

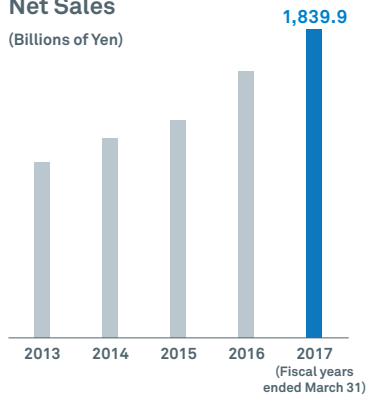


# Data section

# Five-Year Financial Summary\*<sup>1</sup>

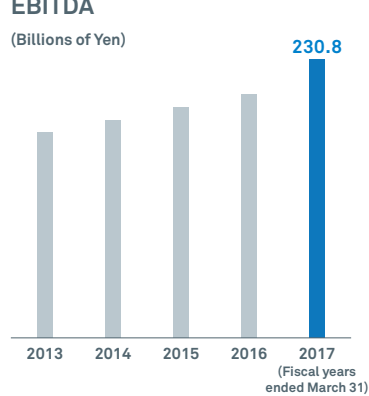
## Net Sales

(Billions of Yen)



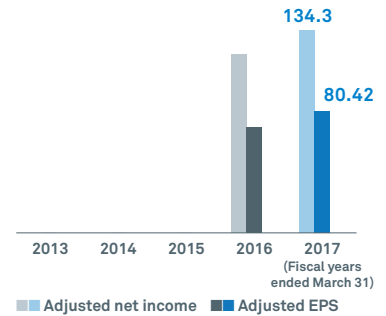
## EBITDA

(Billions of Yen)



## Adjusted net income\*<sup>2,3</sup> /Adjusted EPS\*<sup>2,5,6</sup>

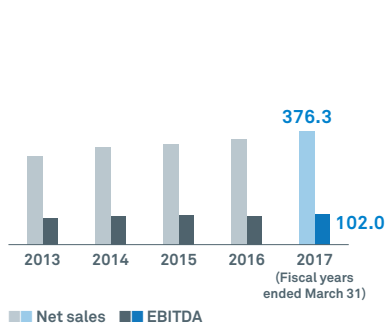
(Billions of Yen/Yen)



## Net sales by segment/EBITDA

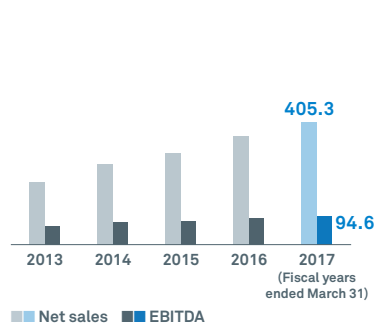
### Marketing Media

(Billions of Yen)



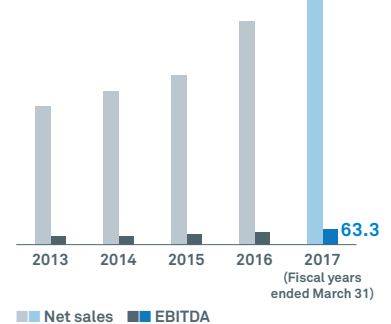
### HR Media

(Billions of Yen)



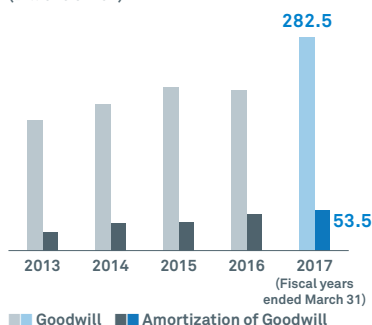
### Staffing

(Billions of Yen)



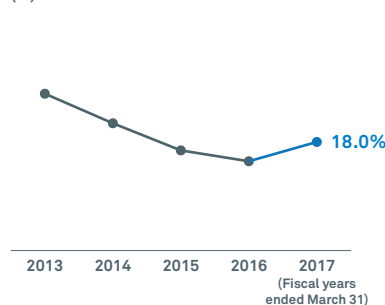
## Goodwill/Amortization of Goodwill

(Billions of Yen)



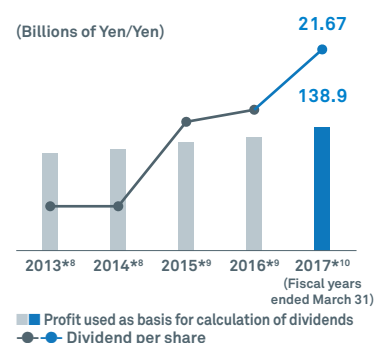
## Adjusted ROE\*<sup>7</sup>

(%)



## Profit used as basis for calculation of dividends/Dividend per share\*<sup>5</sup>

(Billions of Yen/Yen)



\*1 Figures used in the Five-Year Financial Summary, Business by Segment and Consolidated Financial Statements (pp. 86–116) are from Japanese GAAP.

\*2 Figures prior to fiscal year 2014 are not disclosed.

\*3 Adjusted net income = Net income attributable to owners of the parent ± adjustment items\*<sup>4</sup> (excluding non-controlling interests) tax reconciliation related to adjustment items

\*4 Adjustment items = Amortization of intangible assets arising due to business combinations ± non-recurring income/losses

\*5 The amount reflected a three-for-one stock split implemented on July 1, 2017, with the record date of June 30, 2017.

\*6 Adjusted EPS = Adjusted net income / (number of shares issued at the end of the period – number of treasury stock at the end of the period)

\*7 Adjusted ROE = Net income before amortization of goodwill/Averaged equity

\*8 Basis for calculation of dividends: ¥260 straight-line method (unlisted, before consideration of stock splits)

\*9 Basis for calculation of dividends: About 25% of net income before amortization of goodwill

\*10 Basis for calculation of dividends: About 30% of net income before amortization of goodwill excluding the effects of extraordinary income/losses

# Change of Our Reporting Segments

## Change of Our Reporting Segments

FY2016 (before segment change)				FY2017 (after segment change)		
Segment	Operation	Business		Segment	Operation	Business
HR Media	Overseas Recruiting		➡	HR Technology	HR Technology	
	Domestic Recruiting			Media & Solutions	Marketing Solutions	Housing and Real Estate
Marketing Media	Life Event	Housing and Real Estate				Bridal
		Bridal				Travel
		Travel				Dining
	Lifestyle	Dining				Beauty
		Beauty				HR Solutions
		Staffing			Domestic Staffing	
Overseas Staffing		Staffing			Domestic Staffing	
				Overseas Staffing		
Other	Other					

\* Other business in the former segmentation has been included in the Media & Solutions segment under the new segmentation.

In response to a rapidly changing Internet business environment, we are aiming to maximize enterprise value with streamlined decision-making based on an ability to quickly capture needs and business opportunities in global markets. To realize this aim, in April 2016, we organized the Group into three new Strategic Business Units (SBUs): Global Online HR, Media & Solutions, and Staffing, shifting to a structure that enables us to accelerate growth of each SBU.

From fiscal year 2017, we have been disclosing information according to the current SBU management structure: HR Technology (Overseas Recruiting operation of the former HR Media segment), Media & Solutions (integrating the former Marketing Media, HR Media, except Overseas Recruiting operations, and Other segments), and Staffing (unchanged).

# HR Technology

## Global Expansion through Indeed, the World's No. 1 Job Site

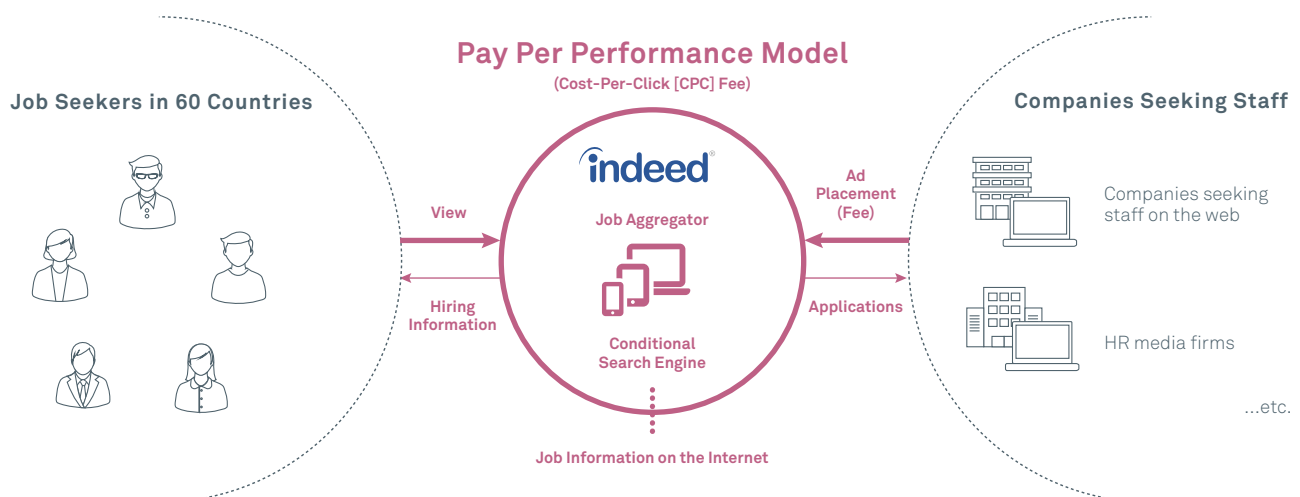
### Service Description

#### The World's No. 1 Job Site in Over 60 Countries and 28 Languages

Indeed, a Recruit Holdings subsidiary since 2012, operates the No. 1 job site worldwide with over 200 million unique visitors per month. Using aggregation technology, a hosted jobs platform, and a proprietary search algorithm, Indeed simplifies the job search experience by creating a single destination for job seekers to find jobs relevant to them from thousands of company websites, job boards and direct job postings. Millions of people search for jobs, post resumes, and research companies on Indeed each month in over 60 countries and 28 different languages. Indeed also offers employers the ability to search its database of more than 100 million resumes. Indeed helps companies of all sizes hire talent and offers the best opportunity for job seekers to get hired.

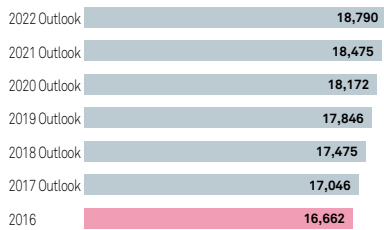
### Business Model

Indeed's users are individuals searching for job opportunities and its clients are companies with recruitment needs. Through Indeed's search engine, people have free access to millions of jobs which have been aggregated from the web or posted directly to the site. Indeed offers employers, job boards or recruiting agencies access to millions of active job seekers across every industry and location. Employers will sponsor jobs to increase visibility and drive traffic to their job opening and only pay Indeed if a job seeker clicks on a sponsored job. With this pay per performance pricing model, Indeed is a cost-effective source of hiring for thousands of companies.



#### US GDP (Real) Growth Results and Forecast

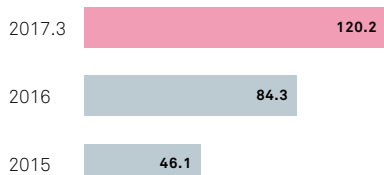
[Billions of USD]



Source: International Monetary Fund, World Economic Outlook Database

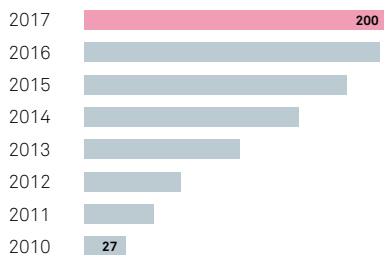
#### Annual Net Sales

[Billions of Yen]



#### Monthly Unique Visitors

[Millions]



Source: Google Analytics

#### Market Environment

##### US Market for Online Recruitment Has Been Growing

The online HR recruitment market in the US has a growth rate similar to the overall GDP growth rate. In the event a moderate economic growth trend continues with a consumer spending growth, we would expect this to support further growth in the US online HR recruitment market.

#### Business Overview

##### Strong Revenue Growth, Net Sales Up 62% Year on Year

Indeed has consistently experienced significant growth and today is the #1 job site worldwide, having combined its outstanding technology and Recruit's unique sales marketing expertise developed in Japan. In fiscal year 2016, Indeed experienced substantial growth in job seekers and advertisers globally, and also recorded strong sales outside the US. Indeed continued to expand its global sales force and engaged in marketing activities which significantly increased brand awareness and traffic in key markets around the globe. As a result, net sales in fiscal year 2016 were approximately \$1.1 billion\*, an increase of about 62% year on year on a US dollar basis.

#### Strategy Going Forward

##### Increase Efficiencies in the Recruitment Process while Expanding Globally

Indeed is a pioneer in the job advertising field, building aggregation technology and search engine functionality that dramatically simplified the job search process, producing the best results for job seekers and employers. As a result, Indeed has become the #1 job site worldwide and today is #1 in 12 countries around the world. Indeed will look to expand its job advertising business within the US, and globally. By investing in sales and marketing initiatives, Indeed will continue to acquire new users and job advertisers, increase brand awareness, and drive job seeker traffic. Indeed will also aim to grow its presence outside the US where there is significant potential for monetization. In the mid- to long-term, Indeed will explore ways to innovate other parts of the recruiting process beyond job advertising. As of the start of fiscal year 2017 and assuming current economic conditions, Indeed's objective for net sales of fiscal year 2018 is to exceed \$2 billion, which is a threefold increase in sales from fiscal year 2015\*.

\* Indeed figures are local and may differ from Recruit Group's consolidated financial results.

# Media & Solutions (Marketing Solutions) Housing and Real Estate

## Ensuring a Highly Competitive Edge with Strong Brand and Excellence in Proposals to Clients

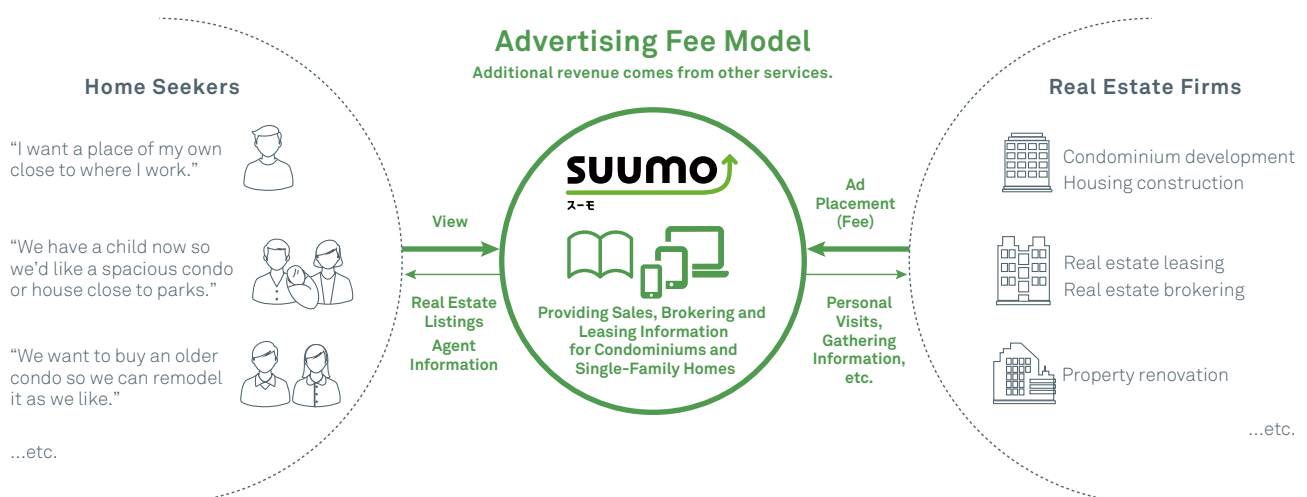
### ■ Service Explanation

#### No. 1 Brand Covering a Wide Range of Users' Needs for Housing

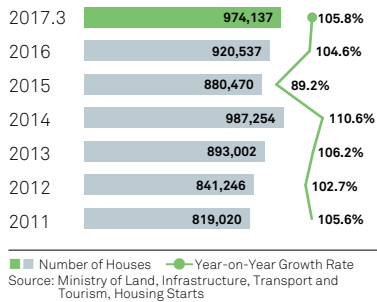
In the Housing and Real Estate business, we provide information on our website, apps, and magazines under the SUUMO brand that meets the wide range of needs for housing to lease, purchase, build and renovate. In addition to property and agent information, these media cover a variety of housing information including step-by-step know-how to find a property, to purchase housing, and to order customized housing and renovation. We also offer over-the-counter service to those who are looking for new condominiums and ordering customized housing.

