



What we do

Strategic Business Units

“HR Technology” (Global Online HR SBU)

“Media & Solutions” (Media & Solutions SBU)

“Staffing” (Global Staffing SBU)

Founded in 1960, Recruit Group commenced operations in the job advertisement business for college students, and then diversified into the marketing media business field for life events and lifestyles while expanding into other human resource-related services. For a long while, business development centered on the three business segments comprising Marketing Media, HR Media and Staffing. Beginning in the 2010s, Recruit accelerated global business development with an emphasis on M&A while aiming to enhance the value of acquired companies by transferring expertise accumulated in Japan.

In April 2016, Recruit formed three new Strategic Business Units (SBUs) called Global Online HR, Media & Solutions and Global Staffing. Having transitioned to a structure designed to accelerate business momentum on an SBU basis, Recruit began from the fiscal year ended March 31, 2017, to disclose information using HR Technology, Media & Solutions, and Staffing as segments based on the SBU structure.

* For details about the businesses in each reportable segment, please turn to pages 83–111 in the data section.

HR Technology (Global Online HR SBU)

With Indeed at the core, this unit is expanding the global online HR business in recruitment-related fields.

Media & Solutions (Media & Solutions SBU)

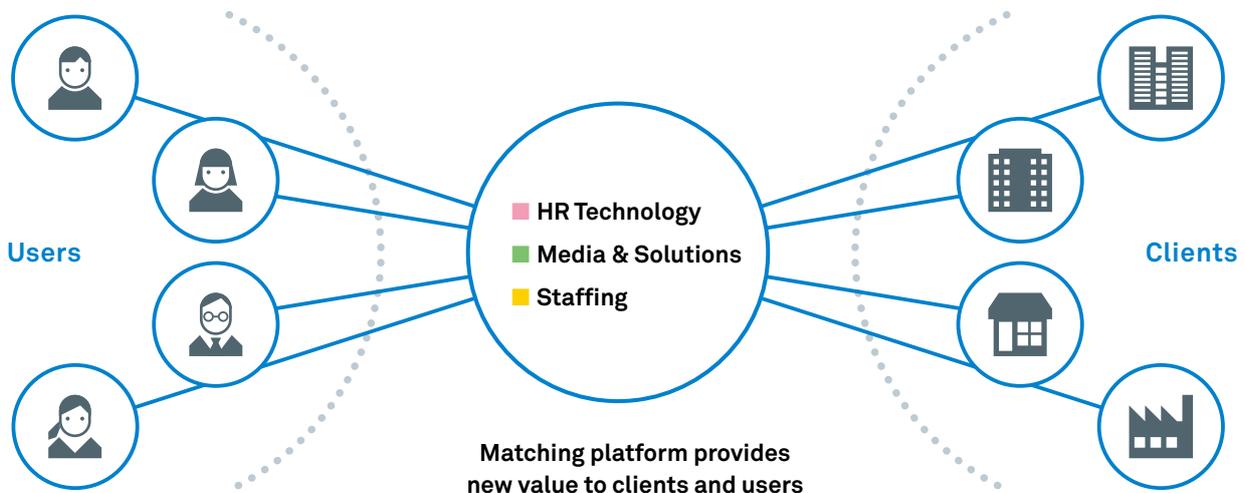
This unit integrates the Marketing Media business and HR business, except HR Technology.

Staffing (Global Staffing SBU)

This unit integrates the temporary staffing businesses of all the countries in which we operate.

