Items Disclosed on Internet Concerning Convocation Notice of the 56th Ordinary General Meeting of Shareholders

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(April 1, 2015 - March 31, 2016)

Recruit Holdings Co., Ltd.

In accordance with the laws and regulations and the Company's Articles of Incorporation, "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements and "Notes to Non-consolidated Financial Statements" in the Non-consolidated Financial Statements are deemed to be provided to the shareholders by being available on the Company's website (http://www.recruit.jp/ir/).

Notes to Consolidated Financial Statements

(Notes on Important Matters that Form the Basis for Preparing Consolidated Financial Statements)

1. Matters Related to the Scope of Consolidation

(1) Status of consolidated subsidiaries

Number of consolidated subsidiaries: 287

Names of the major consolidated subsidiaries

Recruit Sumai Company Ltd.
Recruit Marketing Partners Co., Ltd.
Recruit Lifestyle Co., Ltd.
Recruit Career Co., Ltd.
Recruit Jobs Co., Ltd.
Indeed, Inc.
Recruit Staffing Co., Ltd.
STAFF SERVICE HOLDINGS CO., LTD.
STAFFMARK HOLDINGS, INC.
Advantage Resourcing America, Inc.
Advantage Resourcing Europe B.V.
Chandler Macleod Group Limited
Recruit Administration Co., Ltd.
Recruit Communications Co., Ltd.
Recruit Technologies Co., Ltd.

During the year ended March 31, 2016, RSP India Fund. LLC and 6 other companies have become consolidated subsidiaries due to new establishment, while Chandler Macleod Group Limited and 131 other companies have become consolidated subsidiaries mainly due to acquisition of their shares during the year ended March 31, 2016.

Meanwhile, Biz-IQ Co., Ltd. and 13 other companies, which were consolidated subsidiaries of the Company, have been excluded from the scope of consolidation from the year ended March 31, 2016 due to the completion of liquidation, etc.

(2) Status of non-consolidated subsidiaries

Name of major non-consolidated subsidiaries

RECRUIT Treefarm Australia Pty. Ltd.

Non-consolidated subsidiaries are excluded from the scope of consolidation as the total amounts of their total assets, net sales, net income or loss (amount corresponding to equity interest), and retained earnings (amount corresponding to equity interest), etc. have no significant impacts on the consolidated financial statements.

2. Matters Related to the Application of Equity Method

(1) Status of equity-method associates

Number of equity-method associates: 13

Name of the major company, etc.

51job, Inc.

During the year ended March 31, 2016, eWell Co., Ltd. and 5 other companies have become equity-method associates due to acquisition of their shares.

Meanwhile, Mytour Vietnam company limited and 1 other company have been excluded from the scope of application of the equity method from the year ended March 31, 2016, as they became consolidated subsidiaries.

(2) Status of non-consolidated subsidiaries and associates to which the equity method is not applied

Name of the major non-consolidated subsidiary and associate to which the equity method is not applied

RECRUIT Treefarm Australia Pty. Ltd.

Non-consolidated subsidiaries and associates to which the equity method is not applied are excluded from the scope of application of the equity method since their exclusion has an insignificant impact on the consolidated financial statements in terms of net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc., individually and in aggregate.

3. Matters Related to the Fiscal Year of Consolidated Subsidiaries

The balance sheet date of STAFFMARK HOLDINGS, INC. and 107 other consolidated subsidiaries is December 31.

The consolidated financial statements are prepared using the consolidated subsidiaries' financial statements as of December 31, and necessary adjustments are made to reflect important transactions that occurred between their balance sheet date and the consolidated balance sheet date.

In addition, the balance sheet date of Chandler Macleod Group Limited and 119 other consolidated subsidiaries is June 30. The consolidated financial statements are prepared based on the tentative closing of accounts, which is performed as of December 31 and compliant with the regular closing of accounts, and necessary adjustments are made to reflect important transactions that occurred between their balance sheet date and the consolidated balance sheet date.