### ■ Business Model

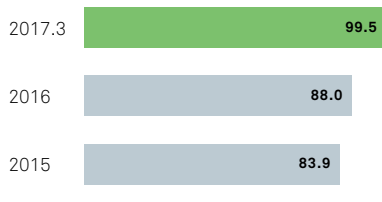
Users of SUUMO are those who are considering buying a property or renting a house or room, and clients are developers of condominiums, independent housing, and customized housing, house manufacturers, building contractors, property leasing agents, secondhand housing brokers, and builders for renovations. Major earnings come from advertising fees billed to clients listing property information on our website, apps, or in our publications. We also have over-the-counter service in the condominium and customized housing division, earnings of which come from success fees for brokering deals.



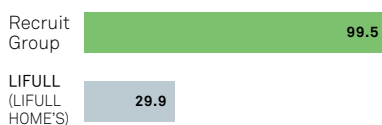
#### New Housing Construction Starts in Japan/ Year-on-Year Growth Rate [Number of Houses, %]



#### Annual Net Sales [Billions of Yen]



#### FY2016 Net Sales Comparison [Billions of Yen]



#### Market Environment

##### New Housing Construction on Track for Recovery

New housing construction starts, one of the indicators for the housing market, was 974,137 units in fiscal year 2016, an increase of 5.8% from the previous year. This market has trended upward since fiscal year 2015, after it dropped in fiscal year 2014 for the first time in five years due to the last-minute surge in demand before the consumption tax hike in April 2014.

#### Business Overview

##### Having Kept Top Position in Japan and Achieved Sales Increase

Although the consumption tax hike has had a major impact on business results over the past few years, our service keeps the top position in the Japanese market as a result of enriching our media content and maintaining superb brand recognition.

In fiscal year 2016, the major condominium apartment, independent housing and leasing divisions all grew and net sales were ¥99.5 billion, an increase of 13.1% year on year. This was a result of our promotion for attracting users in addition to an increase in client needs for attracting customers due mainly to longer sales periods caused by rising condominium prices.

#### Strategy Going Forward

##### Continuously Deepen Our Relations with Clients and Aim to Achieve Sustainable Growth

Our greatest strength is SUUMO's strong tie with our clients, which has been nurtured by high recognition among people looking for housing, advantages in user data collection and analysis, and highly effective proposals based on the deep understanding of clients' operational flows.

Looking to the future, we will continue to improve our media and services that realize greater user satisfaction. At the same time, we aim to provide clients with not only an advertising media, but also comprehensive sales promotion support, including operational support and other services. We are aiming to realize greater returns to clients from their advertisement on our media through strategic planning on client products and sales promotion campaigns based on our data analysis of user needs, and communication design planning.



# Media & Solutions (Marketing Solutions) Bridal

## Bolstering Service Expansion Responding to Changes in the Trends and Needs as the Leading Brand in the Bridal Market

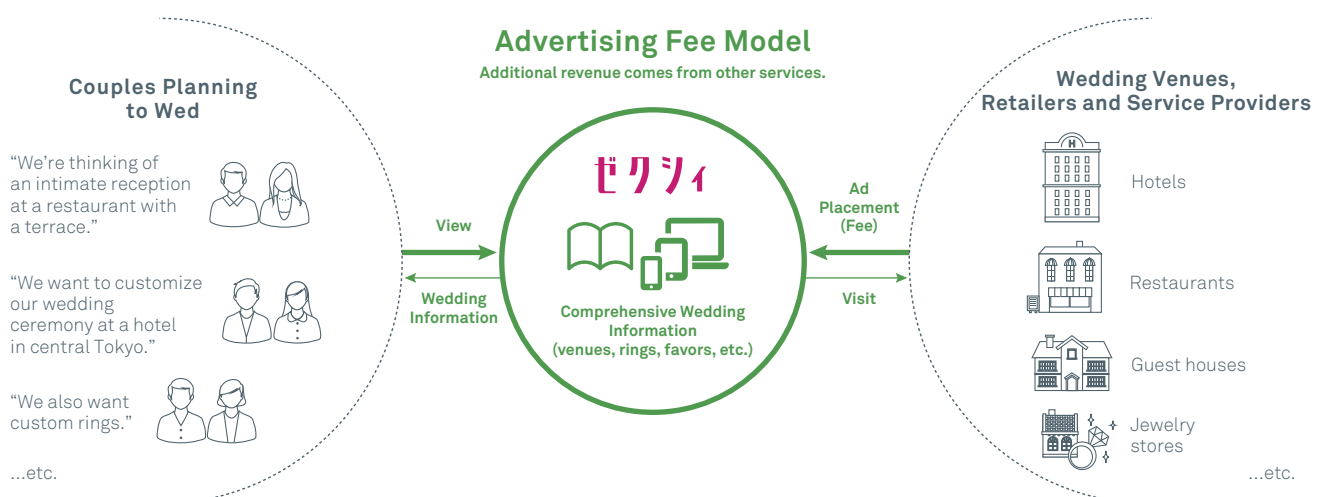
### ■ Service Explanation

#### Zexy Brand Meets Diverse Bridal Requirements

In the Bridal business, Zexy is our brand for wedding-related information, delivered via a magazine and website, and through personal consulting. The information we provide includes various styles of wedding venues, such as hotels, wedding halls, chapels and restaurants, as well as jewelry, dresses, gifts and venues for after parties. Users can also request detailed brochures. Additionally, Zexy covers articles for basic knowledge and know-how about marriage, and proposes new wedding styles. We propose the venues meeting customers' requests and deliver a variety of arrangements including deciding on a venue at the over-the-counter desk.

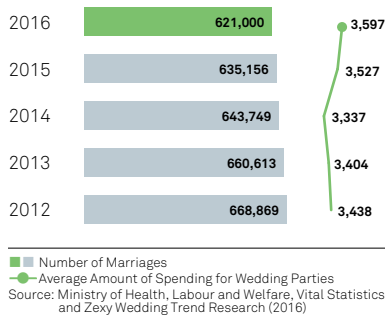
### ■ Business Model

Zexy's users are individuals and couples looking to marry, and advertising clients are facilities that hold ceremonies, including wedding halls, hotels and restaurants, as well as bridal-related retailers of items such as jewelry and dresses, photography and video services and other businesses from a variety of services associated with weddings. The main business model is an advertising fee model with clients billed for advertisements placed for venues, products and suchlike in the magazine or on the website. Our over-the-counter consulting service's earnings come from wedding venues as referral fees to introduce couples to them.



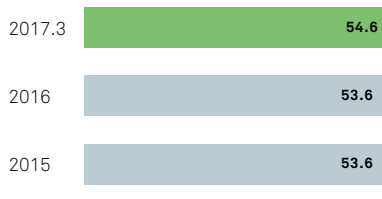
## Bridal Industry Trends in Japan

[Number of Couples/Thousands of Yen]



## Annual Net Sales

[Billions of Yen]



## FY2016 Net Sales Comparison

[Billions of Yen]



\* FYE Sep 2016

## Market Environment

### Despite Shrinking Number of Marrying Couples, Spending for Weddings Continues at High Level

There are two indicators for the Japanese bridal market: the annual number of marrying couples and per-couple bridal-related spending. Due to the impact of the declining birthrate, there has been a gradual decline in the number of marrying couples and couples holding wedding receptions. Although this trend is forecast to continue going forward, spending on ceremonies has continued to increase in recent years and remains at a high level. Such conditions have resulted in vigorous competition among those who engage in bridal business by offering new facilities and developing new services to meet users' various needs.

## Business Overview

### Maintaining No. 1 Net Sales as a Pioneer in the Bridal Market

We are the pioneer who created a market for magazines specialized in bridal information in Japan. We have been in a leading position in the market with overwhelming brand competitiveness.

In fiscal year 2016, despite a declining trend in the number of marrying couples in Japan, net sales remained stable at ¥54.6 billion, a year-on-year increase of 1.8%, mainly due to increased needs for attracting customers of major wedding venue operator clients.

## Strategy Going Forward

### Further Enhancing User Satisfaction and Energizing the Industry

Our strength in the Bridal business is mainly due to three factors: unrivaled brand power which recalls Zexy in most of users' mind when they think about marriage, ability to drive users to our clients leveraged by this brand power, and sales expertise that fosters robust client relationships.

We maintain and strengthen our brand value through efforts for enhancing user satisfaction, such as improving the UI/UX of our smart device apps and websites, and enriching content. In addition, we are aiming at sustainable growth to further increase the return on investment for clients, by increased effectiveness of advertisements.

One area we are eager to develop is matchmaking — targeting the significant number of singles who have yet to find their significant other. While marriage rates mired in a downward trend, this market is large enough to warrant consideration. By helping to match interested singles with compatible partners, we can stimulate the bridal industry overall.

# Media & Solutions (Marketing Solutions) Travel

## Increase User Satisfaction by Proposing Attractive Travel Plans and Lead the Online Reservation Market

### ■ Service Explanation

#### Pursue User-Friendliness through Our Website and Paper Magazine

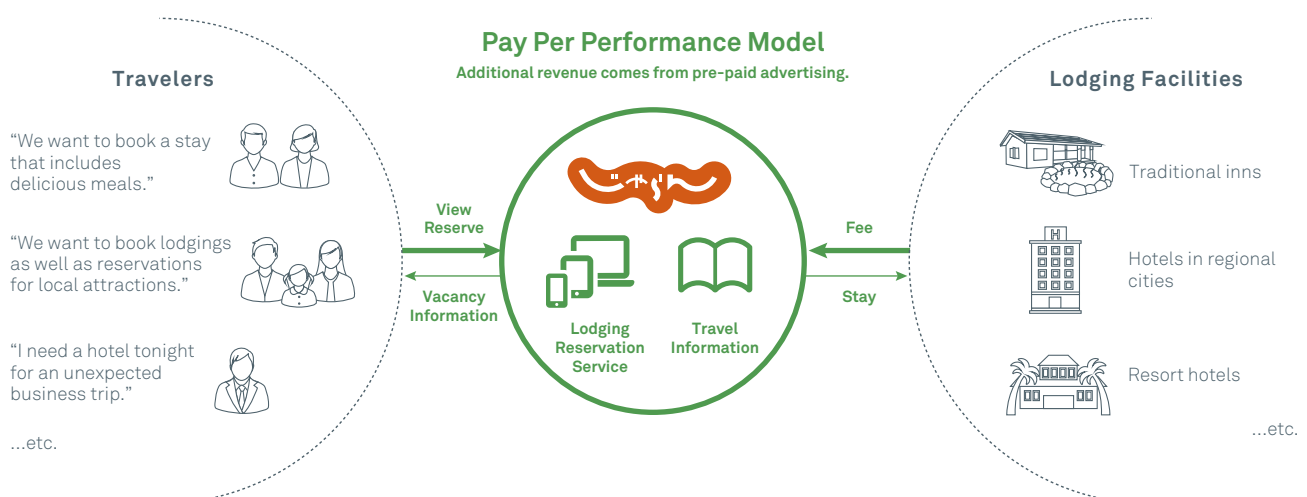
In the Travel business, we provide information through our website and magazines under the brand name of Jalan. Through the Jalan site and apps, users can search and book their preferred plans from accommodations in Japan. Jalan covers special-featured seasonal articles and lodging rankings by user ratings. We also offer Jalan Pack which enables users to make a customized combination of accommodation and transportation including plane, bullet train and express train, Booking Activities through which users can book activities at their destinations, and Tourism Guides through which users can post their comments about tourist spots.

A travel information magazine, Jalan, provides attractive and user-friendly seasonal information for users based on local information from our regional staff all over Japan.

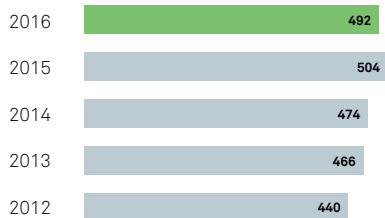
### ■ Business Model

Users of our main service Jalan.net, a travel information site are those who are looking for accommodations, local activities and tourist spots. Our clients are operators of accommodations such as hotels or lodges, inns, and activity providers.

In the Travel business, revenue is generated by transaction fees to clients. The fees are determined based on room rates and prices for activities which are booked through Jalan.net.

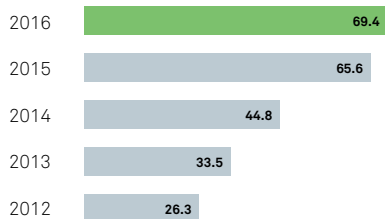


#### Total Guest Nights in Japan [Millions]



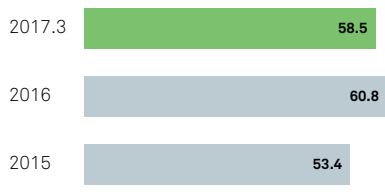
Source: Japan Tourism Agency, Statistical Survey on Overnight Travel

#### Total Guest Nights of Foreign Visitors [Millions]



Source: Japan Tourism Agency, Statistical Survey on Overnight Travel

#### Annual Net Sales [Billions of Yen]



### Market Environment

#### Recorded High Numbers of Foreign Tourists and Occupancy Rates and Room Rates Are on Rising Trends

In 2016, the total guest nights in Japan slightly went down compared to the previous year, mainly due to shorter holiday periods, earthquakes in Kumamoto Prefecture, bad weather and other factors. However, the total guest nights of foreign visitors continued to increase, hitting a record high thanks to the weaker yen. Occupancy rates for accommodation facilities in Japan remained on an uptrend, and room rates have continued to increase gradually.

Amid such a business environment, the online travel reservation market is expanding according to the rise in the Internet penetration rate. This trend is expected to continue for the foreseeable future.

### Business Overview

#### Continuing Uptrend in Room Rates and Total Number of Guest Nights Booked through Jalan.net

Recently, most vacancy information for accommodation facilities is shared among online travel agents. Thus, offering larger amounts of inventory or lower prices is not the source of competitive advantage. Therefore, the crucial factor is whether or not users actually make reservations through our services. For this, we focus on developing attractive travel plans for users.

In fiscal year 2016, net sales were ¥58.5 billion, a decrease of 3.8% year on year, mainly due to the transfer of a subsidiary. Excluding the impact of the transfer of the subsidiary, results were favorable. In addition to an increase in room rates, one of the main factors behind the favorable results was an increase in the number of guest nights purchased through our services. This increase was due to our efforts to advance initiatives supported by both clients and users, such as joint development with clients of accommodation plans incorporating user needs.