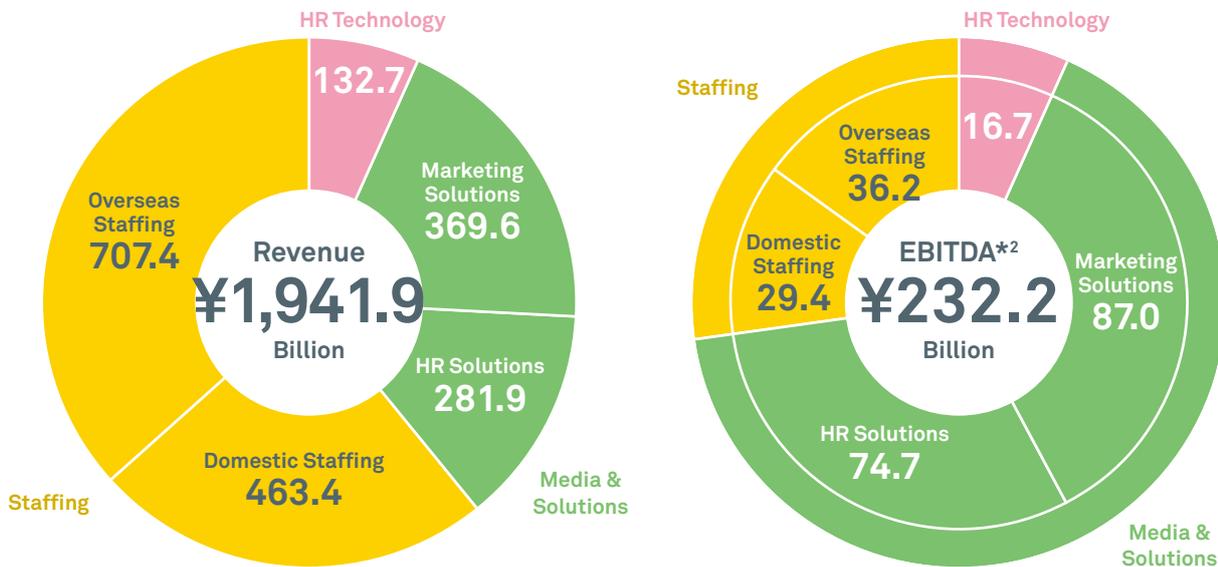
Business Model

Recruit Group provides platforms for the optimal matching of both clients and users, in other words businesses and consumers (B to C), businesses and businesses (B to B), and consumers and consumers (C to C).



* Note the segment change. For details, see page 85 about the segment change. In fiscal year 2015, Recruit disclosed information using four reportable segments, Marketing Media, HR Media, Staffing and Other. Since fiscal year 2016, Recruit has used the three reportable segments of HR Technology, Media & Solutions, and Staffing.

■ Revenue and EBITDA*1 by Business Segments



*1 From fiscal year 2017, Recruit Holdings adopted International Financial Reporting Standards (IFRS) for its financial statements instead of Japanese GAAP. In conjunction, IFRS figures are used for fiscal year 2016.

*2 EBITDA = Operating income + Depreciation and amortization + Other operating income, expenses

(Note) Net sales and EBITDA are calculated without corporate/elimination and Other segment figures, and net sales and EBITDA includes intersegment sales or transfers. Therefore, totals of percentages may exceed 100%.

■ HR Technology

Segment Introduction

By accelerating the business development of Indeed, the No.1 online recruitment site in the world, the segment is realizing Indeed’s mission: “We help people get jobs”.

Main Services

Indeed

Performance Snapshot

In fiscal year 2016, this segment recorded revenues of ¥132.7 billion and EBITDA of ¥16.7 billion.

■ Media & Solutions

Segment Introduction

The segment has established leading positions in many business domains within Japan through continuously expanding client industries and service offerings. This expansion is realized by leveraging the assets of the Media and Solutions businesses that have been cultivated since Recruit’s foundation.

Main Services

SUUMO, Zexy, Study Sapuri SHINRO, Car Sensor, Jalan, Hot Pepper, Hot Pepper Beauty, Air REGI, Rikunabi, Rikunabi NEXT, RECRUIT AGENT, From A navi, and TOWNWORK

Performance Snapshot

This segment generated ¥658.2 billion in revenues and ¥151.5 billion in EBITDA in fiscal year 2016.

■ Staffing

Segment Introduction

The segment provides optimal matching services to benefit both job seekers and companies seeking employees in each country, and supports various ways of working in a changing global work environment by increasing employment opportunities.

Main Services

Recruit Staffing, STAFF SERVICE HOLDINGS, The CSI Companies, Staffmark, Advantage Resourcing, Peoplebank, Chandler Macleod and USG People

Performance Snapshot

In fiscal year 2016, this segment recorded revenues of ¥1,170.8 billion and EBITDA of ¥65.9 billion.

HR Technology (Global Online HR SBU)

INTERVIEW with the Head of the SBU



Hisayuki Idekoba

Managing Corporate Executive Officer, Recruit Holdings Co., Ltd.; Head of Global Online HR SBU; CEO, Indeed, Inc.

Biographical information

- April 1999 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- October 2009 Executive Manager, CAP* Promotion Office
*CAP: Customer Action Platform, referring to the travel, restaurant, beauty, learning, and other lifestyle business categories
- April 2011 Executive Manager, Web Strategy Promotion Office; Executive Manager, CAP Company Internet Business Promotion Office; Unit Executive of the R&D Unit
- April 2012 Corporate Executive Officer
- September 2012 Chairman, Indeed, Inc.
- October 2012 Corporate Executive Officer, Recruit Holdings Co., Ltd.
- October 2013 CEO & President, Indeed, Inc.
- October 2015 CEO, Indeed, Inc. (current position)
- April 2016 Managing Corporate Executive Officer, Recruit Holdings Co., Ltd. (current position); Head of Global Online HR SBU (current position)

■ We help people get jobs

Securing and working in a job is one of the most important aspects of anyone's life regardless of background, culture, or geographic region. However, the ability of job seekers to identify available employment opportunities varies throughout the world, and is particularly challenging in countries with underdeveloped economies. In addition, job seekers often need to search multiple locations both online and offline to find relevant jobs, while employers often have difficulty finding qualified talent.