4. Matters Related to Accounting Policies

(1) Valuation standards and valuation methods of significant assets

1) Securities

Available-for-sale securities

Available-for-sale securities with market value:	Market value method based on the market price at the end of the period, etc. (Valuation differences are directly recorded as equity and cost of securities sold is calculated by the moving-average method.)
Available-for-sale securities without market value:	Stated at cost using the moving-average method
2) Receivables and payables arising from derivative transactions:	Market value method

(2) Depreciation and amortization methods of significant depreciable assets

1) Property, plant and equipment:	Declining balance method However, the straight-line method is applied for buildings (excluding accompanying facilities) acquired on or subsequent to April 1, 1998. Overseas consolidated subsidiaries adopt the straight-line method based on the accounting standards of the countries where they are located. The principal useful lives are as follows: Buildings and structures: 2 to 50 years
2) Intangible assets:	Straight-line method The principal years of amortization periods are as follows: Software (for internal use): 5 to 7 years (period

available for internal use)

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts:	In order to provide for losses due to bad debt, for general receivables, an estimated uncollectible amount is principally recorded according to the historical bad debt ratio. For specific receivables from companies in financial difficulty, an estimated uncollectible amount is recorded by assessing the collectability of each receivable individually.
2) Accrued employees' bonuses:	In order to provide for payment of bonuses to employees, an estimated amount of bonuses to be paid is recorded.
3) Workers' compensation liability:	In order to provide for payments of medical fees and compensation for absence from work in relation to accidents and injuries of dispatched staff, etc., certain overseas consolidated subsidiaries record an estimated amount of payment based on the probability of occurrence.

(4) Significant hedge accounting

1) Hedge accounting

Deferred hedge accounting is applied in principle

Appropriation treatment is applied to foreign exchange forward contracts that meet the requirements for appropriation treatment.

2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign exchange forward contracts	Foreign currency-denominated monetary receivables and payables, etc.

3) Hedging policy

Foreign exchange forward contracts are carried out for the purpose of hedging fluctuation risks of exchange rates for foreign currency transactions, and hedged items are distinguished on an individual contract basis.

4) Methods for evaluating the effectiveness of hedges

When a foreign exchange forward contract is entered into, it is allocated to a particular transaction in the same amount denominated in foreign currencies and due on the same date in accordance with the risk management policy. Therefore, the correlation with subsequent fluctuations in the exchange rates is completely ensured, and thus the evaluation of effectiveness on the balance sheet date is omitted.

(5) Accounting methods for retirement benefits

1) Method of attributing expected retirement benefit to periods

In calculating retirement benefit obligations, the method of attributing the expected retirement benefits to periods before the end of the current fiscal year is based on the straight-line method.

2) Method of amortizing actuarial differences and prior service cost

Prior service cost is amortized over a fixed period (mainly 5 years) within the average remaining service period of employees at the time of incurrence.

Actuarial differences are amortized over a fixed period (mainly 5 years) within the average remaining service period of employees at the time of incurrence in each fiscal year, starting from the fiscal year following the year of incurrence.

3) Adoption of the simplified method for small-sized companies, etc.

Certain consolidated subsidiaries adopt the simplified method where retirement benefit obligations are measured at the amount of retirement benefits to be required for voluntary termination at the end of the fiscal year for the calculation of net defined benefit liability and retirement benefit expenses.

(6) Other important matters that form the basis for preparing consolidated financial statements

1) Amortization method and amortization period of goodwill

For amortization of goodwill, the duration of its effect is estimated and it is amortized over the estimated years to recover its investment within the limit of ten years on a straight line basis.

In the case where its amount is immaterial, the entire amount is amortized in the fiscal year of incurrence.

2) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies have been translated into Japanese yen at the spot exchange rate at the consolidated balance sheet date, and translation adjustments are treated as gains or losses.

Assets and liabilities of overseas consolidated subsidiaries, etc. are translated into Japanese yen using the spot exchange rate at the consolidated balance sheet date, revenues and expenses are translated into Japanese yen using the average exchange rate for the period, and translation adjustments are included in foreign currency translation adjustments and non-controlling interests under equity.

3) Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Notes to Changes in Accounting Policies)

Effective from the year ended March 31, 2016, the Company adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter, “Business Combinations Standard”), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter, “Consolidated Financial Statements Standard”) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter, “Business Divestitures Standard”) and other related pronouncements. Accordingly, the Company’s accounting policies have been changed, whereby the differences arising from changes in the Company’s equity in a subsidiary over which the Company retains control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year of incurrence. In addition, for business combinations carried out from the beginning of the year ended March 31, 2016 onward, the method used when correcting the acquisition cost as part of finalizing provisional accounting in the fiscal year following the business combination fiscal year will change to a method whereby it is necessary to separately present the amount of effect on the beginning balance of the fiscal year in which that correction was made and to ensure the beginning balance stated reflects the effect of the correction. In addition, the Company has changed the presentation of net income and other related items, and the presentation of “minority interests” to “non-controlling interests.”

The Business Combinations Standard and other related pronouncements were adopted in accordance with transitional treatments stipulated in Paragraph 58-2(4) of the Business Combinations Standard, Paragraph 44-5(4) of the Consolidated Financial Statements Standard and Paragraph 57-4(4) of the Business Divestitures Standard, and they have been prospectively adopted from the beginning of the year ended March 31, 2016.

As a result, each of operating income, ordinary income and income before income taxes for the year ended March 31, 2016 decreased by ¥1,798 million. In addition, goodwill as of March 31, 2016 decreased by ¥1,731 million and capital surplus increased by ¥16 million.

(Notes to Changes in Representation Methods)

(Matters Related to Consolidated Balance Sheets)

"Electronically recorded obligations - operating" under "Current liabilities," which was presented separately in the previous fiscal year, is included in "Notes and accounts payable - trade" from the year ended March 31, 2016, due to its decreased materiality. "Electronically recorded obligations - operating" for the year ended March 31, 2016 amounted to ¥10,689 million.

(Matters Related to Consolidated Statements of Income)

"Gain on change in equity" under "Extraordinary income," which was presented separately in the previous fiscal year, is included in "Other" from the year ended March 31, 2016, due to its decreased materiality. "Gain on change in equity" for the year ended March 31, 2016 amounted to ¥102 million.

"Loss on valuation of investment securities," which was included in "Other" under "Extraordinary losses" in the previous fiscal year, is presented separately from the year ended March 31, 2016, due to its increased materiality.

"Loss on sales of noncurrent assets" under "Extraordinary losses," which was presented separately in the previous fiscal year, is included in "Other" from the year ended March 31, 2016, due to its decreased materiality. "Loss on sales of noncurrent assets" for the year ended March 31, 2016 amounted to ¥42 million.

(Notes to Consolidated Balance Sheets)

Accumulated depreciation of property, plant and equipment: ¥41,535 million

(Notes to Consolidated Statements of Changes in Equity)

1. Class and total number of shares issued at the end of the year ended March 31, 2016
   Common stock: 565,320,010 shares
2. Class and number of treasury stock at the end of the year ended March 31, 2016
   Common stock: 584,200 shares
3. Matters related to dividends

(1) Dividend payout amounts

At the Meeting of the Board of Directors held on May 13, 2015, the amount of dividends was resolved as follows:

Total amount of dividends	¥26,540 million
Source of dividends	Retained earnings
Dividend per share	¥47
Record date	March 31, 2015
Effective date	June 18, 2015

(2) Dividends whose record dates are within the year ended March 31, 2016 but effective dates are in the following fiscal year

At the Meeting of the Board of Directors to be held on May 13, 2016, the following proposal will be discussed and resolved.