### Strategy Going Forward

#### High Degree of Customer Satisfaction Among Both Advertising Clients and Users

Our strengths are high brand recognition achieved with long-time efforts to provide useful content about travel, as well as solid relationships with clients built up through solution-oriented sales activities.

Looking ahead, the online reservation market is expected to continue growing at a gradual pace. In this market, to increase the number of reservations made through our services, we will continue to provide services to satisfy both clients and users. To this end, we will respond rapidly to clients' requirements and draw up accommodation plans according to various travel scenarios through user needs analysis and other approaches.

We will also strive to further expand our user base by using SEO and other means to attract users, enhancing user-friendliness through improving UI/UX.

# Media & Solutions (Marketing Solutions) Dining

## Supporting Clients' Operations and Improving User Convenience

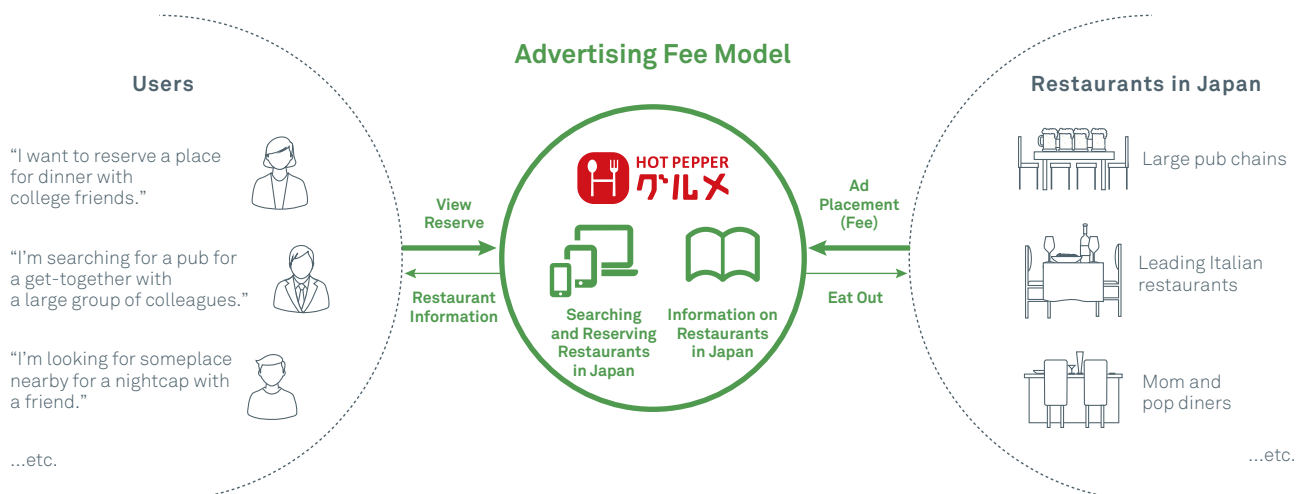
### ■ Service Explanation

#### Providing Various Functions Supporting the Restaurant Market in Attracting Customers and Making Reservations

In the Dining business, we provide a website, Hot Pepper Gourmet, and a free magazine, HOT PEPPER. The website contains restaurant descriptions, coupons, table availability and an online reservation service. In addition, the site offers a number of convenient features, such as restaurant reviews and a function for managing banquet and party attendees. The free magazine, HOT PEPPER, is distributed mainly in major cities except Tokyo in Japan, and it covers local stores information and coupons around their neighborhoods.

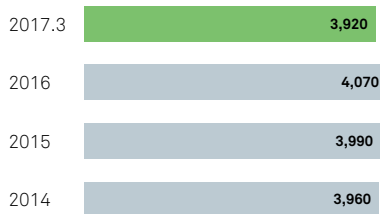
### ■ Business Model

Users of Hot Pepper Gourmet are individuals looking for a restaurant to eat out at with their friends, coworkers and families, while our clients are restaurants and diners all over Japan. The business model is an advertising fee model in which we charge clients fees for posting descriptions and coupons on the website and in the free magazine.



#### Trends in the Dining Out Market in Japan\*

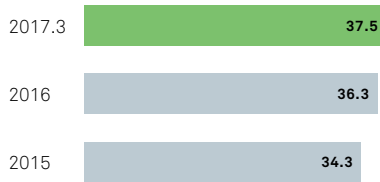
[Billions of Yen]



\* Total amount of Tokyo metropolitan area, Kansai and Tokai markets  
Source: Hot Pepper Dining Market Research

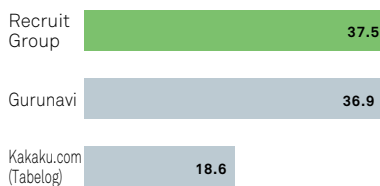
#### Annual Net Sales

[Billions of Yen]



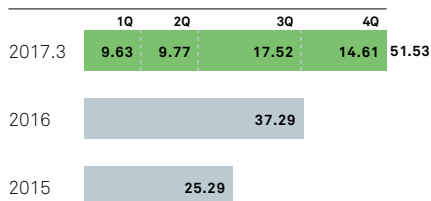
#### FY2016 Net Sales Comparison

[Billions of Yen]



#### Cumulative total of Hot Pepper Gourmet online reservations

[Millions]



\* Pre-cancellation reservation acceptance basis

#### Market Environment

### The Restaurant Industry Is Shrinking but the Market for Attracting Customers and Making Reservations Continues to Grow

The restaurant industry has remained flat over the past few years due to a prolonging stagnation restraining consumer spending, and a 2016 survey implemented in Tokyo, Nagoya and Osaka areas showed that the total number of times people dined out and the amount spent dining out had both declined compared to the previous year.

As the Japanese population gradually declines, so will the restaurant industry over the long term. Nevertheless, considering factors such as widespread Internet usage and increasingly sophisticated online reservation services, the market for acquiring customers and making reservations online is expected to grow.

#### Business Overview

### Performance Was Sound Due to an Increasing Number of Advertising Clients

We use a proactive, high-value-added sales approach to build solid relationships, mainly with restaurant chains and other large players in the market even as it tends toward contraction. We are also strengthening relations with small- and medium-sized clients in such ways as by providing them with Air Platform.

In fiscal year 2016, we led the market with online reservations made through our services reaching 51.53 million, a 38% increase compared to the previous fiscal year. By this, we expanded the number of clients, especially small- and medium-sized restaurants. As a result, net sales were ¥37.5 billion, a 3.2% increase year on year.

#### Strategy Going Forward

### Providing Operational Support Services Makes Client Relations Even Stronger

Our strengths are a competitive advantage created by being a pioneer in realizing greater convenience for both users and clients, and the solid client relationships gained by providing high-value-added services such as our sales activities with advice encompassing menu development as well as marketing recommendations backed by sophisticated data analysis.

Looking ahead, considering the fact that more than 90% of dining operators are small- and medium-sized, we realize to reduce clients' workloads by providing Air Platform, which is operation support system especially for SMEs, improving users' convenience. We will also establish and strengthen relationships with new clients, of which most are SMEs. We are heading for sustainable growth by providing the highly cost effective services to clients leveraged by our strength.

# Media & Solutions (Marketing Solutions) Beauty

## Creating an Online Reservation Market for the Beauty Industry through a Cloud-Based Reservation and Customer Management System

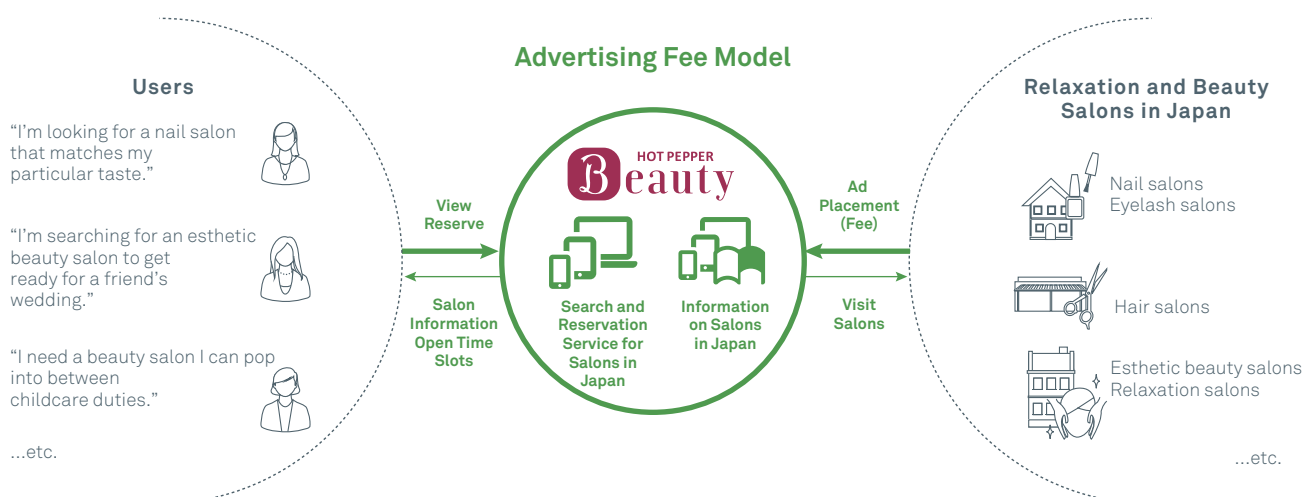
### ■ Service Explanation

#### Operating the Largest Online Search and Booking Site in the Japanese Beauty Market

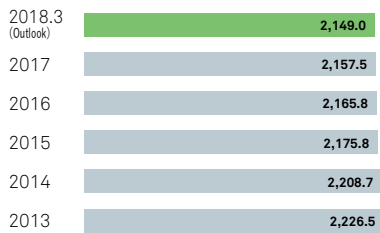
Under the Hot Pepper Beauty brand, we provide the largest search and reservation beauty website in Japan, offering services to users of hair dressing, relaxation, and beauty salons together with free magazines. Users can search for salons based on various criteria, types of feature articles or the date and time they want to go, and can make a reservation based on hairstyle catalogs, reliable user reviews, and discount coupons. Hot Pepper Beauty covers a wide range of salons, including hair dressing, nails, eyelash extensions, chiropractic and massages and esthetics. Coupon magazines are published monthly under the name of Hot Pepper Beauty in the Tokyo area and under the name of HOT PEPPER in the rest of Japan.

### ■ Business Model

Hot Pepper Beauty users are individuals seeking a variety of beauty services, while clients are operators providing beauty-related services including salons for hair, nails, esthetics and relaxation. The business model is an advertising fee model and advertisers pay fees for information placed on our website and in our publications.

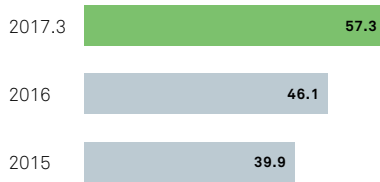


## Hairdressing Market [Billions of Yen]

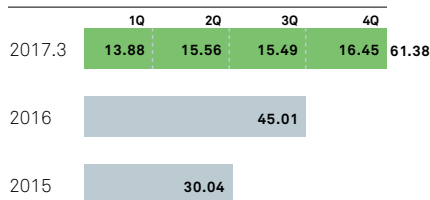


Source: Yano Research Institute Ltd., Hairdressing Market in Japan: Key Findings 2017

## Annual Net Sales [Billions of Yen]



## Number of Online Reservations via Hot Pepper Beauty\* [Millions]



\* Pre-cancellation reservation acceptance basis

### Market Environment

#### The Online Beauty Reservation Market Is Expected to Expand

While the overall hairdressing market trends around ¥2.0 trillion in Japan, the market for online salon reservation services has continued to expand, driven not only by the Internet penetration, but also by a promotion of Hot Pepper Beauty's online reservation service. Our own estimates reveal that the percentage of online reservations has been rising since 2010, with room for further expansion.

### Business Overview

#### Expanding Client Transactions through the Industry-Leading Effective Customer Attraction

We started to provide our services as a market pioneer. We gained an esteemed reputation among both salon users and operators due in part to our comprehensive online reservation services. Our sales lead the market and the number of paying clients is steadily rising thanks to a solid user base as evidenced by unparalleled brand awareness and the tremendous number of booking transactions.

Additionally, we enhanced the convenience of our SALON BOARD, a cloud-based booking and customer management system. Total number of booking has expanded steadily to 61.38 million at the end of fiscal year 2016. This was achieved by presenting stylists' availability on SALON BOARD and posted on the website, Hot Pepper Beauty.

In fiscal year 2016, net sales were ¥57.3 billion, a year-on-year increase of 24.4%, as a result of the increased number of online reservations, expanded business with existing clients and acquisition of new clients.

### Strategy Going Forward

#### Approach a Wide Range of Beauty-Related Operators for Our Continuous Growth

Our strengths are strong relationships with our clients as a pioneer in this market and unparalleled brand value. Additionally, we established a leading position by reducing salons' workload by introducing SALON BOARD and promoting online reservations through providing stylists' availability to users. Looking ahead, we aim to acquire new clients through comprehensive sales activities, including attracting users and conducting sales promotion consulting for various clients who offer beauty-related services. We continue to seek expanding business with existing clients through enhancing the product lineup and improving the convenience of services, and aim for further growth through these activities. By developing and adding functions to enhance user-friendliness, we aim for expansion of the user base and an increase in the repeat usage rate to maintain and strengthen brand competitiveness.



# Media & Solutions (HR Solutions) Domestic Recruiting

## Leading High Brand Value in the Japanese Hiring Market

## Realizing Sustainable Growth, Taking Advantage of Strength in Our Founding Business

### ■ Service Explanation

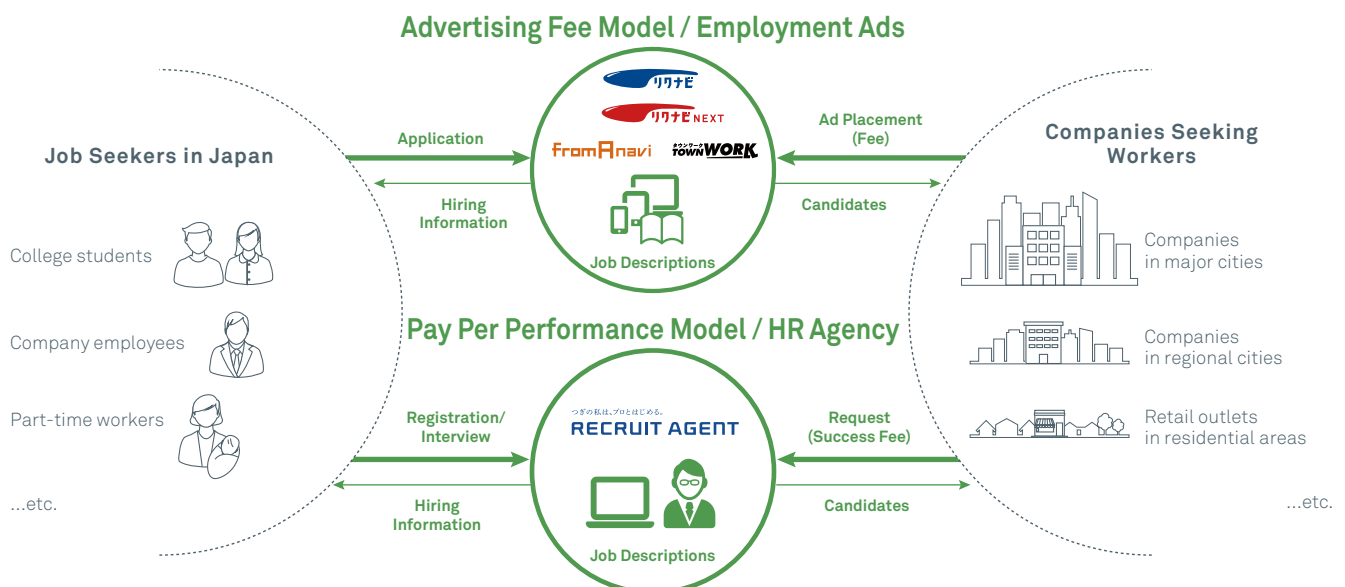
#### A Leading Brand that Responds to a Wide Range of Needs in the Hiring Market

For the full-time employment market, we provide hiring information and engage in a placement service for new college graduates and mid-career job seekers through our brands such as Rikunabi, Rikunabi NEXT and RECRUIT AGENT. For part-time, we provide job information through websites, apps and free magazines under the brands such as TOWNWORK and From A navi, which are two of the largest in the Japanese market.