This problem became obvious to me a number of years ago when I was in Jakarta, Indonesia to create a travel booking website. Since the traffic was bad in the city, the government had passed a law requiring three people in each car to drive into the city. As a result, a new job was created called "professional hitchhiker" for people who were paid to be passengers in cars. As I spoke with the hitchhikers, it became clear to me that they would prefer an alternative to their current jobs but had no idea how to achieve this goal. Through this experience, I became interested in building a global job site to make it easier for people to find jobs. Considering the significance of having a job, I felt it was a very important goal to pursue.

I had been evaluating the landscape of the job market and discovered that most companies focused on employers. However Indeed, an online US job search site launched in 2004, was different. It was the only company entirely focused on simplifying job searches for job seekers and its founders were passionate about their mission to help people get jobs. Indeed's entire reason for being was to take a long, frustrating, disjointed process and dramatically simplify it by aggregating jobs into one place and enabling job seekers to search for jobs relevant to them. I led the acquisition of Indeed in 2012.

Indeed's aggregation technology is both advanced in its use of algorithms and machine learning and accessible based on a simple interface with two search fields—one for keywords and the other for location. The combination is extremely powerful and relies on cutting-edge technology to sort through massive volumes of data in a single repository for all jobs and deliver search results that are the most relevant to job seekers. The technology supports Indeed's mission: "We help people get jobs". I consider the founding engineers to be geniuses for developing such an innovative system. I was deeply impressed with the technology when I first encountered Indeed. I decided to join Indeed to make it Recruit's global online HR solution.

Disrupting HR with Technology



■ Targeting Greater Efficiency with the Power of Data

Indeed's strength lies in its ability to use machine learning to deliver the best results for job seekers. This type of AI, machine learning takes the huge amount of data generated by Indeed's 200 million monthly unique visitors*², identifies behavioral patterns and uses this information to deliver more relevant search results over time. Roughly 25 terabytes of data are generated each day through the keywords that job seekers enter in the search box. The volumes

of data enable better search results, and better search results attract more users, which has enabled Indeed to become the most visited job site in the world*¹. This virtuous cycle or "flywheel effect", as we call it, gives us the unique ability to provide job seekers with an experience that cannot be replicated.

Indeed believes that it can use the volumes of data generated and analyzed through machine learning to help create efficiencies across the HR industry, beyond job advertising. Many aspects of the HR function are still being performed manually, and there

is a huge opportunity to add value through automation and innovation.

■ Delivering Value by Turning Ideas into Reality

Indeed's commitment to helping people find jobs extends to offline job searches as well. For example, Indeed has introduced an app called Job Spotter aimed at getting as many offline jobs online as possible. Anyone can use the app to take a picture of a help wanted sign, and Indeed includes any job online that isn't already on the site. Contributors of job

content are compensated for participating in the program. This is a perfect example of how Indeed continues to pursue comprehensive job content to benefit job seekers. We also believe that it's important to test new ideas and challenge common wisdom and perceptions.

I believe that technology can help people achieve their goals and aspirations, and I hope to continue working with people who share in this belief. Our vision for Indeed is to use the power of technology to find global solutions to better serve job seekers and we strive to lead the industry in this area.



Mid-Term Strategy

Indeed's sales objective for the fiscal year ending December 31, 2018*

(Millions of US dollars)



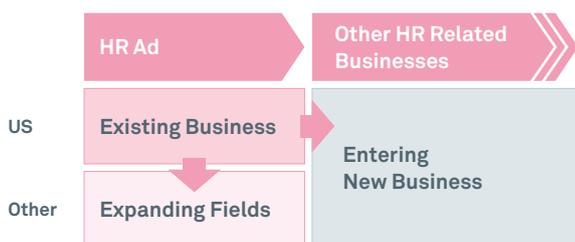
*Indeed's results are based on the fiscal year ending December and on USD, which differ from Recruit Holdings Co., Ltd.'s consolidated results, due to differences in consolidation methodologies.

Indeed's current objective for the fiscal year ending December 31, 2018, is to achieve over \$2 billion in revenue, which would represent a threefold increase in sales from the fiscal year ended December 31, 2015, on a US dollar basis. Indeed will look to increase efficiency in online recruiting and other processes in HR while expanding its presence in key markets globally.

