

Since our announcement in December last year, we have made a tender offer for USG People. As indicated in the slide, the company is based in the Netherlands and operates its staffing business mainly in these four countries in Europe. The net sales in Japanese yen are approximately ¥316.0 billion*, and EBITDA is approximately ¥11.0 billion*.

As we announced on June 16, 2016, we have completed the purchase of more than 95% of the stock and made the company into our consolidated subsidiary.

(Exchange rate on May 13, 2016: 1 euro = 123.9 yen)

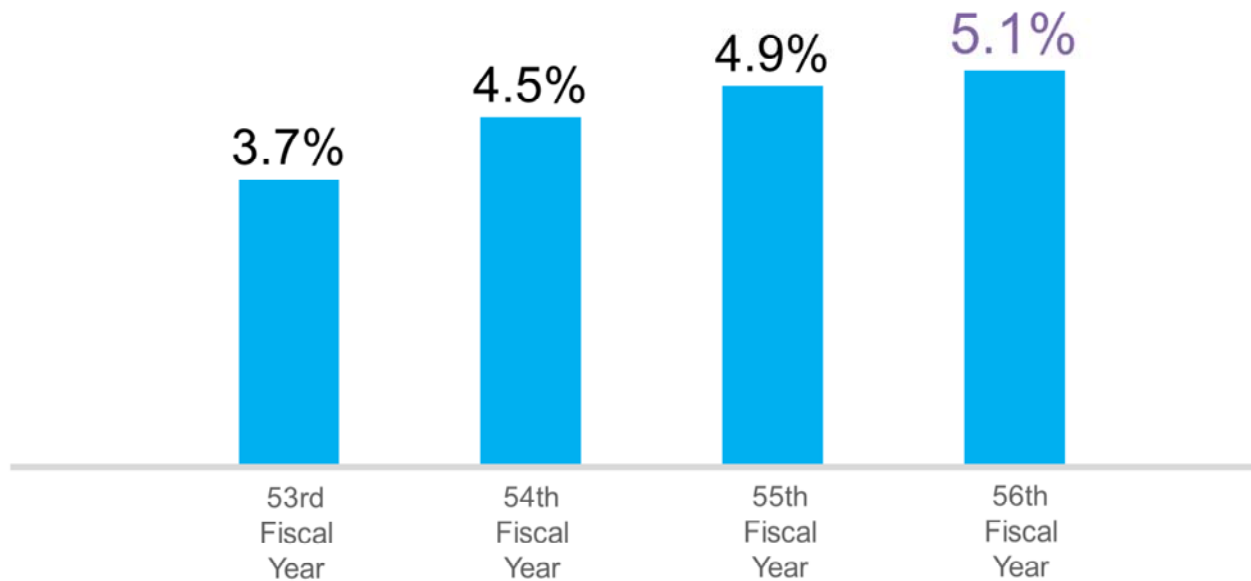
Area of staffing business operations



With the acquisition of USG People, we now have a foundation for the staffing business in each of the main regions of the world.