### ■ Business Model

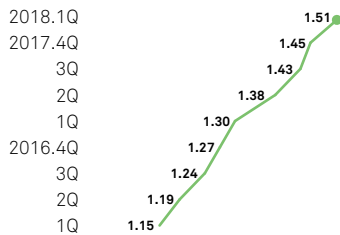
Our domestic recruiting business provides a full lineup of services related to hiring. Users include all types of job seekers and clients are various types of companies who are looking for human resources.

Our business model has two revenue streams: advertising fees and success fees. We charge advertising fees to clients for listing recruitment ads posted in/on our media: free magazines, websites and apps. On the other hand, in placement services, we charge clients fees when our candidates successfully start to work for the clients.



## Ratio of Job Offers to Applicants in Japan

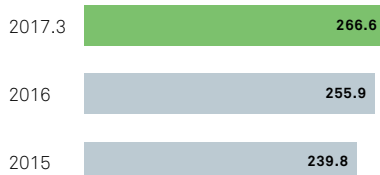
[Rate]



Source: Zenkoku Kyujin Joho Kyokai, Number of Recruitment Advertising Research and Japanese Ministry of Health, Labour and Welfare, General Employment Placement Situation  
Note: Ratios of job offers to applicants are figures as of the last month of each quarter.

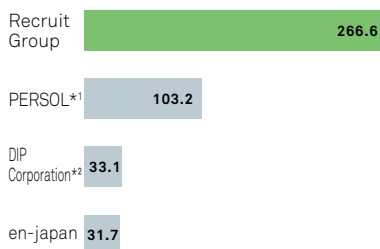
## Annual Net Sales

[Billions of Yen]



## FY2016 Net Sales Comparison

[Billions of Yen]



\*1. Sales of recruiting segment including Intelligence

\*2. FYE Feb 2016

## Market Environment

### Japanese Hiring Market is Continuously Expanding while the Ratio of Job Offers to Applicants Remains at a High Level

The ratio of job offers to applicants, a key indicator of employment trends in Japan, is affected by business cycles. The current market has been quite robust, and is expected to continuously expand until the 2020 Tokyo Olympic and Paralympic Games, although it may fluctuate depending on the short-term changes in business cycles. As of June 30, 2017, the ratio of job offers to applicants was 1.51 and the market continues to expand.

## Business Overview

### Net Sales Remain the Highest in the Market Amid a Robust Employment Environment

As a pioneer of recruitment advertising business in Japan, we provide a full range of services related to hiring, and the size of our net sales is at the top position in the Japanese market.

In fiscal year 2016, the employment environment continued to be robust, reflecting the continued high-level ratio of job offers to applicants and the increased number of recruitment advertisements. In this environment, we implemented measures such as attracting users and reinforcing sales operations to further strengthen competitiveness. As a result, job advertisements for both full-time and part-time jobs were sound and net sales were ¥266.6 billion, a year-on-year increase of 4.2%.

## Strategy Going Forward

### Enhancing ROI by Utilizing our IT Expertise and Further Strengthening Our Sales Structure

Our strengths are covering various kinds of users with overwhelming brand value and strong relationships with a wide range of clients throughout our business bases all over Japan. The convenience of our services with these strengths is highly rated by users and clients.

Looking ahead, we will evolve our services corresponding to changing business environments and create new markets utilizing know-how we have been accumulating since our foundation.

For full-time recruitment business, we aim to be more attractive by offering services responding to the increasingly advanced and diversified needs of both users and clients by strengthening our sales structures and utilizing massive amounts of data acquired from our wide range of user touchpoints. For part-time recruitment business, we will enhance user attractiveness through mass promotion such as TV commercials, outdoor and other advertisements and SEO measures. We will also focus on optimizing UI/UX for our apps, and on developing our apps for responding to users' needs in order to increase the number of users sent to our clients.

# Staffing Domestic Staffing

## Our Unit Management System Method Raises Productivity and Maintains World-Class EBITDA Margins

### ■ Product Description

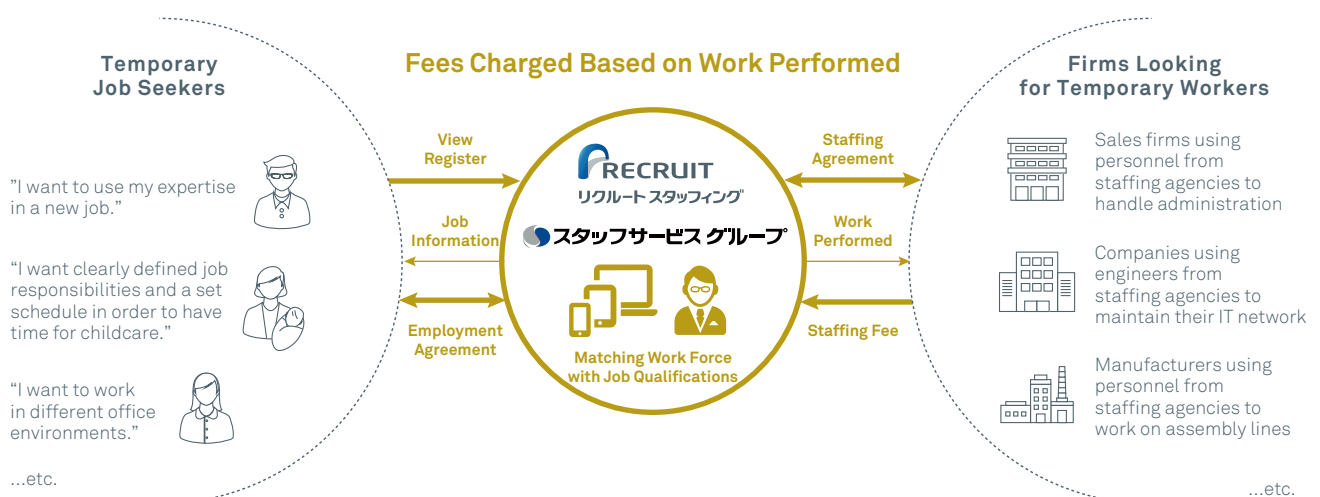
#### Broad Client Base Covering All Over Japan from SMEs to Large Companies

In the Domestic staffing business, Recruit Staffing (RS) and STAFF SERVICE HOLDINGS (SS) provide temporary staffing services.

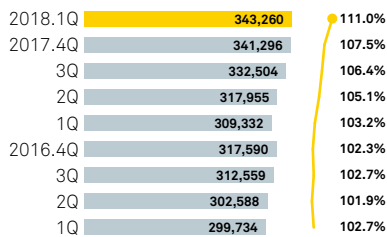
Both RS and SS are comprehensive staffing companies. RS has a relatively strong presence in large companies in urban areas, characterized by its careful assessment of registered staff who can satisfy clients' needs and requirements. SS has a strong presence in SMEs all over Japan, characterized by quick staff dispatch to respond to clients' needs.

### ■ Business Model

Staffing service users are individuals seeking to work in temporary roles and clients are companies looking to recruit temporary workers. We ascertain the needs of both parties and then dispatch staff to clients. Business models for staffing are almost the same around the world, staffing companies charge their clients a work-based fee. Because compensation for dispatched staff is recorded as both sales and sales costs, the EBITDA margin seems to be low. However, our EBITDA margin against gross profit is not inferior to other segments' margins. We attribute this result to a unique cost control method.

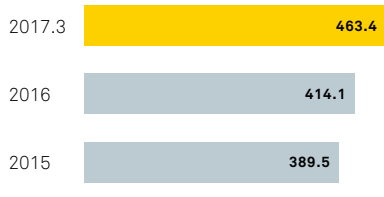


#### Average Number of Active Agency Workers in Japan/Year-on-Year Growth Rate [People/%]

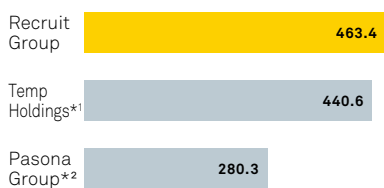


■ Active Agency Workers — Year-on-Year Growth Rate  
Source: Japan Staffing Services Association, Staffing Service Survey

#### Annual Net Sales [Billions of Yen]



#### FY2016 Net Sales Comparison [Billions of Yen]



\*1. Sales of Staffing and BPO segments

\*2. May 2017

#### Market Environment

##### The Domestic Staffing Market Continues Its Mild Upward Trend

The staffing business in Japan is affected by the regulatory changes that require all staffing companies to comply with the Worker Dispatching Act. The staffing market tends to link to macro environments such as the GDP growth rate because temporary staffing has already penetrated the Japanese labor market. The number of people working through staffing agencies has increased year on year for 14 consecutive quarters.

#### Business Overview

##### Net Sales Increased Steadily Due to Stronger Efforts to Maintain Staffing Contracts and Gain New Ones

Our operation focuses on productivity and efficiency using “Unit management system”, a unique cost control method. The Unit management system helps us maintain a leading position in Japan in terms of net sales and top-ranked EBITDA margins all over the world.

In fiscal year 2016, the staffing market continued to enjoy a moderate expansion trend, driven by factors such as the continued increase in the number of active agency workers. Under this environment, results remained favorable mainly in the administrative, engineering and IT divisions, due to factors including strengthening of sales capabilities as well as focusing on the extension of existing staffing contracts and an increase in the number of new staffing contracts. As a result, net sales were ¥463.4 billion, a year-on-year increase of 11.9%.

#### Strategy Going Forward

##### Continuously Seeking Improvement in Productivity through Unit Management System and a Stronger User Base

Our strengths are that we possess efficient business management know-how called “Unit management system”, a cost management method that enables achieving a high EBITDA margin, and that we have established superb brand value as a result that we provide a full lineup of human resource services, including the HR Solutions operation in Media & Solutions segment.

Looking ahead, as we aim for continued improvement in productivity through Unit management system, we will continue working to strengthen our user base by efficiently advancing the acquisition of newly registered users and the referral of job openings to existing registered users. This will be done by effectively harnessing our user-capture expertise, IT platforms, and other resources cultivated in our various existing media operations. Through these activities, we will strive to expand the number of new staffing contracts, optimize user attraction cost and improve matching accuracy.

# Staffing Overseas Staffing

## Promoting Unit Management System and M&A, Aiming for ¥1 Trillion in Net Sales by 2020

### ■ Product Description

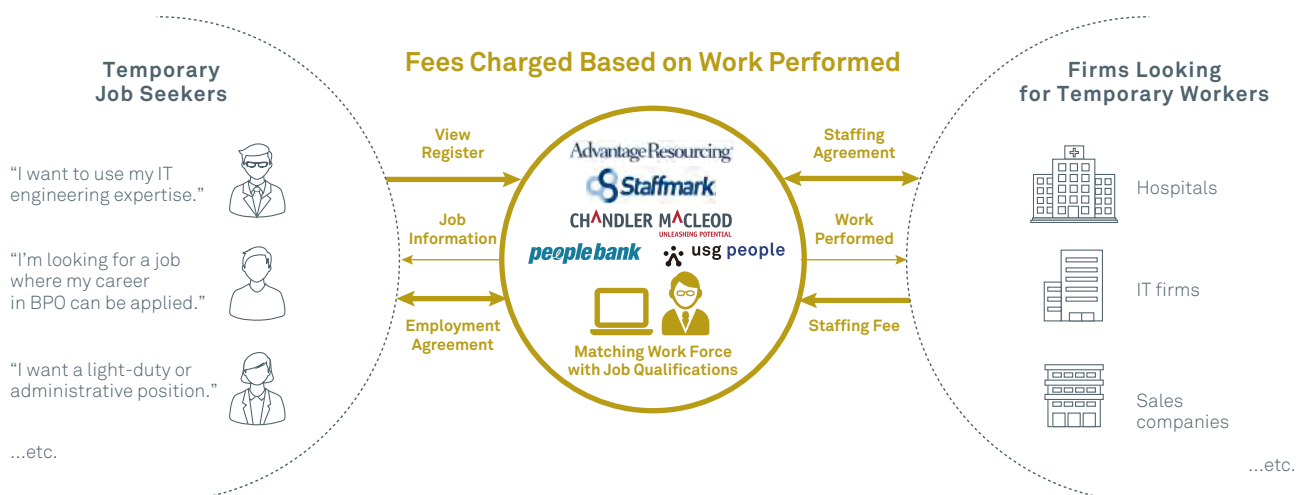
#### Developing Business through Local Brands Mainly in North America, Europe and Australia

Since 2010, in the Overseas staffing business, we have been operating mainly in North America, Europe and Australia by acquiring foreign staffing companies maintaining their brand names rooted in the local area.

Our operations consist of The CSI Companies, Staffmark, Advantage Resourcing and Attërro in North America; USG People and Advantage Resourcing in Europe; and Peoplebank and Chandler Macleod in Australia.

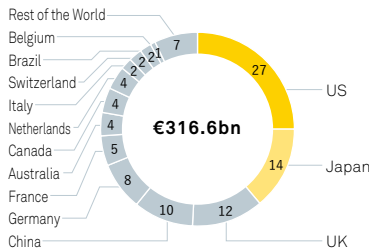
### ■ Business Model

Given the similarity of global staffing models, our overseas subsidiaries have adopted our Unit management system. This proven management system helps them optimize their own management and sets them on a path toward even greater EBITDA margins. Improved EBITDA margins have been noted at companies in North America, Europe and Australia, where Unit management system has had time to take effect. We have made steady progress in PMI toward profit improvement at USG People, which was made into a subsidiary in fiscal year 2016.



## Global Staffing Markets

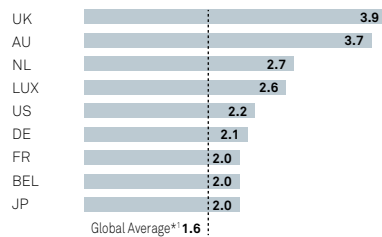
[%]



Source: Ciett Economic Report 2016

## Penetration Rate of Staffing Services

[%]

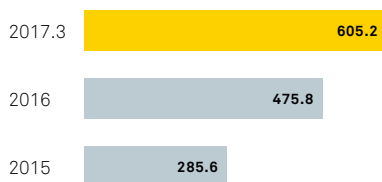


Source: Ciett Economic Report 2016

\*1. The above ranking does not include China due to the lack of statistical data

## Annual Net Sales

[Billions of Yen]



## Market Environment

### The Size of the Global Staffing Market Is Approximately ¥40 Trillion

The world staffing market is worth about ¥40 trillion, of which matured economies account for approximately 70%. Similar to Japan, overseas staffing markets reflect the performance of the macro economy and track changes in GDP.