A Leading Global Position

Indeed is currently available in 28 languages in more than 60 countries. Indeed has grown into one of the largest job search sites in the world with over 200 million unique visitors each month*² who have access to about 20 million job listings via Indeed. According to comScore, Indeed ranks No. 1 in terms of unique visitors in the US, Canada, the UK, France, Italy, Japan, the Netherlands and other countries*³, having established a leading position in key job markets around the world.

Expand business filed from HR ad business to other HR related businesses



#1 job site worldwide* ¹	200 million unique visitors per month* ²	Ranked #1 in 12 countries* ³
~100 million+ app downloads* ⁴	#1 external source of hires* ⁵	100 million resumes* ⁷
#1 job search application* ⁶ iPhone/Android in 30+ countries	18 million employer reviews* ⁷	60 countries, 28 languages* ⁷

*1 comScore, Total Visits, March 2017
 *2 Google Analytics, Unique Visitors, Sept 2016
 *3 comScore, August 2017
 *4 iTunes and Google Play, March 2017
 *5 SilkRoad Sources of Hire 2017
 *6 Business category, SimilarWeb
 *7 Indeed data, Sept 2017

Why employers love Indeed

Case studies

The Charles Schwab Corporation

\$245 CPH

on Indeed compared to \$2,000 on traditional job boards

Nokia Corporation

74% lower CPH

Lower cost per hire than the company average

McDonalds UK

2,660% increase

in traffic to Sponsored Jobs

General Dynamics Corporation

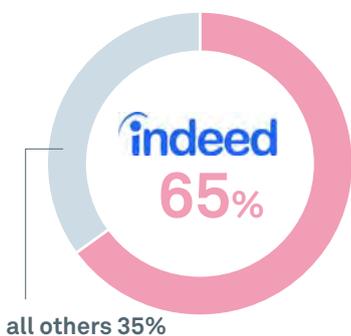
5 software engineer

positions filled

in first **3 months**

using Sponsored Jobs on Indeed

External Online Hires*



* SilkRoad Sources of Hire 2017

To achieve our goal of having all available jobs on Indeed, we allow employers to post jobs for free or with a paid sponsorship. Employers will choose to pay Indeed to significantly increase the visibility of a job posting or to reach a broader subset of potential candidates.

Indeed's pay-for-performance pricing model has innovated the job advertising industry. The traditional job posting model is a flat posting fee that is the same whether the ad gets hundreds of applies or no applies at all. The pay-for-performance pricing model leads to higher customer satisfaction, and helps build long-term relationships with employers. Employers only pay Indeed if a job seeker clicks on a job advertisement. Under this business model, our sales growth depends on successfully delivering value to clients, measured by cost per hire.

■ TOPICS: No. 1 in External Online Hires

At Indeed, we ultimately measure our success by helping job seekers get hired. According to market research conducted by SilkRoad, a US-based applicant tracking system, Indeed ranks No. 1 in the US in terms of external hires from online sources. The independent report stated that Indeed delivered 65% of all external online hires made in the US in 2016, almost twice as many hires as the combined total of rival companies. By bringing together the most jobs, job seekers, and employers, more people get hired on Indeed than on all of the major job boards and online competitors combined.

Media & Solutions (Media & Solutions SBU)

INTERVIEW with the Head of the SBU



Yoshihiro Kitamura

Managing Corporate Executive Officer, Recruit Holdings Co., Ltd.; Head of Media & Solutions SBU; President and Representative Director, Recruit Technologies Co., Ltd.

■ Biographical information

- April 1997 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- April 2009 Company Officer of the Bridal Company
- April 2010 Company Head of the Beauty Information Company
- October 2010 Company Head of the Beauty Information Company
Executive Manager of the Ponpare Promotion Office, CAP* Company
*CAP: Customer Action Platform, referring to the travel, restaurant, beauty, learning, and other lifestyle business categories
- April 2011 Division Head of the Beauty Information Division, CAP Company
- October 2012 Corporate Executive Officer, Recruit Lifestyle Co., Ltd.
- April 2013 Corporate Executive Officer, Recruit Holdings Co., Ltd.; President and Representative Director, Recruit Lifestyle Co., Ltd.
- April 2015 Managing Corporate Executive Officer, Recruit Holdings Co., Ltd. (current position)
- April 2016 Head of Media & Solutions SBU (current position); President and Representative Director, Recruit Technologies Co., Ltd. (current position)

■ Delivering New Value through Technology

There is strong public interest today in the implementation of robotics and autonomous driving, as well as AI and IoT. These technological advances are changing the world and being hailed as the Fourth Industrial Revolution. The Internet and web-based services are crucial business foundations, and they continue to evolve as the infrastructure for the transformation of society and business. The speed of this change is as irresistible as gravity. In fact, the Internet and web-based services are accelerating faster than the real world.

Previously, the real world presented issues and business needs to be addressed, and the Internet and web-based services were deployed to tackle them. Now, this order has been reversed. Today, technologies are the starting point, as they reshape existing industries and give birth to new ones.