Overseas staffing

EBITDA margin of the three companies in North America

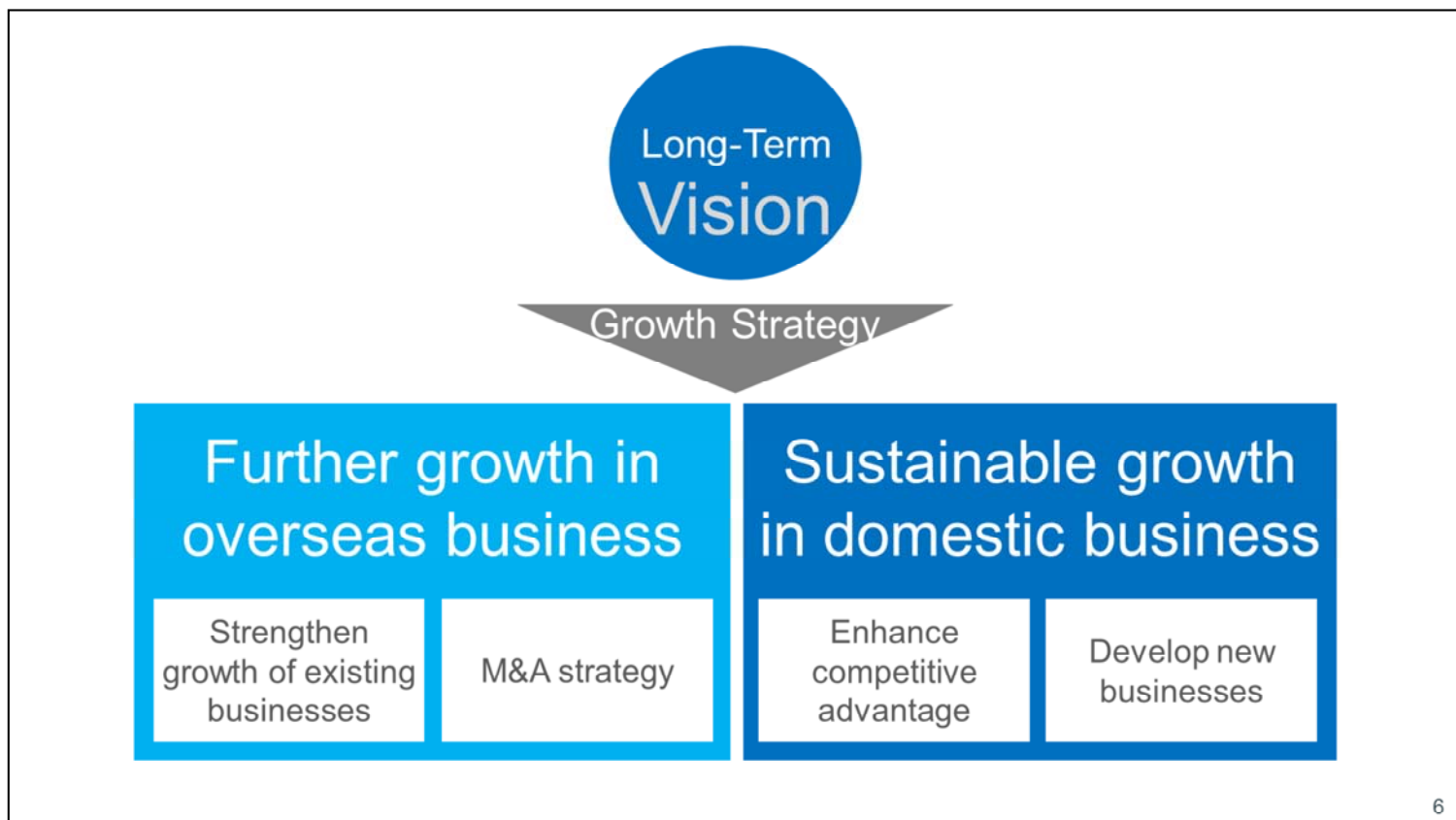


The EBITDA margin has been steadily improved since the acquisition.

Note: Sum of EBITDA of CSI, Staffmark, and Advantage Resourcing 5

The three staffing companies we have acquired in North America steadily improved their EBITDA margin (profitability) as shown in the slide as a result of our introducing our know-how to them. The actual amount of EBITDA has also been increasing.

In the future, we will also work to improve the profitability of USG People through the same approach.



Now, I will go on to the main subject of the medium-term management strategy.

In our future efforts to be the global leader in line with our long-term vision, the key activities in overseas markets will be the strengthening of the growth of existing businesses and the promotion of the M&A strategy, and the key activities in Japan will be the improvement of the competitive advantage of existing businesses and the development of new businesses.

Further growth in overseas business

Strengthen growth of existing businesses

M&A strategy

Sustainable growth in domestic business

Enhance competitive advantage

Develop new businesses

Growth strategy with Indeed as the key player

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To begin with, I will explain our growth strategy for overseas business.