In the global market, the staffing service penetration rate recorded an average of 1.6%. In areas we mainly operate our businesses, the rate in the US was 2.2%, Europe 1.9% and Australia 3.7%.

## Business Overview

### Introducing and Improving Unit Management System to Improve EBITDA Margins

We use M&A to expand our overseas staffing business, introducing and refining the Unit management system to improve EBITDA margins.

In fiscal year 2016, the staffing markets in North America, Europe and Australia, where we mainly operate our businesses, continued to enjoy a moderate expansion trend. Net sales were favorable, reflecting the impact of yen depreciation and the full-year contribution from Peoplebank, Chandler Macleod and Attërro, which were made into subsidiaries in the previous fiscal year, in addition to half-year\* contribution from USG People which was made into a subsidiary in fiscal year 2016. As a result, net sales were ¥605.2 billion, up 27.2% year on year. In fiscal year 2016, EBITDA margins in North American subsidiaries were 6.3%, European subsidiaries 4.5% and Australian subsidiaries 3.6%, reflecting the steady progress of the introduction and improvement of Unit management system.

\* Six months under JGAAP, but ten months under IFRS

## Strategy Going Forward

### Efficient Operation of Subsidiaries and Business Base Expansion through Acquisitions

Looking ahead, we plan to incorporate our strength of Unit management system into subsidiaries and promote efficient business operations, thereby improving the EBITDA margins to achieve further growth in the Overseas staffing business. When we acquire a company, its operations are left to local management, who have the best knowledge of local business conditions. We dispatch our own personnel including executives and staff to key positions in charge of implementing and improving Unit management system.

We are aiming to grow net sales to the scale of about ¥1 trillion in the Overseas staffing business by 2020 utilizing M&A. We do not set our particular priorities on developed countries but will consider acquiring companies with low EBITDA margins and prospects for improving as a member of us.

## FAQ

# HR Technology

### Q: How long will the growth investment in Indeed continue?

#### A: We are investing in the business to drive future growth and expand our presence globally.

Although Indeed is the leading job site worldwide, we see tremendous opportunity to capture additional market share and have bolstered the sales force to acquire new customers and grow our share of wallet among existing customers. We are investing in marketing programs to increase brand awareness, drive job seeker traffic and acquire new users around the globe. We are also investing in R&D, including through M&A to create new and innovative ways to drive efficiencies in hiring processes and expand beyond job advertising. While the business has been run profitably for many years, our priority is to invest where we see the greatest opportunities to drive top-line growth.

### Q: What is driving revenue growth at Indeed?

#### A: Revenue growth continues to be driven by the acquisition of new customers and business expansion with existing customers.

As the world's #1 job site worldwide, Indeed attracts the most job seekers in 12 markets and over 200 million unique visitors each month around the world. By utilizing Indeed.com to source and hire talent, employers gain access to the largest audience of active job seekers and often realize tremendous efficiencies in their recruiting and hiring efforts measured through cost per hire. This drives high customer retention and a great experience for employers and job seekers alike. With our pay per performance pricing model, Indeed is a cost effective source of talent for employers of all sizes. We are therefore expanding our relationship across all customer segments, including both large enterprises and small- and medium-sized companies.

### Q: How is monetization progressing outside the US?

#### A: Net sales in most countries are increasing steadily, following a similar trajectory that growth took in the US.

The overall Non US business is growing steadily with varied year-over-year growth rates by country. In fact, the overall revenue growth rate outside the US is currently outpacing the US growth rate and is following a similar trajectory to what the US experienced a few years ago. Today, we are the No. 1 job site in 12 countries, and are focusing on monetizing job seeker traffic through our sales and marketing efforts. We prioritize our efforts and investments in these countries in line with the market size and opportunity.

# FAQ

## Media & Solutions

### (Marketing Solutions)

#### ■ Housing and Real Estate

##### **Q: What is the outlook for the housing market environment?**

**A: We expect the housing market to continue expanding, but think unstable conditions will persist in the market for new condominiums.**

The number of new housing construction starts, a leading indicator of conditions in the housing market, has rebounded since fiscal year 2015 after a temporary drop in demand in the wake of a surge in demand before the consumption tax hike in April 2014.

Market growth against a backdrop of an increase in the consumption tax is expected to continue for pre-owned condominiums, independent housing and condominium apartments. In the built-for-sale condominium market, sales have tapered off amid rising prices for new condominiums. Inventories have increased for condominiums still on the market after construction finished, rather than selling out as soon as major projects are completed. We think unstable conditions will continue.

##### **Q: Why did revenues grow considerably in the Housing and Real Estate business in fiscal year 2016?**

**A: Revenues increased sharply on account of favorable results in major business divisions and a change in the timing of sales recognition for certain services.**

The built-for-sale condominium business, which generates roughly 30% of net sales in the Housing and Real Estate business, returned to double-digit growth after declining in the previous fiscal year. In addition, the single-family home and logistics business, as well as the leasing business, also continued doing well.

Over-the-counter services for custom-built homes contributed to sales growth due in part to a change in the timing of sales recognition beginning in the first quarter of fiscal year 2016, but this was a one-time factor.



## ■ Bridal

### **Q: How is the bridal market responding to the situation in Japan, where the population, birthrate and marriage rate are declining?**

#### **A: We forecast that the market will continue to remain flat.**

In Japan, the annual number of marrying couples has been on a downward trend, but in recent years, there has been a tendency to spend larger amounts on weddings, receptions and parties. Spending remains at a high level due to bigger plans that meet diversified user needs such as renting entire venues to have house weddings. We forecast that the state of the current market scale and environment will continue into the future.

### **Q: Competitors are delivering lower-priced models. Will this have an effect on your business?**

#### **A: The competitive advantages of Zexy are not so easily tarnished.**

Zexy's strong brand recognition as a comprehensive brand, including information magazines, website, and over-the-counter consultation services, enables us to proactively reach users who like to tour wedding ceremony sites beforehand and make reservations themselves. In addition to this brand value, we have also built strong relationships with our clients through our approach of promoting their business with them. We seek to maintain and enhance these strengths, providing clients with a large volume of high-quality customer referrals in order to maintain our competitive advantages.

## ■ Travel

### **Q: What initiatives are you taking regarding foreign tourists (inbound tourism)?**

#### **A: We already provide support in eight languages, including English.**

Inbound tourism measures are an important theme, considering such matters as the 2020 Tokyo Olympic and Paralympic Games, and therefore we will continuously implement initiatives and examine effective measures. Jalan.net is already being offered in eight languages: English, traditional Chinese, simplified Chinese, Korean, Thai, Bahasa Malaysia, Bahasa Indonesia and French.

## ■ Dining

### **Q: What strategies are specifically being taken to monetize business support services in the Dining business?**

#### **A: We began selling a packaged product called Business Support Pack that offers high-value-added services on top of basic services such as Air REGI.**

In the Dining business, we pioneered the offering of the Business Support Pack as a combination of core functions and additional high-value-added services. Business Support Pack comes with six core functions: website creation, online advertising, website reservation tools, table management and reservation books, customer management, and messaging. We offer a variety of rates and plans to customers, who select the one that suits their business best.

Business Support Pack was launched in November 2016, and we began charging fees in January 2017. The number of registered clients has been holding steady. Sales related to Business Support Pack are included under “Others” in the Marketing Solutions operation, not in the Dining business.

## ■ Beauty

### **Q: What is SALON BOARD? What features of SALON BOARD are so highly regarded?**

#### **A: SALON BOARD is a cloud-based reservation and customer management system. SALON BOARD streamlines operations and enables users to make reservations anytime.**

SALON BOARD is a cloud-based reservation and customer management system provided to clients free of charge that can be used on both PCs and smart devices. In the past, individual salons mostly took reservations by phone and managed them on paper. Today, operations have been streamlined, and salons can manage reservations at SALON BOARD. Users are able to make reservations anytime by viewing stylists’ availabilities on our Hot Pepper Beauty website. Centralized management of all reservations—even for those received by phone or in person—is possible using our services, which ultimately lessens the administrative burden and helps expand the customer base. We aim to offer clients even greater convenience through functions for their accounting and sales management operations that link to Air REGI.

**Q: What is the reason for having been able to maintain growth with high net sales?**

**A: We are an online reservation pioneer that provides clients with market-leading results.**

The online beauty salon reservation market has been expanding every year. Hot Pepper Beauty has provided clients with a market-leading number of reservations, drawing in new clients. Transactions with existing clients have continued to increase as well.

In the hair salon business, we are expanding services into more areas. We are currently focusing on large metropolitan areas, while aggressively developing services for esthetic salons, including nail and eyelash salons. We think there is still considerable room for growth.

**■ Other**

**Q: What is included in the “Others, Marketing Solutions” in the Media & Solutions segment? What is behind the year-on-year growth in sales?**

**A: It includes the businesses that had been in the former Marketing Media segment’s “other life events” category. Growth has been driven mainly by the automobile business.**

In accordance with segment reclassifications taking effect in fiscal year 2017, the new category the “Others, Marketing Solutions” includes Automobile, Education-related and Study Sapuri SHINRO operations, which had previously been in “other life events” under the former Marketing Media segment. It also includes Air Platform-related operations, which had previously been part of the Lifestyle operation, and global marketing, which had previously been categorized in “Others” under the former Marketing Media segment. In addition, it includes Ponpare Mall and ID point-related operations that had been in the former Other segment.

The year-on-year increase in sales can be attributed to a firm performance in the Automobile business and the start of fee charging for Business Support Pack, a part of Air Platform, from January 2017.

### Q: What is Air Platform?

#### A: It is a service that aims to improve clients' management and operating efficiencies.

Air platform provides a variety of functions that have been developed around clients' operations—functions that are needed by companies and restaurants, including accounts, payment, order taking, reservations and waiting management, as well as sales analytics, customer management and inventory management. Data management can be cloud-based, enabling use anywhere with smart devices. Convenience is enhanced for users through the business assistance this service provides to clients.

## (HR Solutions)

### ■ Domestic Recruiting

**Q: Why is your net sales growth slower than competitors in a strong market? Are you losing your competitive edge?**

**A: Our rate of growth looks slower because the scale of net sales is larger. With a leading position in the market, growth has been stable. Our competitive edge has not dulled.**

We are in a leading position in the market. Since net sales are much larger than our competitors, year-on-year growth rate may look weaker, but growth has been steady. Our competitive edge has not worsened in any way. A feature of the domestic recruiting advertisement market is that when the economy improves and there is an environment in which the job offers to applicants ratio goes up, recruitment becomes more difficult as clients take time to employ human resources that satisfy their requirements in terms of both quality and quantity, thereby increasing the tendency for clients to use multiple recruitment media and related services. As a result, media and services that had previously been comparatively underused tend to see growth in the usage rate of their services.

**Q: Other companies are ending their involvement in printed media, why are you continuing?**

**A: There are many cases of user behavior increasing through printed media, so it is an indispensable media for conducting our efficient business operations.**

We have business operations in various online media, such as PCs and apps, in addition to printed media, to better fit the behavior patterns of the users of our services. By placing recruitment advertising in media that best suits user behavior, clients can maximize their ROI. There is a certain number of users who prefer printed media for perusing information, so publishing printed material is an efficient way of attracting these types of users.

### ■ Other

**Q: What is included in the “Others, HR solutions” in the Media & Solutions segment?**

**A: It includes education, training and consulting services in Japan and the placement services in Asia.**

In accordance with the segment reclassification in fiscal year 2017, the new “Others, HR solutions” category now includes education, training and consulting services in Japan, as well as the placement services in Asia, which had been in “Others” under the former HR Media segment. Net sales have been increasing in education and training operations, as well as in placement services in Asia. The placement services in Asia in particular has certain growth potential due to expansion of the working population.

# FAQ

## Staffing

### ■ Domestic Staffing

#### Q: Can you describe “Unit management system”?

**A: Unit management system is an innovative cost management method that focuses on productivity and efficiency in business operations.**

Unit management system splits a sales organization into units of minimum scale, and each unit has a manager with authority to make decisions. It is a system that aims to constantly improve an organization's productivity by enhancing the effectiveness of workplaces through the setting of targets to increase the EBITDA margin, instead of targeting growth in sales.

Productivity gains at the organizational level and unit level are shared company-wide, ensuring a high degree of transparency. The system facilitates employee training and retention, and it also increases our adaptiveness to changes in the business environment.

### ■ Overseas Staffing

#### Q: What is the market environment like in North America, Europe and Australia, the main markets for your business?

**A: We see the North American market is on the weak side, but anticipate robust markets in Europe and Australia.**

Staffing markets around the world show a strong correlation with the GDP of each country in principle. On this basis, the North American market has showed weakness across the entire industry, but mainly in general staffing and manufacturing staffing. In Europe and Australia, however, the staffing markets have been solid. Market conditions have been rebounding moderately in European countries, including the four countries where USG People has operations (the Netherlands, Belgium, France and Germany). In Australia, the recovery has not picked up speed yet, but we expect economic growth to accelerate through 2017 owing to signs that stagnant conditions in the mining industry will end as natural resource prices bottom out.

#### Q: Why have EBITDA margins at acquired companies been improving steadily?

**A: The introduction and entrenchment of Unit management system has led to steady improvement in productivity.**

We aim to improve EBITDA margins through productivity gains by proactively introducing the innovative Unit management system method developed in Japan to acquired overseas subsidiaries.

Before acquisition, we screen candidate companies while explaining our Unit management system method to their management teams, and gauge their level of understanding and adaptability. After an acquisition is made, we focus these discussions on top executives and other managers to instill Unit management system in the organization. By increasing the level of understanding in Unit management system, we are able to efficiently implement measures to improve productivity. We strategically exclude companies that already have high profit margins from our list of acquisition candidates because they inherently have less room for improvement.