Recently, the media has often reported the negative aspects of technology, such as people losing jobs to AI. However, this idea is questionable. Rather, technology will enable people to spend more time on their areas of strength as fields where machines excel become thoroughly automated. That is the true potential of these technologies. In essence, work will be divided between people and technology. I'd like to provide society with the value generated through this process. We are implementing what we refer to as a

Ribbon Model, for example where we identify the unease that users have not yet noticed and problems of clients that they have not yet seen, and combine these two negative factors to convert them into a positive, thereby creating various opportunities for society. I'm confident that this methodology will prove even more effective in the age of the Fourth Industrial Revolution.

■ Approaching Every Industry through Visualization and Optimization

The Japanese market is expected to experience a continuous decline in the labor force. This trend is inevitable. However, our response to the situation will be a key factor in enhancing Japan's competitiveness. To this end, as a business unit, we will strive to increase productivity in every industry by fully leveraging technology.

Recruit Group provides Air REGI, a POS cash register solution for industries such as dining and beauty-care. This solution applies digital technology to previously analogue tasks, thereby eliminating the bothersome task of closing the register at the end of the day and enabling accurate decision-making on purchasing the next day based on automatically tabulated sales data and sales trend data for each product. This allows businesses to maximize revenue and earnings by reducing opportunity losses and food losses. In addition, since the register close-out operation is unnecessary, users have more time for essential tasks such as using social



Enhancing Industrial Productivity through Innovation

media, leading to increased customer footfall and sales. In other words, the more tasks are rendered unnecessary, the greater the value that is created.

The first thing we did after our business unit was formed was pursue research into what would happen if we expanded the value proposition of eliminating more unnecessary tasks to markets outside the dining and beauty-care service sectors. For example, shift management of part-time workers is a challenging task in almost all the industries. Managers must often cut the shifts of willing part-time workers because their preferred shifts overlap with those of other workers.

Also, managers often face labor supply gaps where they can't find enough people to fill shifts. I believe that we can solve these problems through the use of digital technology.

The power of digital technology allows us to visualize things that had previously not been visible. Digital technology also makes it easier to optimize what has been visualized. Visualization and optimization are the key themes in our approach to all industries and business processes.

■ Building Competitive Advantages by Bringing Together the Strengths of Every Individual

The source of our competitiveness is a strong sense of ownership felt by every employee. However, nobody has this strong sense of ownership at the beginning. When people tackle a task with a strong desire to learn, they naturally tend to work very hard. This is when their sense of ownership only begins to emerge.

Even if new employees who have just joined Recruit were suddenly told to have a desire to learn about the markets and business, it would probably be impossible for them—the scale is too big. First, they should consider the needs of the customers, users, and clients they deal with on an individual level by asking themselves: “What kind of services would make him or her happy?” This approach will foster a desire to learn more about others and a passion to make a contribution, both of which will lead to a strong sense of ownership. Incidentally, I am convinced that my own energy comes from a stronger desire to learn than almost anyone else. I find it exciting to face difficult issues—it

is just like solving a puzzling riddle. I believe the desire to learn is so important because it is a powerful motivating force.

Whenever we start something new within Recruit, or try out a method that has never been attempted before, there are always critics who say “That cannot be done” or “That’s impossible”. These views are often expressed because ambitious goals have been set from the outset. Rather than focus on that, I encourage people to start with the smaller challenge of simply trying to surmount this “wall of opposition”. Previously, in the Human Resource Development Committee of our business unit, we used to discuss how to overcome the issues faced by each employee. Now we focus only on discussing how to grow the strengths of each employee. To bring out the best in people, we must identify each individual’s unique strengths by stimulating their desire to learn and encouraging them to tackle small challenges first. The competitive advantages of companies are built up by amassing the strengths of every employee in this way. Guided by this policy, we are working to hone our overall competitiveness even further.



Mid-Term Strategy

Recruit aims to expand in targeted client industries and increase the services it provides by focusing on the development of new businesses that support clients' operations. We also aim for continued stable revenue growth while maintaining high EBITDA margins, even after considering investments in new business development.

Client acquisition in new categories and service expansion



Number of Air REGI accounts (Thousands)



Number of seats reserved online through Hot Pepper Gourmet (Millions)



Number of online reservations made through Hot Pepper Beauty (Millions)



Number of paying users of app for high school students (Thousands)



■ Growth in Users

In fiscal year 2016, the number of registered accounts for Air REGI, which supports the operations of small- and medium-sized enterprises, increased 20% year on year to 297,000 accounts. We packaged together several services, including cash register functions, for clients mainly in the restaurant sector, and began charging a monthly fee. This new service got off to a good start.