In the 56th fiscal year, sales from overseas operations, which were approximately ¥570 billion, accounted for 35.9% of the net sales of the entire Group. This share represented a large increase from the figure in fiscal 2011, which was 3.6%.

While we will make continued efforts to promote the further growth of overseas business in all operations, we consider that the accelerated growth of Indeed will be especially crucial.

In today's presentation, I will place particular emphasis on this point.

Further growth in overseas business

Strengthen growth of existing businesses

M&A strategy

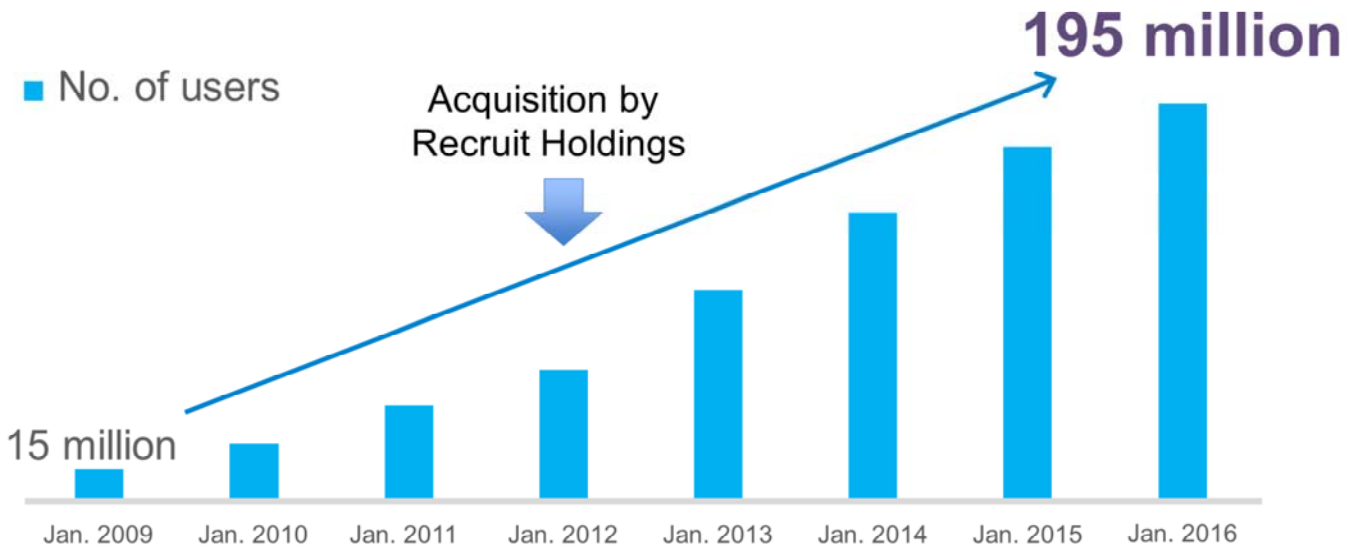
Sustainable growth in domestic business

Enhance competitive advantage

Develop new businesses

Growth strategy with Indeed as the key player

First, I will discuss the growth strategy for existing businesses of Indeed.