# Consolidated Balance Sheets

Recruit Holdings Co., Ltd. and consolidated subsidiaries  
As of fiscal years ended March 31, 2016 and 2017

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	¥ 257,741	¥ 261,342
Notes and accounts receivable-trade	222,288	305,336
Securities	53,176	85,000
Deferred tax assets	23,264	25,079
Other current assets	37,524	42,330
Allowance for doubtful accounts	(4,256)	(4,656)
Total current assets	589,739	714,431
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	9,767	18,127
Land	7,743	7,758
Other, net	14,921	16,326
Total property, plant and equipment	32,432	42,213
<b>Intangible assets</b>		
Goodwill	213,051	282,555
Software	70,938	88,940
Customer-related assets	40,191	95,307
Other	37,413	56,593
Total intangible assets	361,594	523,396
<b>Investments and other assets</b>		
Investment securities	120,854	121,800
Deferred tax assets	11,757	11,766
Other assets	34,591	36,377
Allowance for doubtful accounts	(288)	(371)
Total investments and other assets	166,914	169,573
Total noncurrent assets	560,942	735,183
<b>Total assets</b>	¥1,150,681	¥1,449,614
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	¥ 60,104	¥ 68,029
Current portion of long-term debt	15,000	24,957
Accrued expenses	85,354	97,891
Income taxes payable	40,050	35,218
Accrued employees' bonuses	24,728	26,022
Other current liabilities	56,758	107,285
Total current liabilities	281,997	359,404
<b>Long-term liabilities</b>		
Bonds payable	—	50,000
Long-term debt	—	137,366
Deferred tax liabilities	49,693	69,973
Workers' compensation liability	8,671	8,541
Net defined benefit liability	28,750	29,214
Other long-term liabilities	4,568	16,573
Total long-term liabilities	91,683	311,670
<b>Total liabilities</b>	373,680	671,074
<b>Equity</b>		
<b>Shareholders' equity</b>		
Common stock	10,000	10,000
Capital surplus	53,756	52,874
Retained earnings	596,305	653,490
Treasury stock	(495)	(31,640)
Total shareholders' equity	659,565	684,725
<b>Accumulated other comprehensive income</b>		
Unrealized gain (loss) on available-for-sale securities	29,016	31,326
Deferred gain (loss) on derivatives under hedge accounting	(2,157)	—
Foreign currency translation adjustments	86,274	56,244
Remeasurements of defined benefit plans	(2,421)	(1,508)
Total accumulated other comprehensive income	110,712	86,062
<b>Stock acquisition rights</b>	2,137	2,042
<b>Non-controlling interests</b>	4,585	5,710
<b>Total equity</b>	777,000	778,540
<b>Total liabilities and equity</b>	¥1,150,681	¥1,449,614

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Recruit Holdings Co., Ltd. and consolidated subsidiaries  
Fiscal years ended March 31, 2016 and 2017

### Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
<b>Net sales</b>	¥1,588,623	<b>¥1,839,987</b>
<b>Cost of sales</b>	832,330	<b>979,110</b>
Gross profit	756,293	<b>860,876</b>
<b>Selling, general and administrative expenses</b>	642,260	<b>733,669</b>
<b>Operating income</b>	114,032	<b>127,207</b>
<b>Non-operating income</b>		
Interest income	605	<b>315</b>
Dividend income	1,960	<b>1,425</b>
Share of profit of entities accounted for using equity method	4,961	<b>3,823</b>
Other	1,184	<b>1,066</b>
Total non-operating income	8,712	<b>6,631</b>
<b>Non-operating expenses</b>		
Interest expense	970	<b>873</b>
Foreign exchange losses	2,087	<b>493</b>
Other	350	<b>753</b>
Total non-operating expenses	3,408	<b>2,120</b>
<b>Ordinary income</b>	119,336	<b>131,718</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	5,948	<b>5,349</b>
Gain on sales of shares of subsidiaries and associates	—	<b>21,857</b>
Gain on step acquisitions	1,815	<b>—</b>
Other	539	<b>1,363</b>
Total extraordinary income	8,303	<b>28,570</b>
<b>Extraordinary losses</b>		
Loss on disposal of noncurrent assets	1,175	<b>1,586</b>
Loss on valuation of investment securities	1,122	<b>1,402</b>
Impairment loss	857	<b>5,085</b>
Business integration expenses	428	<b>1,210</b>
Other	798	<b>1,742</b>
Total extraordinary losses	4,383	<b>11,028</b>
<b>Income before income taxes</b>	123,256	<b>149,260</b>
Income taxes: Current	61,900	<b>68,094</b>
Income taxes: Deferred	(3,700)	<b>(4,897)</b>
Total income taxes	58,199	<b>63,197</b>
<b>Net income</b>	65,057	<b>86,063</b>
Net income attributable to non-controlling interests	521	<b>641</b>
<b>Net income attributable to owners of the parent</b>	¥ 64,535	<b>¥ 85,422</b>

### Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
<b>Net income</b>	¥ 65,057	<b>¥ 86,063</b>
<b>Other comprehensive income</b>		
Unrealized gain (loss) on available-for-sale securities	(5,160)	<b>2,121</b>
Deferred gain (loss) on derivatives under hedge accounting	(2,082)	<b>2,157</b>
Foreign currency translation adjustments	(9,056)	<b>(27,482)</b>
Remeasurements of defined benefit plans, net of tax	517	<b>912</b>
Share of other comprehensive income (loss) in affiliated companies	(1,677)	<b>(2,553)</b>
Total other comprehensive income	(17,458)	<b>(24,844)</b>
<b>Comprehensive income</b>	¥ 47,598	<b>¥ 61,219</b>
Total comprehensive income (loss) attributable to:		
Owners of the parent	¥ 47,078	<b>¥ 60,772</b>
Non-controlling interests	520	<b>446</b>



## Consolidated Statements of Changes in Equity

Recruit Holdings Co., Ltd. and consolidated subsidiaries  
Fiscal years ended March 31, 2016 and 2017

(Millions of yen)

	Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)				
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
<b>Balance at beginning of current period</b>	¥10,000	¥53,679	¥558,310	¥(531)	¥621,459
<b>Changes of items during period</b>					
Cash dividends			(26,540)		(26,540)
Net income attributable to owners of the parent			64,535		64,535
Purchase of treasury stock					—
Disposal of treasury stock		60		35	95
Change in treasury shares of parent arising from transactions with non-controlling interests		16			16
Other changes during the period					
Total changes of items during period	—	76	37,994	35	38,106
<b>Balance at end of current period</b>	¥10,000	¥53,756	¥596,305	¥(495)	¥659,565

(Millions of yen)

	Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)							
	Accumulated other comprehensive income							Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	
<b>Balance at beginning of current period</b>	¥34,177	¥ (75)	¥ 97,006	¥(2,939)	¥128,169	¥1,206	¥3,322	¥754,157
<b>Changes of items during period</b>								
Cash dividends								(26,540)
Net income attributable to owners of the parent								64,535
Purchase of treasury stock								—
Disposal of treasury stock								95
Change in treasury shares of parent arising from transactions with non-controlling interests								16
Other changes during the period	(5,160)	(2,082)	(10,731)	517	(17,457)	930	1,262	(15,263)
Total changes of items during period	(5,160)	(2,082)	(10,731)	517	(17,457)	930	1,262	22,842
<b>Balance at end of current period</b>	¥29,016	¥(2,157)	¥ 86,274	¥(2,421)	¥110,712	¥2,137	¥4,585	¥777,000

## Consolidated Statements of Changes in Equity

Recruit Holdings Co., Ltd. and consolidated subsidiaries  
Fiscal years ended March 31, 2016 and 2017

(Millions of yen)

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)					
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
<b>Balance at beginning of current period</b>	<b>¥10,000</b>	<b>¥53,756</b>	<b>¥596,305</b>	<b>¥ (495)</b>	<b>¥659,565</b>
<b>Changes of items during period</b>					
Cash dividends			(28,236)		(28,236)
Net income attributable to owners of the parent			85,422		85,422
Purchase of treasury stock				(31,226)	(31,226)
Disposal of treasury stock		60		82	142
Change in treasury shares of parent arising from transactions with non-controlling interests		(941)			(941)
Other changes during the period					
Total changes of items during period	—	(881)	57,185	(31,144)	25,159
<b>Balance at end of current period</b>	<b>¥10,000</b>	<b>¥52,874</b>	<b>¥653,490</b>	<b>¥(31,640)</b>	<b>¥684,725</b>

(Millions of yen)

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)								
	Accumulated other comprehensive income							Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	
<b>Balance at beginning of current period</b>	<b>¥29,016</b>	<b>¥(2,157)</b>	<b>¥ 86,274</b>	<b>¥(2,421)</b>	<b>¥110,712</b>	<b>¥2,137</b>	<b>¥4,585</b>	<b>¥777,000</b>
<b>Changes of items during period</b>								
Cash dividends								(28,236)
Net income attributable to owners of the parent								85,422
Purchase of treasury stock								(31,226)
Disposal of treasury stock								142
Change in treasury shares of parent arising from transactions with non-controlling interests								(941)
Other changes during the period	2,309	2,157	(30,030)	913	(24,649)	(95)	1,125	(23,620)
Total changes of items during period	2,309	2,157	(30,030)	913	(24,649)	(95)	1,125	1,539
<b>Balance at end of current period</b>	<b>¥31,326</b>	<b>¥ —</b>	<b>¥ 56,244</b>	<b>¥(1,508)</b>	<b>¥ 86,062</b>	<b>¥2,042</b>	<b>¥5,710</b>	<b>¥778,540</b>

# Consolidated Statements of Cash Flows

Recruit Holdings Co., Ltd. and consolidated subsidiaries  
Fiscal years ended March 31, 2016 and 2017

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes	¥123,256	¥149,260
Depreciation and amortization	40,275	50,095
Impairment loss	857	5,085
Amortization of goodwill	47,942	53,533
Retirement benefit expenses	946	1,215
Increase (decrease) in allowance for doubtful accounts	(1,198)	95
Increase (decrease) in accrued employees' bonuses	4,688	1,827
Increase (decrease) in provision for workers' compensation liability	599	155
Increase (decrease) in net defined benefit liability	347	609
Interest and dividend income	(2,566)	(1,741)
Interest expense	970	873
Foreign exchange (gain) loss	(380)	183
Share of (profit) loss of entities accounted for using equity method	(4,961)	(3,823)
Loss on disposal of noncurrent assets	1,175	1,586
(Gain) loss on sales of investment securities-net	(5,944)	(5,342)
(Gain) loss on sales of shares of subsidiaries and associates	308	(21,857)
(Gain) loss on valuation of investment securities	1,122	1,402
(Gain) loss on step acquisitions	(1,815)	—
(Increase) decrease in trade receivables	(13,615)	(38,513)
Increase (decrease) in trade payables	(1,024)	13,629
Other-net	2,304	10,314
Subtotal	193,290	218,590
Interest and dividend income received	2,785	1,942
Interest expense paid	(968)	(1,192)
Income taxes-paid	(32,595)	(77,178)
Net cash provided by operating activities	162,511	142,161
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,108)	(348)
Proceeds from withdrawal of time deposits	1,101	249
Payments for purchase of property, plant and equipment	(13,030)	(18,537)
Payments for purchase of intangible assets	(35,290)	(49,081)
Payments for purchase of investment securities	(6,038)	(2,869)
Proceeds from sales and redemption of investment securities	18,878	11,276
Payments for purchase of shares of subsidiaries and associates	(99)	(721)
Payments for investments in capital	(2,912)	(1,191)
Collection of investments in capital	133	933
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(67,131)	(176,698)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	306	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(270)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	22,885
Proceeds from liquidation of subsidiaries	218	—
Payments for transfer of business	(469)	(361)
Proceeds from transfer of business	435	—
Payments of short-term loans receivable	(125)	(3)
Proceeds from collection of short-term loans	314	2
Payments of long-term loans receivable	(11)	(198)
Other-net	(4,513)	406
Net cash used in investing activities	(109,613)	(214,257)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings-net	(4,049)	(832)
Increase in long-term debt	—	174,704
Repayments of long-term debt	(22,801)	(51,847)
Proceeds from issuance of bonds	—	50,000
Proceeds from share issuance to non-controlling shareholders	111	—
Payments for purchase of treasury stock	—	(31,242)
Dividends paid	(26,422)	(28,513)
Payments for purchase of investments in subsidiaries not resulting in change in scope of consolidation	(291)	(1,393)
Other-net	(94)	(316)
Net cash provided by (used in) financing activities	(53,546)	110,557
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	(2,225)	(3,107)
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,875)	35,354
<b>Cash and cash equivalents at beginning of period</b>	313,197	310,322
<b>Cash and cash equivalents at end of period</b>	¥310,322	¥345,676

# Corporate Governance

The corporate governance of Recruit Holdings Co., Ltd. (the “Company”) is described below.

## Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

The Company and its subsidiaries (the “Group”) has defined its 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” and “Creation of new value”, “Contribution to society”, and “Respect for all individuals” as The Recruit Way in the Recruit Group Management Philosophy.

Under this management philosophy, the Company emphasizes corporate governance in striving to achieve long-term, stable growth and to continuously increase its enterprise value as a business that is viewed as a positive force by users of Recruit products and services, clients, shareholders, employees, business partners, society, communities and all other principal stakeholders of the Company.

## Disclosures Are Based on the Five General Principles of Japan’s Corporate Governance Code

The Company has adopted the following policies based on the five general principles of Japan’s Corporate Governance Code.

### 1. Securing the Rights and Equal Treatment of Shareholders

The Company shall strive to proactively disclose information and improve the environment to facilitate the exercise of voting rights, in order to effectively secure rights to vote at Shareholders’ Meetings and other forms of shareholder rights.

### 2. Appropriate Cooperation with Stakeholders other than Shareholders

Based on the Recruit Group Management Philosophy, the Company shall strive to achieve long-term, stable growth and continuously increase its enterprise value as a business that is viewed as a positive force by users of Recruit products and services, clients, shareholders, employees, business partners, NPOs and NGOs, national and other governmental organizations, local communities and all other principal stakeholders of the Company.

### 3. Ensuring Appropriate Information Disclosure and Transparency

In addition to properly engaging in disclosures as required by laws and regulations, the Company will proactively disclose information as called for by the five general principles of Japan’s Corporate Governance Code to help secure transparency and fairness in decision-making, and promote effective corporate governance.

### 4. Responsibilities of the Board of Directors

The Board of Directors sets the basic management direction and performs management oversight. In addition to matters subject to exclusive board discretion, as provided in laws and regulations, the Board of Directors also makes executive decisions on matters that could significantly impact management philosophy, corporate governance systems, consolidated results and the reputation of the Group. When the speed of decision-making is a matter of critical concern, executive decision-making authority is vested in the President and Representative Director within certain bounds, and the Board of Directors oversees implementation of the decisions made.

Board Directors are elected by the shareholders to be entrusted with management of the Company. In performing their duties, they bear fiduciary responsibility and the duty of diligence, as they contribute to sustainable growth and an increase in enterprise value over the medium to long term.

### 5. Dialogue with Shareholders

To promote dialogue with shareholders, the Company shall have a department dedicated to handling IR work and an executive assigned to oversee IR. Requests by institutional investors for meetings are accepted within reasonable bounds, and the Company shall have a system for responding to inquiries by individual shareholders.

## Audit & Supervisory Board Members

<b>Establishment of the Audit &amp; Supervisory Board</b>	Established
<b>Number of Audit &amp; Supervisory Board Members stipulated in the Articles of Incorporation</b>	5
<b>Number of Audit &amp; Supervisory Board Members</b>	4

### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and the Internal Audit Office

The Company uses a three-part auditing approach consisting of audits by Audit & Supervisory Board Members, audits by Accounting Auditors, outside firms specializing in such work, and internal audits. Audits by Audit & Supervisory Board Members and Accounting Auditors are statutory audits, while internal audits, which are carried out at the direction of management, are discretionary audits aimed mainly at performing independent evaluations of internal control systems and ensuring that proper business practices are followed. Cooperation among the Internal Audit Office, Audit & Supervisory Board Members and Accounting Auditors takes the form of Accounting Auditors and the Internal Audit Office reporting on their respective audit approaches and results before the Audit & Supervisory Board as needed, and the standing members of the Audit & Supervisory Board, in the main, regularly sharing information with the Accounting Auditors and the Internal Audit Office. The Internal Audit Office appropriately presents reports and shares information when requested by an Audit & Supervisory Board Member or the Audit & Supervisory Board, and shares information with the Accounting Auditors.

### Execution of Business

At the Company, important matters of business strategy and business execution, are decided upon by the Board of Directors and the Business Strategy Meeting, etc.

In principle, meetings of the Board of Directors are convened once a month and once every quarter, and are attended by all Board Directors (five) and Audit & Supervisory Board Members (four).