In fiscal year 2016, the number of seats reserved online made through Hot Pepper Gourmet, a service for restaurants, rose 38% to about 51.5 million people. Likewise, the number of online reservations made through Hot Pepper Beauty, a service for beauty salons, expanded 36% to about 61.3 million.

In fiscal year 2016, the number of paid members for services aimed at high school students in Study Sapuri, an online learning service, climbed about 46% to 244,000 students. Recruit is focusing on significant expansion of users in both existing and new business fields.

■ TOPICS:

Taking on the Challenge of Diverse Work Styles in Japan

Japan's working population is projected to decline amid low birthrates and an aging population. Women taking their place in society are a potential workforce. In 2015, Recruit launched iction! as a project that spans across operating companies in the recruiting and staffing domains in Japan, with the goal of "joining together in creating a world where it is easy to work while raising children". As of March 31, 2017, Recruit has created 145,000 short-hour jobs in line with our aim of creating jobs that can be completed in short times for people working shortened hours while raising their children.

Moreover, ZIPWORK is for skilled people able to produce results in a limited amount of time. This provides work opportunities to people with restraints on their time due to not only child-rearing, but also caring for elderly parents or performing other side jobs. We continue to promote diverse ways of working.

Staffing (Global Staffing SBU)

INTERVIEW with the Head of the SBU



Hitoshi Motohara

Managing Corporate Executive Officer, Recruit Holdings Co., Ltd.; Head of Global Staffing Business, Chairman, The CSI Companies, Inc.; Chairman, Staffmark Holdings, Inc.; Chairman, Advantage Resourcing America, Inc.; Chairman, Advantage Resourcing Europe B.V.; Chairman, Peoplebank Australia Ltd; Chairman, Chandler Macleod Group Limited; Chairman, USG People B.V.; Chairman, Recruit Staffing Co., Ltd.; Chairman, STAFF SERVICE HOLDINGS CO., LTD.

Biographical information

- November 1983 Joined Japan Recruit Center Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- April 1998 Executive Manager, Marketing Office; Executive Planner, Corporate Planning Office
- April 1999 Executive Manager, Business Control Office, Staffing
- April 2001 Corporate Executive Officer, Recruit Co., Ltd.
- June 2003 President and Representative Director, Recruit Staffing Co., Ltd.
- April 2006 Managing Corporate Executive Officer, Recruit Co., Ltd.
- December 2007 President and Representative Director, STAFF SERVICE HOLDINGS CO., LTD.
- June 2009 Managing Corporate Executive Officer and Board Director, Recruit Co., Ltd.
- October 2010 Chairman (current position) & CEO, The CSI Companies, Inc.
- October 2011 Chairman, Staffmark Holdings, Inc. (current position)
- December 2011 Chairman (current position) & CEO, Advantage Resourcing America, Inc.; Chairman (current position) & CEO, Advantage Resourcing Europe B.V.
- June 2012 Managing Corporate Executive Officer, Recruit Co., Ltd.
- October 2012 Managing Corporate Executive Officer, Recruit Holdings Co., Ltd. (current position)
- February 2015 Chairman, Peoplebank Australia Ltd (current position)
- April 2015 Chairman, Chandler Macleod Group Limited (current position)
- April 2016 Head of Global Staffing Business (current position); Chairman, Recruit Staffing Co., Ltd. (current position); Chairman, STAFF SERVICE HOLDINGS CO., LTD. (current position)
- June 2016 Chairman, USG People B.V. (current position)

■ **Delivering Value in Staffing, a Global Need**

Our will is to contribute to society by providing job opportunities to as many people as possible. Driven by this ambition, Recruit has seen remarkable progress in Japan with Staffing. Believing that the management method established in this business and the social value it provides are universal in this market, Recruit has stepped up M&A targeting overseas staffing companies since 2010.

The social value we provide is best described as increasing employment opportunities through the optimal matching of job seekers in each country (users) with companies looking to hire (clients). One problem seen around the world, for example, is high unemployment rates among young people. From the standpoint of users, Staffing serves as a stepping stone for young people and people with little work experience to find their first jobs. Staffing is an important employment system for people who prefer flexible work hours and locations for a variety of reasons, and for people who wish to apply their extensive experience and advanced skills in specific kinds of work without belonging to a single company. From the client’s perspective, having a flexible workforce, where the necessary people can be assembled at the necessary time and place, is essential for improving productivity. Clients also need highly trained personnel to boost their competitiveness. As the intermediary between the user and the client, we bring

greater efficiency and suitable pricing in the hiring process, a major burden on companies. By providing this value, we support diverse working styles in constantly changing labor markets around the world.