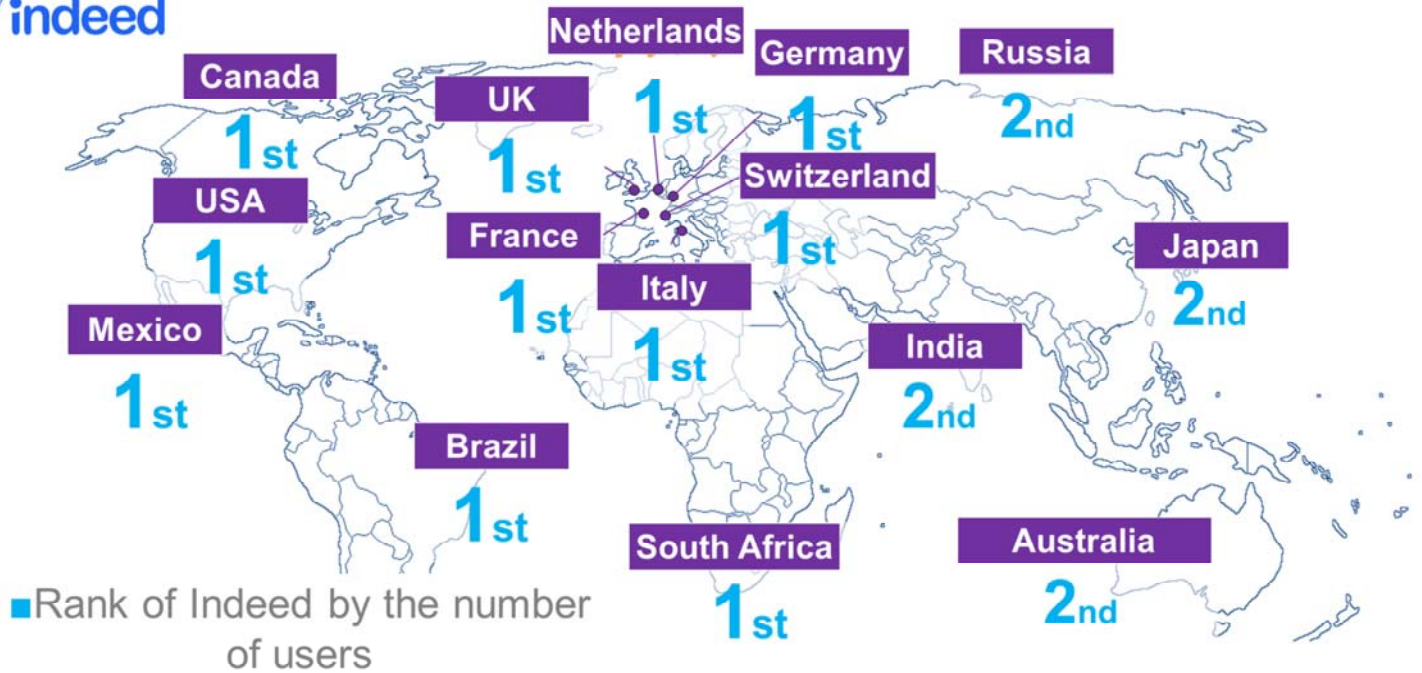


Grown into an online service used by about 200 million people

Source: Google Analytics 9

With the operation of a job information search engine as its main business, the company is continuing to grow at a high rate based on its overwhelming technological capabilities.

The company has grown substantially to operate an online service used by approximately 200 million people per month.