The Business Strategy Meeting is an advisory body to the President, CEO, and Representative Director and, in principle, holds meetings twice a month. These meetings are attended by Board Directors who are also Corporate Executive Officers (three), Corporate Executive Officers responsible for corporate function (three) and standing Audit & Supervisory Board Members (two).

In addition, the Company established the Strategic Business Unit (hereinafter the “SBU”) as a strategic management unit, and allocated companies directly under each SBU. The Business Strategy Meeting has partially transferred its authority to the SBUs and the companies.

To strengthen its business execution functions, the Company has adopted the Corporate Executive Officer system, as well as Board Director and Managing Corporate Executive Officer systems.

The Board of Directors makes decisions on investments above a certain financial value and on key personnel and other matters that could significantly impact the Company's corporate governance or consolidated business performance. Other matters are decided by the Business Strategy Meeting. Criteria for determining where decisions are to be made are set forth in the Rules on Decision-making Authority, which are examined at least once a year by the Board of Directors for possible revision.

### Audit and Oversight

The Company has adopted the “company with an Audit & Supervisory Board” form of corporate governance, as defined in Japan's Companies Act.

The Board of Directors includes two External Board Directors who are independent of the Company. Measures such as regular meetings with external experts are taken to ensure that a certain number of appropriate candidates are always available to fill open spots. Given the dramatic changes occurring in Internet technology and other aspects of its business environment, the Group annually examines its corporate governance and requirements to sit on the Board of Directors, and identifies appropriate candidates for future appointment. While there are no standards for the number of independent External Board Directors, as a result of the abovementioned measures, the Company currently maintains a board in which they comprise at least two-fifths (more than one-third) of the members.

The Business Strategy Meeting must be convened with the participation of at least one standing Audit & Supervisory Board Member. This requirement is intended to promote the oversight function.

The Audit & Supervisory Board consists of two standing members and two external members, and, in principle, meets once a month in performance of its management oversight function. At the 57th Ordinary General Meeting of Shareholders, held on June 20, 2017, one Substitute Audit & Supervisory Board Member was elected in preparation for occasions when the number of regular Audit & Supervisory Board Members is less than that required by laws or regulations.

Regarding the internal audit system, steps have been taken to strengthen the system of internal checks. Among these are the establishment of the Internal Audit Office, as an auditing unit independent of executive units, and a department responsible for promoting internal controls, as a unit with overall responsibility for compliance. Accounting audits are performed by Certified Public Accountants affiliated with Ernst & Young ShinNihon LLC.

### Agreements for Limitation of Liability of Board Directors (Excluding Board Directors Who Are Also Corporate Executive Officers) and Audit & Supervisory Board Members

The Company has entered into an agreement to limit the liability to compensate for damages under Article 423, Paragraph 1 of the Companies Act with all the External Board Directors and Audit & Supervisory Board Members. The maximum amount of liabilities for damages under the said agreement is the minimum liability amount provided by applicable laws and regulations. However, such limitation of liability only applies when the officers perform their duties that caused the liability in good faith and without gross negligence.

### Nomination

Regarding the overall size of the Board of Directors, a maximum board size of 11 Board Directors is judged to be appropriate in view of the Company's size and functions, possibilities for designating Board Directors to be responsible for particular functions going forward and the need to have an appropriate number of External Board Directors. For the present time, it is thought that a board consisting of six members is most appropriate. As for the balance of knowledge, experience and capabilities, as well as diversity, of the Board of Directors, Board Directors who are also Corporate Executive Officers meet annually to consider the status of the corporate governance system and requirements to be a Board Director, and then identify appropriate candidates.

In identifying candidates for appointment as top managers, Board Directors and Audit & Supervisory Board Members, attention focuses on the knowledge and views of potential candidates and a final pool is designated based on potential to fulfill the duties and responsibilities of the above positions. No consideration is given to gender, age or nationality. Nomination, evaluation and remuneration decisions concerning top managers and Board Directors are deliberated by an advisory body consisting mainly of external officers and serving the Board of Directors. The purpose of this approach is to enhance objectivity and transparency. Specifically, in each fiscal year, the candidates are deliberated by the Nomination, Evaluation and Remuneration Committees and decided by resolution of the Board of Directors. The Nomination Committee deliberates and reports on the selection of the President and Representative Director; the Evaluation Committee deliberates and reports on evaluation of Board Directors' performance and evaluation standards; while the Remuneration Committee deliberates and reports on the remuneration amount of Board Directors based on their performance evaluation and the remuneration standards and systems of Board Directors and Corporate Executive Officers; and subsequently each Committee submits proposals to the Board of Directors.

Each Committee is chaired by an External Board Director and the majority of the Committee members are comprised of External Officers.

### Rationale Supporting the Appointments of Standing Board Directors and Audit & Supervisory Board Members

The below-described President, CEO, and Representative Director Mr. Masumi Minegishi was appointed in 2012 and oversees the business of the entire Group while making the most of his strong leadership. Therefore, the Company has judged that he would be an appropriate person to aim for ongoing improvement of the enterprise value of the Group. Moreover, the two standing Board Directors whose names are given below have performed appropriately in discussions of resolutions and report items in meetings of the Board of Directors, and are making valuable contributions in deciding important management matters and overseeing the execution of business activities. Their participation on the Board of Directors, therefore, is judged to be appropriate.

**Masumi Minegishi** President, CEO, and Representative Director

The wealth of experience and knowledge he brings to his position is based principally on roles he has fulfilled in the Bridal business, Housing and Real Estate business and corporate planning.

**Shogo Ikeuchi** Board Director, Senior Managing Corporate Executive Officer  
As a Board Director and Senior Managing Corporate Executive Officer, Shogo Ikeuchi has accumulated a wealth of experience and knowledge through service mainly in corporate planning, human resources, international business strategy and R&D positions in the Company.

**Keiichi Sagawa** Board Director, Senior Managing Corporate Executive Officer, and CFO  
As a Board Director, Senior Managing Corporate Executive Officer and CFO, Keiichi Sagawa has accumulated a wealth of experience and knowledge through service mainly in accounting, finance, legal affairs, corporate communications and corporate strategy positions in the Company.

The two people whose names are given below have been involved in the Company's management for numerous years, as Corporate Executive Officers and in other capacities, as well. Their appointments as standing members of the Audit & Supervisory Board, therefore, are judged to be appropriate.

**Yukiko Nagashima** Standing Audit & Supervisory Board Member  
Yukiko Nagashima has accumulated a wealth of experience and knowledge through her duties, primarily in human resources, bridal business and staffing business positions in the Company.

**Akihito Fujiwara** Standing Audit & Supervisory Board Member  
Akihito Fujiwara has accumulated a wealth of experience and knowledge through service mainly in information systems positions in the Company.

### Rationale Supporting the Appointments of External Board Directors and Audit & Supervisory Board Members

**Shigeo Ohyagi** External Board Director (Independent Officer)  
Serves concurrently as Chairman of the Board of Teijin Limited, Outside Audit & Supervisory Board Member of JFE Holdings, Inc., and Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives).

Shigeo Ohyagi has been serving as an External Board Director of Recruit Holdings since June 2014. With the depth of knowledge and insight he has developed as a manager of a manufacturing company engaged in business activities in various parts of the world, Mr. Ohyagi, in his capacity as an External Board Director, is contributing practical input, providing advice on a broad range of management matters, and performing a valuable role in the oversight of business activities.

**Yasushi Shingai** External Board Director (Independent Officer)  
Serves concurrently as Executive Deputy President and Representative Director of Japan Tobacco Inc.

Yasushi Shingai has been serving as an External Board Director of Recruit Holdings since June 2014. With the depth of knowledge and insight he has developed through his work in overseas acquisitions and in other areas, Mr. Shingai, in his capacity as an External Board Director, is providing advice on a broad range of management matters and performing a valuable role in the oversight of business activities.

**Hiroki Inoue** External Audit & Supervisory Board Member  
Serves concurrently as Partner of Nagashima Ohno & Tsunematsu.  
Hiroki Inoue possesses legal expertise developed through his many years in professional legal practice, and is very familiar with matters of business administration. In his capacity as an External Audit & Supervisory Board Member, since June 2015, Mr. Inoue is providing input from an objective, neutral perspective and is performing a valuable role in the oversight of the Company's management.

**Yasuaki Nishiura** External Audit & Supervisory Board Member (Independent Officer)  
Yasuaki Nishiura possesses accounting knowledge cultivated as a US Certified Public Accountant together with experience of supporting numerous Japanese companies in undertaking business expansion in the US as a business advisor, working primarily in Silicon Valley. He makes statements from a neutral and objective perspective as an External Audit & Supervisory Board Member, based on his deep insight and wealth of international experience, and he fulfills an appropriate role in the supervision of Recruit Holdings' overall management as an External Audit & Supervisory Board Member.

### Policies on the Selection of Independent Officers

<b>Number of Independent Officers</b>	3
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When selecting Independent officers, the Company's policy is, in principle, to select candidates who meet not only the independence criteria prescribed by financial instruments exchanges, but all the following criteria as well:

- (1) If the candidate or the corporation for which the candidate executes business is a shareholder of the Company, the share of voting rights held is no more than 10%.
- (2) In transactions during the most recent fiscal year, sales to the candidate or the corporation to which the candidate belongs amounted to less than 1% of the Company's consolidated net sales.

### Policy on Training for Directors and Audit & Supervisory Board Members

Newly appointed Board Directors and Audit & Supervisory Board Members are provided with an overview of the Company as of their appointment, together with information on matters such as management strategies, financial strategies and high-priority areas for audits. In addition, visits to business locations are organized to include explanations to promote understanding of business activities, as necessary, and Corporate Executive Officers in charge of business strategies for principal businesses are asked to provide external officers with information to further their understanding of the subject businesses. Newly appointed Board Directors and Audit & Supervisory Board Members also participate, as necessary, in external seminars on matters such as accounting and finance, and risk management, and in internal seminars led by invited external experts.

### Policy on Strategic Shareholdings

In principle, the Company purchases the shares of business partners when there is judged to be a business purpose in doing so. Decisions on whether to make such share purchases are made based on an overall assessment of the amount to be invested and the benefits to the Group of strengthening the business relationship.

Voting rights for strategic shareholdings are appropriately exercised based on detailed analysis of matters to be voted upon and an assessment of what would be in the best interests of shareholder value. Affirmative votes will not be cast when doing so would clearly result in damage to shareholder interests. If a vote is cast against the matter to be voted upon, a report to such effect is given at the meeting of the Board of Directors.

### Policy on Dealings with Related Parties

Related-party transactions by the Company's Board Directors must be approved by the Board of Directors. It must be recognized that such transactions are reasonable (required for business purposes) and that the transaction terms and conditions are appropriate. Information on transactions that exceed a certain financial amount and are engaged in with the Company or its subsidiaries by Board Directors of the Company; executives of principal subsidiaries of the Company; family members within the second degree of consanguinity; and the companies, and subsidiaries thereof, controlled by any of these persons, is collected annually and transactions with a high degree of significance are disclosed in the securities report.

### IR Activities

The Company has organized a structure to promote dialogue with shareholders by appointing an officer responsible for IR operations and establishing the IR Promotion Office as a department in charge of IR. The Company's basic policy is to respond to requests for interviews from institutional investors to a reasonable extent. The Company also prepares contact points for inquiries from individual shareholders.

### Formulation and Disclosure of Business Strategies and Business Plans

The Company has set a high single-digit compound annual growth rate (CAGR) for adjusted EPS\*<sup>1</sup> over three years as its management target. To achieve this target, the Company has designated EBITDA as a key indicator, and sets and discloses a targeted growth rate of EBITDA for each fiscal year. The Company also upholds the policy of effectively utilizing financing through borrowings while maintaining financial soundness by focusing on the Company's ratings by domestic rating agencies. Furthermore, as a benchmark for capital efficiency, the Company has disclosed that it sets strict standards for investment projects and aims for an ROE of around 15%.

\*1 Adjusted EPS = Adjusted net income\*<sup>2</sup> / (number of shares issued at the end of the period – number of treasury stock at the end of the period)

\*2 Adjusted net income = Net income attributable to owners of the parent ± adjustment items\*<sup>3</sup>

\*3 Adjustment items = Amortization of intangible assets arising due to business combinations ± non-recurring income/losses



## Implementation of Regular Investor Briefings for Analysts and Institutional Investors

The President and Representative Director or a Board Director/officer responsible for IR operations conducts quarterly financial briefings. Small meetings, individual meetings, etc., with analysts and institutional investors are also held.

## Holding Regular Investor Briefings for Overseas Investors

Teleconferences with overseas institutional investors are held as necessary, in addition to quarterly financial results briefings. Small meetings, individual meetings, etc., including visits to overseas institutional investors, are also held.

## Posting of IR Materials on the Website

The Company actively discloses important information that contributes to investment decisions of investors, through posting quarterly financial results, annual reports, and other timely disclosure-related materials to be submitted to the Tokyo Stock Exchange, on the Company's website.

The Company also simultaneously discloses materials in English of the same quality as those in Japanese for overseas investors.

## Status of Efforts to Ensure Respect for Stakeholders' Perspectives

### Rules on Respecting Stakeholders' Perspectives

The Recruit Group CSR Policy is based on the Recruit Group Management Philosophy. The CSR policy identifies five core themes, which will be advanced with the attitude captured by these words: "In collaboration with our stakeholders, we shall implement actions reflecting what we can and should do while continuing to challenge ourselves".

The Group has also established the Recruit Group Code of Ethics as the spirit we will maintain as Recruit Group executives and employees acting as individual members of society. The code comprises 13 articles and prescribes codes associated with the following areas: "Moderate Behavior as a Member of Society", "Compliance with Laws and Regulations", "Compliance with Agreements", "Fair Commercial Activities", "Fair Relationship with Officials of Government and Municipal offices, etc.", "Appropriate Handling of Information", "Protection of Intellectual Property", "Clarification of Scope of Business and Responsibility", "Proper Public Announcement of the Details of the Company", "Respect for Human Rights and Elimination of Discrimination", "Securing a Pleasant Working Environment", "Disconnecting with Organized Crime, Crime Syndicates and Other Antisocial Organizations", and "Proactive Commitment to Protection of the Global Environment and Public Affairs Activities".

## Implementation of Environmental Preservation, CSR and Other Activities

The Recruit Group CSR Policy was updated in April 2014 to emphasize realization of "a prosperous society in which each individual flourishes" as stated in the Group's management mission. With "contributing to society" at the heart of its CSR activities, the Group will continue to be responsive to society's rising expectations and fulfill its growing responsibilities as a corporate citizen while also expanding its business. In addition, based on the five core themes of our CSR policy, we will continue to work with our stakeholders "to implement actions reflecting what we can and should do while continuing to challenge ourselves".

"Five core themes of our CSR policy"

- (1) Enabling more people to flourish by creating opportunities to work**
- (2) Supporting diverse ways of living**
- (3) Empowering tomorrow's talents**
- (4) Practicing and promoting innovative work styles**
- (5) Respecting human rights and protecting the environment**

In April 2010, we established our "more eco more smile" four-promise environmental vision. Since then, we have used our businesses, products and services as vehicles for expanding the scope of our global environmental preservation activities and for contributing to the realization of a sustainable society. We are constantly taking action to benefit the environment through steps such as gaining ISO 14001 certification.

## Establishment of Rules for Providing Information to Stakeholders

Article 9 of the Recruit Group Code of Ethics (“Proper Public Announcement of the Details of the Company”) states that, “We will make public announcements to society to ensure the details of our policy, activities and products are accurately known”.