■ **Deploying a Management Method Established in Japan**

When conducting M&A overseas, our basic approach is to acquire a local company with insight on local markets, and transfer to them the business management knowledge we have accumulated in Japan. All the staffing companies we acquire have a high profile in their market and are trusted by people as a local brand. Respecting the value of their brands, we typically keep the original management team for running the business. The only change we make at the acquired company is a method called Unit management system. This method draws out the abilities of the local company and motivates employees to provide better services, which leads to profits at the company.

Unit management system entails dividing the organization of a company into small-scale units, each of which has a unit leader delegated with authority. Improving the EBITDA margin is clearly designated as the most important management benchmark, and the unit is managed by having all employees keep this in mind when engaging in service-related work processes. With both management and employees committed to producing results based on a shared



Unit Management System Across the World

benchmark, the business awareness of employees increases a notch and decision-making accelerates. To make sure these efforts are pulled off seamlessly, management must respect the autonomy of local leaders and team members, and we must create a corporate culture of openness and high information transparency. In other words, Unit management system is a system that fires up the ambitions of both management and employees. Why do other companies stay away from this method? There are several reasons. But briefly put, “They cannot believe it, and do not like it”. Firstly, managers become nervous when they are not required to grow sales or raise market share. Even if they agree with the “unit” base structure, it does not

really work unless, top management who has deep understanding of Gemba (the real place) participates in unit meetings, and he/she provides practical guidance to operations. There are some companies which hesitate to allocate those indirect costs to each unit, but that means they will miss the opportunity to install a checking mechanism on the indirect costs from the Gemba (the real place) perspective. Ultimately, a common justification is that no one will believe in it and no one can implement it because there is not yet a successful case in the company.

■ Governance for Successful M&A

Recruit has acquired The CSI Companies,

Staffmark and Advantage Resourcing in the US, as well as Peoplebank and Chandler Macleod in Australia and USG People in Europe. According to the “Largest Global Staffing Firms 2016”, published by Staffing Industry Analysts (SIA), Recruit ranks fifth in the industry in terms of its share of the global staffing market. We will continue to engage in M&A with the aim of spurring further growth in the Staffing Business.

We have two conditions for conducting M&A. One is an agreement with adopting our approach. Another is a deep understanding of the methodology itself. We also have to take a hard look at whether our presence would truly lead to an improvement in management at the target company. After acquisition, we intensively work with the management teams so that Unit management system takes root in the organization. We often start to receive many suggestions to improve operations from division leaders and members immediately. After an acquisition, I become the Chairman of the acquired company and in principle, we

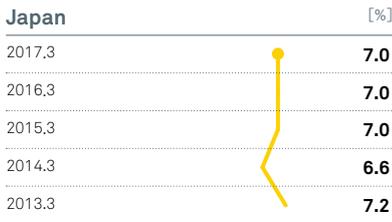
stay with the original management team to run the operation. We dispatch a minimum number of personnel to the acquired company, who are assigned to roles under local management instead of being put in a supervisory role. I also keep that line structure, I will not do something through directly communicating with Japanese expats alone. Also, it is critical to minimize interventions by HQ’s function. What I mean is that I make every effort to allow acquired companies to simply focus on business, not being bothered with reporting to HQs. Under such an environment, I fully trust the local managers. When they fail to meet expectations, I request them to leave. Thus, by making management quality better and better, we can motivate employees and temporary staff and to grow the business accordingly.

Through Unit management system, I am confident in growing our Staffing into a world-leading operation not only in delivering financial performance but in creating value to society.



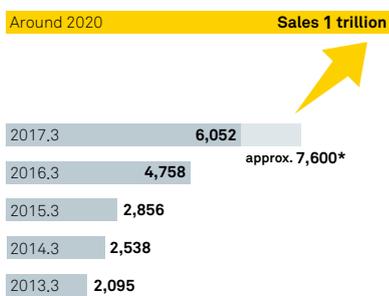
Mid-Term Strategy

Improving EBITDA margin at subsidiaries of each region



*Figures of North America, Europe, and Australia were calculated by simply combining individual subsidiaries