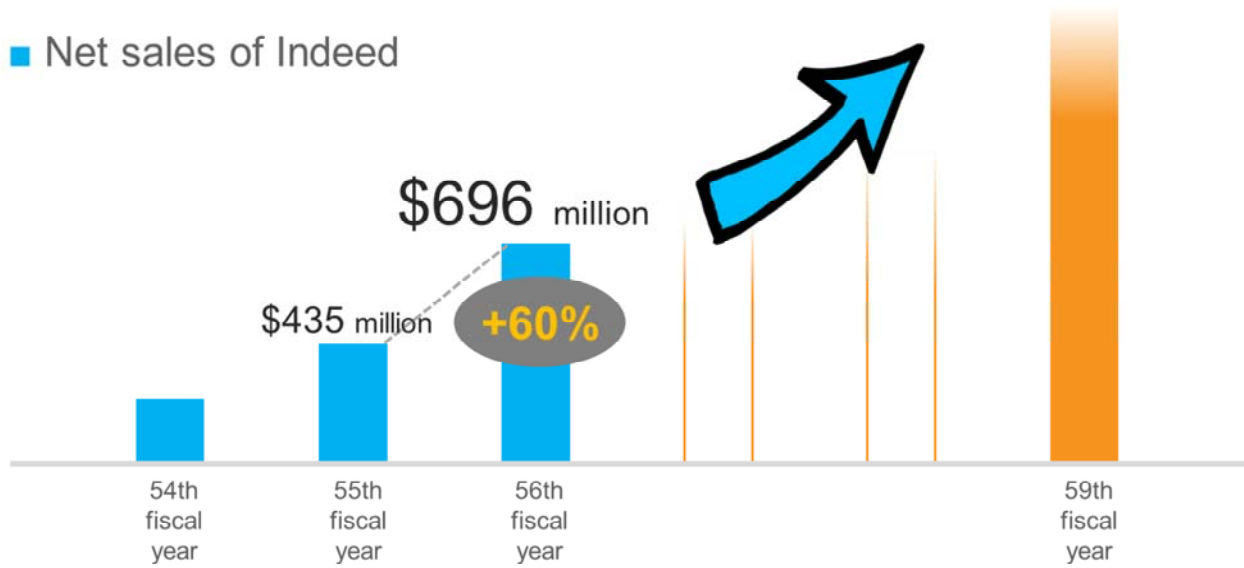


A dominant presence has been established in many countries.

Source: comScore 10

The company has already established itself in the No. 1 or No. 2 position in terms of the number of users in many countries in addition to in the US market.

■ Net sales of Indeed



Aim to at least double the net sales in dollar terms in 3 years

Note: For convenience, net sales for each fiscal year converted from Japanese yen to US dollars at the average exchange rate for the relevant fiscal year.

Net sales of Indeed in the 56th fiscal year were \$696 million, a year-on-year increase of 60% (or 83% based on yen, and 67% when the effects of the exchange rate were excluded).

(For this slide, we converted the net sales for each fiscal year in Japanese yen into US dollars at the average exchange rate for the relevant fiscal year, for convenience.)

In the future, we will maintain and enhance the profitability in the United States, and also invest in various marketing activities in other countries to be ready for full-scale monetization.

Through these efforts, we plan to at least double the net sales in dollar terms in three years and develop the business to be an essential part of the operations of our Group.

Further growth in overseas business

Strengthen growth of existing businesses

M&A strategy

Sustainable growth in domestic business

Enhance competitive advantage

Develop new businesses

Growth strategy with Indeed as the key player

Next, I will explain our M&A strategy centering on Indeed.

Advance to solution-oriented business in a wider range of HR-related business segments



Aggressively allocate management resources to Indeed to make it a pillar of our Group

Utilizing Indeed's high technological capabilities, user base, and client base, we believe that the company will grow not just in terms of the recruitment advertisement business but across the entire HR domain, such as candidate screening.

Going forward, we will aggressively allocate M&A funds and other management resources to Indeed and develop the company as a pillar of our Group.

Further growth in overseas business

Strengthen growth of existing businesses

M&A strategy

Sustainable growth in domestic business

Enhance competitive advantage

Develop new businesses

Next, I will explain our growth strategy for domestic business.

For domestic business, we will maintain an appropriate level of profitability while adapting to the fast-changing competitive environment surrounding Internet business to continuously provide a quality matching platform to both clients and users.

In addition, we aim to achieve stable growth of domestic business as a whole through the constant development of new services.



Market of operation support for SMEs
Learning market

Among the new services, today I would like particularly to discuss two types of services, namely, services in the market of operation support for small- and medium-sized enterprises and services in the learning market.

Air Series



Let me explain services in the market of operation support for small- and medium-sized enterprises. We have used our own media such as *HOT PEPPER* to provide users with convenience in finding shops and restaurants and to support clients in attracting customers.

Air Series



In the development of Air Series, we do not just offer it as a tool to attract customers, but also aim to provide small- and medium-sized clients with value, specifically, efficiency gains in various operations ranging from purchase to payment.