Recruit Group stakeholders include users, clients, shareholders, employees, business partners, NPOs and NGOs, national and other government agencies and local communities, and efforts are made to engage them in interactive communication by, for example, disseminating information and creating opportunities for dialogue. We invite outside experts to talk to our Sustainability Committee, conduct individual interviews to gather opinions on and learn what is expected of the Group’s CSR policy and business activities, and hold group dialogues in which we work through NPOs—intermediary support groups—to invite people from various quarters to participate. Our definition of “stakeholder”, and information on how we engage with them, are posted in the “CSR Management” section of our website.

## Employee Diversity

Living up to the Group’s philosophy, which includes respect for all individuals, requires that every one of our employees, regardless of gender, be able to fully exercise their capabilities. In 2006, therefore, we began to consciously promote diversity to advance the roles female employees play in our organization.

In 2008, we established on-site nurseries to help create conditions that allow employees to continue working while also meeting family responsibilities. In 2010, we took up the topic of promoting greater involvement by female employees by appointing them to supervisory and other management decision-making positions. And after we changed our governance system in October 2012, we began to build a system to apply our existing diversity measures to the principal members\* of Recruit Group in Japan, led by Recruit Holdings.

As a result, there have been yearly increases in both working mothers as a percent of the female work force and women as a percent of management.

- Women as a percent of employees: 45.1% (As of April 2017)
- Working mothers as a percent of female employees: 22.7% (As of April 2017)
- Women as a percent of management: 24.7% (As of April 2017)

In September 2012, we set a target that by April 2015 women would comprise at least 10% of management decision-making positions (Corporate Executive Officer and positions with equivalent authority) at the principal Recruit Group companies in Japan, and we achieved this target in April 2015. By April 2017, the percentage of women in management decision-making positions had risen to 12.8%.

Looking forward, we have established the medium-term goal of increasing the number of female section managers (kacho in Japanese) at principal Recruit Group companies in Japan to at least 30% of the total by April 2018. That figure stood at 24.4% in April 2016, and 27.0% in April 2017. To achieve this goal regarding female managers, we will broaden women’s awareness of the issue, strengthen our management capabilities, and evolve our work styles.

\* The phrase “principal members” of the Recruit Group companies in Japan in the preceding text refers to the following companies.

Recruit Holdings Co., Ltd.  
 Recruit Career Co., Ltd.  
 Recruit Jobs Co., Ltd.  
 STAFF SERVICE HOLDINGS CO., LTD.  
 Recruit Staffing Co., Ltd.  
 Recruit Sumai Company Ltd.  
 Recruit Marketing Partners Co., Ltd.  
 Recruit Lifestyle Co., Ltd.  
 Recruit Communications Co., Ltd.  
 Recruit Administration Co., Ltd.  
 Recruit Technologies Co., Ltd.

## Basic Concepts and Status of the Internal Control System

### Systems to Ensure the Properness of Operations of the Company and Its Subsidiaries (hereinafter referred to as the “Group”)

(The following is a summary of resolutions passed at the meeting of the Board of Directors held on March 29, 2017.)

#### (1) Systems to Ensure that Board Directors and Employees of the Company and Board Directors, etc., and Employees of Its Subsidiaries Comply with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties

- a. A Board of Directors including External Board Directors shall be established at the Company to carry out important decision-making for the Group.
- b. An Audit & Supervisory Board including External Audit & Supervisory Board Members shall be established at the Company. Each Audit & Supervisory Board Member of the Company shall audit the execution of duties by its Board Directors by attending meetings of the Board of Directors and other important meetings and investigating the status of execution of business, etc., based on the audit standards established by the Audit & Supervisory Board.
- c. A Nomination Committee, Evaluation Committee, and Remuneration Committee chaired by External Board Directors shall be established at the Company to conduct deliberations on the nomination, appointment, evaluation and remuneration of the Board Directors and Corporate Executive Officers.
- d. The “Recruit Group Code of Ethics” shall be established and disseminated to all officers, employees, etc., of the Group.
- e. While respecting the spirit of autonomy and independence of the subsidiaries, the “Recruit Group Policies” shall be established as common policies for the Group on matters such as decision-making, risk management and compliance, in order to realize unified Group management.
- f. Concerning important matters stipulated under the “Recruit Group Policies”, prior confirmation and/or subsequent reports to relevant departments of the Company are mandatory.
- g. The Group shall create a system to block all relationships, including business relationships, with antisocial forces.
- h. The Company’s Board of Directors shall establish a department in charge of internal controls after appointing an Internal Control Officer for the entire Group, and shall strive to gain an understanding of the development status of and identify problems with internal controls of the Group.
- i. President and Representative Director of each subsidiary shall establish an internal control system within the respective subsidiary.
- j. The Company’s department in charge of internal controls, in collaboration with each SBU and subsidiaries, shall promote efforts to ensure the properness of operations across the Group.
- k. In principle, the Company shall dispatch the Audit & Supervisory Board Members or Board Directors in charge of audits to its subsidiaries to conduct audits of the execution of duties by their Board Directors.
- l. An Internal Audit Department shall be established within the Company, under direct control of the President, CEO and Representative Director, and shall conduct audits of the Group’s officers’ and employees’ compliance with laws and regulations, as well as the Articles of Incorporation and/or the Company policies.
- m. A system including a whistle-blowing system, workplace harassment hotline, etc., shall be created to swiftly transmit information to the department in charge of internal controls of the Company and its subsidiaries, if an officer or employee of the Group discovers a problem related to internal controls. The department in charge of internal controls that receives the report shall investigate the matter, decide on response measures in consultation with the departments involved within the Group, and implement the measures.
- n. The Company shall convene the Compliance Committee, which is chaired by the President, CEO and Representative Director, to confirm the Group’s compliance and discuss related measures.
- o. Education and awareness-raising activities regarding compliance shall be carried out for officers and employees of the Group.
- p. Actions in violation of internal controls within the Group shall be strictly dealt with.

**(2) Systems Concerning Retention and Management of Information on the Execution of Duties by Board Directors of the Company**

- a. The “Documents and Contracts Management Policy” shall be established, based on which documents related to the execution of duties by Board Directors such as minutes of the General Meeting of Shareholders, the Board of Directors, and the Business Strategy Meetings shall be retained together with related materials.
- b. The length of time and department responsible for retention of the documents stipulated in the previous paragraph shall be as prescribed in the “Documents and Contracts Management Policy”. Documents shall be retained in a way that allows them to be viewed upon request by Board Directors and/or Audit & Supervisory Board Members of the Company.

**(3) Internal Policies and Other Systems Concerning Risks of Loss of the Group**

- a. The “Recruit Group Risk Management Policy” and “Recruit Group Risk Escalation Rules” shall be established to provide systematic risk management for the Group.
- b. The Company’s Board of Directors shall determine the risks to be addressed as priorities by the Group, and the person responsible for and the policy of countermeasures, following deliberation by the Risk Management Committee chaired by the Board Director responsible for the Risk Management Department of the Company.
- c. If a serious incident occurs that will affect the entire Group, a crisis management task force shall be set up to deal with the situation.

**(4) Systems to Ensure the Efficient Execution of Duties by Board Directors of the Company and Board Directors, etc., of Its Subsidiaries**

- a. The Company’s Board of Directors or the Business Strategy Meeting shall set targets for the Group that are shared by all officers, employees, etc., and shall make these targets widely known, while setting specific targets to be achieved by each division of the Group in order to achieve these targets. The Company’s Corporate Executive Officers in charge of each division shall decide on and carry out efficient methods to achieve these targets.
- b. The Company’s Board of Directors shall regularly review the status of achievement of targets, and, by promoting improvements such as eliminating or reducing factors that impede efficiency, shall increase the certainty of achieving targets and realize operational efficiency for the entire Group.
- c. A Business Strategy Meeting shall be set up as an advisory body to the CEO of the Company, and shall carry out discussions on necessary matters regarding management of the entire Group.
- d. In addition, expert committees such as the Management Advisory Committee, Sustainability Committee and Recruit Group Investment Committee shall be set up as advisory bodies to the Company’s Board of Directors and the Business Strategy Meeting.

**(5) Systems to Ensure the Reliability of Financial Reporting**

The Group shall establish the “Recruit Group J-SOX General Policy”, and create an internal control system for financial reporting based on the internal control reporting system stipulated under the Financial Instruments and Exchange Act.

**(6) Systems Concerning Reports to the Company Relating to Execution of Duties of Board Directors, etc., of Its Subsidiaries**

- a. The Company shall establish divisions within the Company to control each subsidiary. Based on the requirements from controlling divisions, Board Directors, etc., of the subsidiaries shall regularly report their business results and implementation status of business strategy to their respective controlling divisions.
- b. Board Directors and Corporate Executive Officers of the Company and President and Representative Director, etc., of major subsidiaries shall share management information on a regular basis, and discuss the Group’s management policies, as needed.

**(7) Matters Concerning Placement of Employees to Serve as Assistants to Audit & Supervisory Board Member(s) for the Execution of Their Audit Duties**

The Company shall appoint an “Assistant to support the Company’s Audit & Supervisory Board Members” in their duties and make an official announcement of the appointment.

**(8) Matters Relating to Ensuring the Independence of Employees Described in the Preceding Item from Board Directors of the Company and the Effectiveness of Instructions Given to the Employees**

Assistants supporting the Company's Audit & Supervisory Board Members shall only follow directions given by the Audit & Supervisory Board Members in their supporting duties. With regard to appointment, transfer, evaluation and disciplinary action of these assistants, the opinions of the Company's Audit & Supervisory Board shall be respected.

**(9) Systems Concerning Reports to Audit & Supervisory Board Members of the Company**

- a. Officers, employees and Independent Auditors of the Group shall report to each company's Audit & Supervisory Board Members on the matters stipulated below. A system shall be put in place to allow for reporting in a timely manner by means of meetings, interviews, telephone, email, etc.
  - Material matters regarding managerial situations of business
  - Matters which may potentially cause significant loss to the Group
  - Material matters regarding the status of internal auditing and risk management
  - Material violations of laws and regulations and the Articles of Incorporation
  - Any other material matters regarding internal controls
- b. The Company's Internal Audit Department and the subsidiaries' Audit & Supervisory Board Members or Board Directors in charge of audits shall regularly report issues concerning internal controls of the Group to the Company's Audit & Supervisory Board Members.

**(10) Systems to Ensure that Individuals Reporting on Matters Described in the Preceding Item Are Not Unfavorably Treated on the Grounds of Doing So**

The Company shall establish company policies, etc., under which any individual who has reported to Audit & Supervisory Board Members or Board Directors in charge of audits of the respective Group companies, department in charge of internal controls or Internal Audit Department on matters described in the preceding item is not subject to unfavorable treatment such as dismissal or unjustified transfer, etc., by the Company or its subsidiaries, on the grounds of their reporting on such matters.

**(11) Matters Relating to Policies Concerning Procedures for Making Advance Payments or Reimbursements of the Expenses Incurred in Connection with the Execution of Duties by the Company's Audit & Supervisory Board Members and Treatments of Other Expenses or Obligations Associated with the Execution of Duties by These Members**

The Company shall bear the costs for the budget requested in advance by Audit & Supervisory Board Members as the expenses necessary to execute their duties. Also, the Company's Audit & Supervisory Board may claim a payment of the expenses incurred urgently or unexpectedly from the Company, and the Company shall bear such costs.

**(12) Other Systems to Ensure the Effectiveness of Audits by Audit & Supervisory Board Members**

The Audit & Supervisory Board Members and the Audit & Supervisory Board of the Company shall hold regular meetings to exchange opinions with the President and Representative Director of the Company and with the Independent Auditors.

**Basic Position on Rejecting Relationships with Antisocial Forces, and Implementation Status of Relevant Measures**

**(1) Basic Stance on Antisocial Forces**

The Group, in its Recruit Group Code of Ethics, strictly rejects involvement with antisocial forces. Furthermore, the Recruit Group Internal Control General Principle provides that all relationships with antisocial forces, including transactions and all other types of relationships regardless of their nature, will be rejected; that regulations will be established to address cases in which situations involving antisocial forces arise; that certain departments will bear responsibility for addressing inappropriate demands and that such demands will be handled forthrightly, in accordance with the law, together with external authorities. All executives and employees are required to abide by the Recruit Group Internal Control General Principle.

## (2) Status of Internal Systems for Excluding Relationships with Antisocial Forces and Specific Measures

### Policies and Standards for Establishing and Maintaining an Internal System for Detecting the Presence of Antisocial Forces

1. Establishment of a Department for Addressing Situations Involving Antisocial Forces  
The department responsible for addressing inappropriate demands from antisocial forces shall be the Recruit department responsible for general affairs (referred to below as the "Contingency Response Unit").
2. Addressing Inappropriate Demands from Antisocial Forces  
In the event an inappropriate demand is received, the Recruit Group Regulations on Antisocial Forces require that the designated Contingency Point Person (designated for each Group company) immediately report the demand to the Contingency Response Unit and that the Contingency Point Person and Contingency Response Unit cooperate on actions and communications taken in response to the inappropriate demand. Contingency Point Persons are, in principle, obligated to participate in training for those responsible for responding to inappropriate demands.
3. Establishment of a System for Collecting and Managing Information on Antisocial Forces  
To determine whether a transaction counterparty is connected to antisocial forces, the Group has established a department with overall responsibility for investigating such matters. This department collects relevant information, which is managed in the Group's own database on antisocial forces.
4. Establishment of a System for Coordinating with External Authorities  
The Group coordinates with external authorities on addressing situations involving, and on collecting information on, antisocial forces.
5. Development of Regulations and Manuals  
The Group has established the Recruit Group Regulations on Antisocial Forces, as well as related regulations and implementation guidelines, and created a manual for addressing contingencies. All Recruit Group companies are required to abide by these regulations and guidelines, and the manual for addressing contingencies.
6. Incorporation of Terms Rejecting Connections with Criminal Organizations  
Terms rejecting connections with criminal organizations—in other words, terms for rejecting transactions, and facilitating the termination of agreements, with antisocial forces—are incorporated in agreements used for business transactions.

## System for Making Timely Disclosures

### (1) Basic Policy on Timely Disclosures

The Company's basic policy on timely disclosures is to make timely, appropriate disclosures of information important for appropriate decision-making on the part of investors.

### (2) System for Timely Disclosure

The Company has designated certain people in each of its departments and principal subsidiaries to be responsible for gathering information for timely disclosure. The IR Promotion Office, which handles disclosures of information, oversees the gathering of information. The Timely Disclosure Committee, which is chaired by an officer responsible for IR operations and consists of the heads of relevant departments, has been established and operated to ensure the adequacy of decision-making for disclosures and the accuracy of disclosure content.

The IR Promotion Office, which is responsible for disclosure-related work, is carrying out timely disclosure-related work in an appropriate manner by formulating guidelines for works related to timely disclosure, establishing disclosure standards and procedures to be implemented and ensuring that each of the Company's departments, principal subsidiaries, etc., is thoroughly informed thereof.

### (3) Status of Efforts to Ensure Shareholders Have Opportunities for Fair, Ready Access to Information

To ensure shareholders have opportunities for fair, ready access to key information on the Group, we actively make voluntary disclosures based on our own disclosure standards, in addition to the timely disclosures based on the Securities Listing Regulations of the Tokyo Stock Exchange. Disclosed information may be viewed on the Company's website, in addition to the website of the Tokyo Stock Exchange.