Aiming for ¥1 trillion in overseas sales around 2020



*Estimated amount assuming there was a USG People full-year contribution

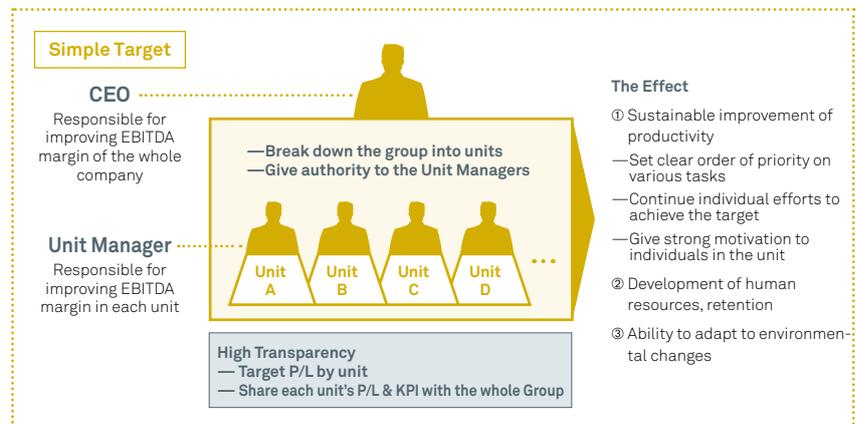
From fiscal year 2015 to fiscal year 2016, the EBITDA margin improved steadily at subsidiaries in North America, Europe and Australia. Recruit aims to continue strengthening the EBITDA margin on a global scale.

Moreover, Recruit aims to achieve overseas sales of ¥1 trillion around 2020.

Proliferation of Unit Management System

We do Unit management system to divide the organization based on the difference of the market. Each unit is regarded as a company, and the Unit Manager is given authority to make decisions with the ultimate aim of maximizing profits in their unit. Strategies are optimized for each market and then implemented. There are a few reasons that application of normal productivity improvement method is difficult for Staffing Business. Firstly, the “Product” of a Staffing service is the WORKFORCE of temporary workers, therefore it is difficult to differentiate the service. Secondly, a majority of COGS are salaries paid to workers, therefore it would be difficult to reduce them. Thirdly, Staffing is a local business, where workers want to find a job close to their homes, which means the concept of pursuing efficiency with “massive scale and standardized service for a large area” does not work. In order to

Unit Management System

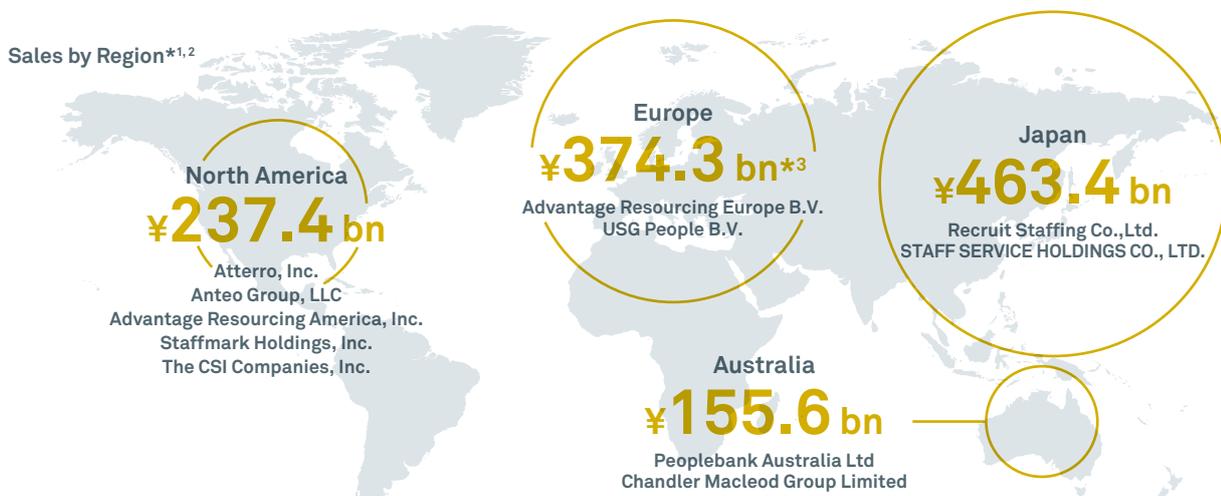


increase productivity and profitability with these particular circumstances, we need to continue bottoming-up small improvements and introducing an autonomous management system for each unit, which is a smaller division of the organization. This is the optimal approach. With Unit management system, it becomes possible to encourage the autonomy of each employee belonging to the unit, enhance their business awareness and aim to accelerate decision-making.

TOPICS:
History of Portfolio Expansion in Staffing Business

When it began developing Staffing overseas, Recruit targeted the advanced economies that make up over 70% of the ¥40 trillion staffing market, namely North America, Australia and Europe, in addition to Japan.

Recruit has made a number of acquisitions overseas, beginning with The CSI Companies in 2011. As a result, Recruit has built a portfolio that covers a broad swath of targeted overseas markets, with revenues reaching ¥463.4 billion in Japan, ¥374.3 billion in Europe, ¥237.4 billion in North America and ¥155.6 billion in Australia.



*1 Sum of sales in FY2016
 *2 Figures of North America, Europe, and Australia were calculated combining individual subsidiaries
 *3 Estimated amount assuming there was a USG People full-year contribution