Air Series



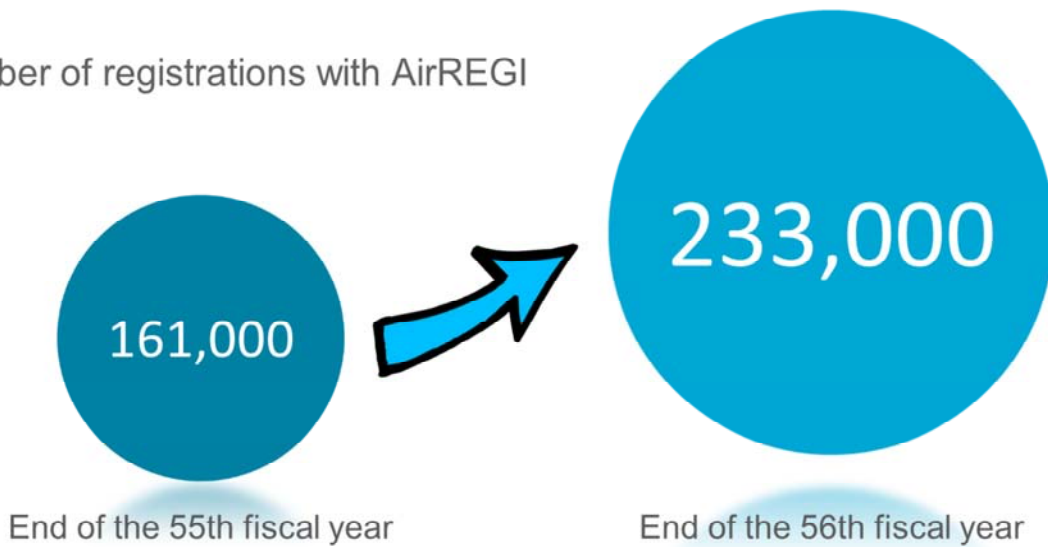
Expand operation support services by developing various services and partnerships with other companies

*1 For Alipay/LINEpay, collaboration is made through mobile payment for AirREGI. 18

In addition, we can now offer a wide range of functions as a result of the promotion of collaboration with services of other companies along with our own media.

Since the start of the services in 2013, we have invested in service development and client development. We have a future plan to make the Air Series-related business profitable in three to five years.

■ Number of registrations with AirREGI



The number of registrations is increasing steadily.

AirREGI is a cloud-based POS cash register app for Air Series. We developed it as a service with high functionality that can be introduced at a low cost by a wide range of businesses including restaurants, beauty salons, and retailers.

AirREGI is well reputed because clients can easily start using various functions by simply downloading the app to an iPad or other device, and the number of registrations is growing sharply. As of the end of the 56th fiscal year, the number exceeded 230,000.

Study Sapuri

- For high school students



スタディサプuri 大学受験講座
University entrance examination course
スタディサプuri 高校講座
High school course

- For elementary / junior high school students



スタディサプuri 中学講座
Junior high school course
スタディサプuri 小学講座
Elementary school course

Solve
educational
inequality

Offer learning opportunities to all users irrespective of economic and regional gaps

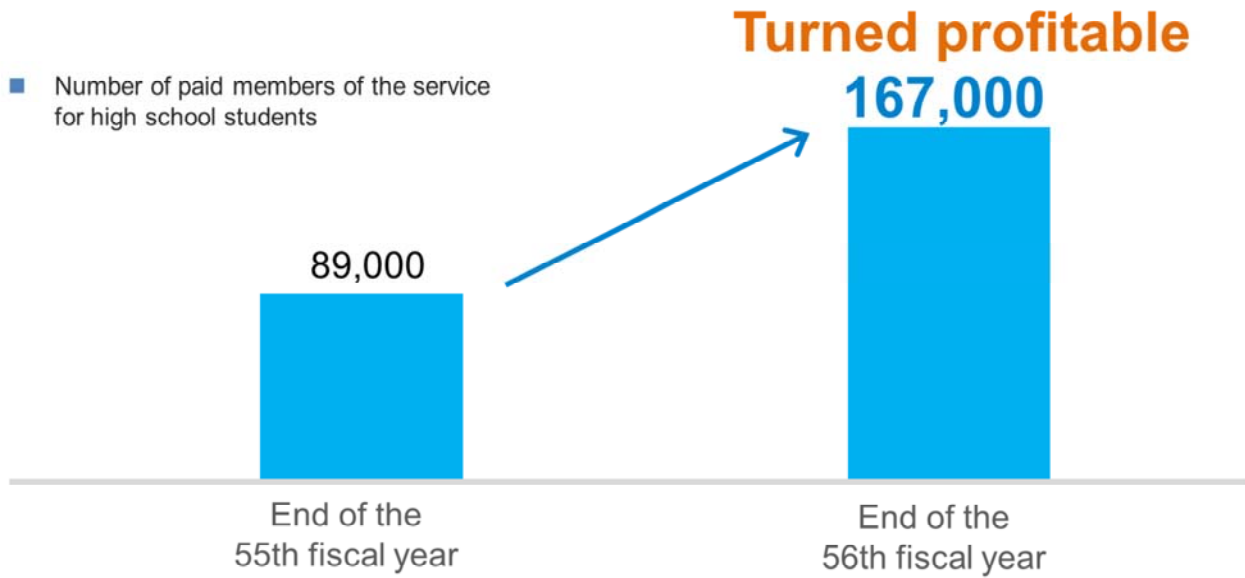
Next, I will explain Study Sapuri.

This service was created with our new business development program and launched in 2011. The service is offered at ¥980 per month, which is an incredibly low price, and allows users to watch online learning materials anywhere anytime via smartphone or tablet.

In Japan, there are many students who cannot attend prep schools or cram schools due to economic or geographic obstacles. We would like to offer this service to such people to give them learning opportunities and thereby help solve educational inequalities.

Study Sapuri

- Number of paid members of the service for high school students



The service for high school students has turned profitable.
We are steadily acquiring paid members of the service for elementary and junior high school students as well.

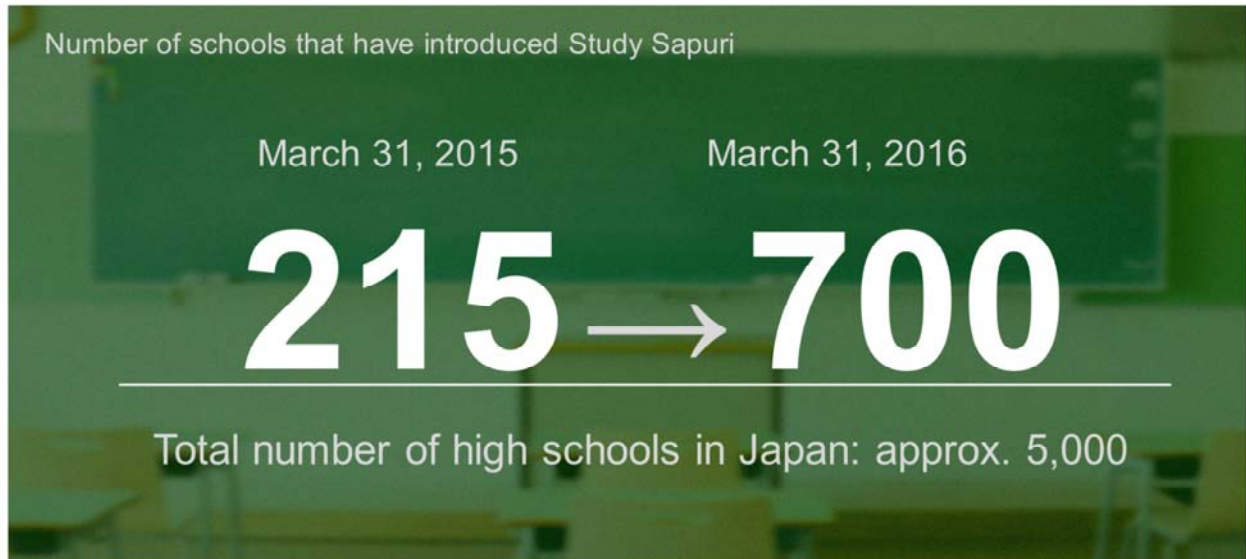
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The service for high school students, which was launched in advance, turned profitable in the 56th fiscal year.

The service for elementary and junior high school students has also been steadily acquiring paid members, and we will further enhance it going forward.

Through these initiatives, we plan to make the Study Sapuri business as a whole profitable in three to five years.

Study Sapuri



Having started to be used as a supplementary material in high schools, the service contributes to school education itself.

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Study Sapuri is also used as a supplementary material at school.

School teachers can use Study Sapuri to identify the weaknesses of individual students and monitor how they overcome them. The teacher can thereby spend more time giving instructions according to the learning level of each student.

Going forward, we will work to expand the service in collaboration with national and local governments and schools.

Financial Policy

Next, I will discuss our financial policy.

Change in the Management Index

Target Management Index (57th–59th fiscal years)

Adjusted EPS: a high single-digit CAGR over the three years

EPS: Earnings (net income) per share

Adjusted net income per share = Adjusted net income / (number of shares issued at the end of the period – amount of treasury stock at the end of the period)

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Firstly, I will explain a change in our target management index.

To implement the growth strategy that I have explained today, we plan to make M&A and various other investments in a more agile and active manner than ever before.

Based on this policy, we have decided to focus on “CAGR over the three years” as the time frame of the management target, instead of “stable growth in each fiscal year.”

Meanwhile, we will also continue to place importance on increasing shareholder value. From this perspective, we have set adjusted EPS, that is, adjusted net income per share, as the management index.

We aim to achieve a high single-digit CAGR for the three years ending in the 59th fiscal year.

Funds to Invest for Growth in the Medium Term

Investment for Growth (57th–59th fiscal years)

We have the capacity to invest ¥500 billion following the completion of the acquisition of USG People

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Next, I will give updated data on our investment capacity.

We have reported that we have the capacity to invest ¥700 billion in the medium and long term. Following the acquisition of USG People as a consolidated subsidiary, we now announce that the amount of funds we possess to invest for growth in the three years is ¥500 billion.

Consolidated Earnings Forecast

Lastly, I will present our consolidated earnings forecast for the 57th fiscal year.

(JPY Bn)	56th Fiscal Year	57th Fiscal Year	
	Full-year results	Full-year forecast	YoY
Net sales	1,588.6	1,690.0	+6.4%
EBITDA	202.2	217.0	+7.3%
EBITDA margin	12.7%	12.8%	+0.1pt
Operating income	114.0	121.5	+6.5%
Ordinary income	119.3	126.5	+6.0%
Net income attributable to owners of the parent	64.5	61.5	-4.7%
Net income before amortization of goodwill	112.4	110.5	-1.8%
Per-share dividend (yen)	50	50	—
Adjusted net income	118.3	121.5	+2.7%
Adjusted EPS (yen)	209.57	215.14	+2.7%

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For the 57th fiscal year, we expect net sales of ¥1,690.0 billion, or growth of 6.4% year on year, and EBITDA of ¥217.0 billion, or an increase of 7.3%.

Adjusted EPS, our management index, is forecast at ¥215.14, or an increase of 2.7% year on year, and the per-share dividend is forecast at ¥50, which is the same as for the 56th fiscal year.

That said, these estimates are figures projected at the time of announcing our business results on May 13, 2016, and do not reflect the acquisition of USG People. In the future, we will examine the impact and, if necessary, revise the estimates.

This ends my presentation.

We would like to ask for your continued support and cooperation.

Thank you very much.