Total amount of dividends	¥28,236 million
Source of dividends	Retained earnings
Dividend per share	¥50
Record date	March 31, 2016
Effective date	June 22, 2016

4. Class and the number of shares to be issued upon the exercise of stock acquisition rights at the end of the year ended March 31, 2016 (excluding those whose beginning dates of exercise periods had not commenced)

Common stock: 906,800 shares

(Notes on Financial Instruments)

1. Matters Related to Status of Financial Instruments

(1) Policy for financial instruments

The Group uses financial instruments, mainly short-term cash deposits, as fund management and bank loans as fund-raising. Derivative transactions are used, not for speculative purposes, but to manage exposure to financial risks as described below.

(2) Nature and extent of risks arising from financial instruments

Notes and accounts receivable - trade which are operating receivables are exposed to customer credit risk. Securities comprise negotiable certificates of deposits, etc. Investment securities and shares of subsidiaries and associates are mainly composed of shares of other companies with which the Group has business relationships and subsidiaries and associates, and are exposed to market price fluctuation risk.

Notes and accounts payable - trade and accrued expenses which are operating payables are settled within a short period. Debts are used for operating capital and funds for capital investment, and since a large portion of them have floating interest rates, they are exposed to interest rate fluctuation risk. Certain foreign currency-denominated receivables and payables are exposed to exchange rate fluctuation risk.

(3) Risk management for financial instruments

1) Credit risk management (risks related to clients' default of contracts, etc.)

The Group manages its credit risk by examining new clients and controlling due dates and balances of operating receivables of each client. In addition, the Group strives to understand at an early stage the potential uncollectibility of operating receivables due to deterioration in financial conditions, etc. through regular monitoring of the financial condition of main clients.

The Group enters into derivatives transactions only with financial institutions which have a sound credit profile to mitigate counterparty risk.

2) Market risk management (fluctuation risks of exchange rates and interest rates, etc.)

The Group manages investment securities and shares of subsidiaries and associates by monitoring fair values and the financial condition of issuers on a regular basis and continuously evaluating the holding status in light of the relationships with issuers.

With regard to interest rate fluctuation risk of debts, interest rate swaps are used to fix a part of interest expense.

Certain foreign currency-denominated receivables and payables are hedged on an individual basis regarding the exchange rate fluctuation risk.

Derivative transactions are carried out only on hedged items with actual demand.

3) Liquidity risk management on fund-raising (risks that the Group may not be able to execute payment by the due date)

The Group manages its liquidity risk by preparing and updating a cash management plan at each company, as necessary, and securing liquidity on hand according to the status of revenue and expenditure. In addition, the Group reinforces concentration and management of funds by group fund-raising, under which funds are received from consolidated subsidiaries with surplus cash and lent to consolidated subsidiaries with cash deficit.

(4) Supplementary explanation on fair value of financial instruments, etc.

The fair value of financial instruments is measured at quoted market price. If quoted market price is not available, they are measured at other reasonably assessed price. Since assessed price is calculated using certain assumptions, it could differ in case different assumptions are used.

2. Matters Related to Fair Value, etc. of Financial Instruments

The amounts recorded in the consolidated balance sheets, fair value and the difference between the two as of March 31, 2016 are as follows. Financial instruments whose fair values are deemed extremely difficult to determine are not included in the following table (see Note 2).

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	257,741	257,741	-
(2) Notes and accounts receivable - trade	222,288	222,288	-
(3) Securities and investment securities			
1) Shares of subsidiaries and associates	33,560	81,739	48,178
2) Available-for-sale securities	122,428	122,428	-
Total	636,017	684,196	48,178
(1) Notes and accounts payable - trade	60,104	60,104	-
(2) Current portion of long-term debt	15,000	15,000	-
(3) Accrued expenses	85,354	85,354	-
(4) Income taxes payable	40,050	40,050	-
Total	200,509	200,509	-
Derivative transactions (*)	(3,052)	(3,052)	-

(*) The values of receivables and payables arising from derivative transactions are shown at net value.

Note 1: Fair value measurement of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable - trade

The fair values of cash and deposits and notes and accounts receivable - trade are measured at their carrying amounts since they are settled in a short period and therefore approximate the fair values.

(3) Securities and investment securities

The fair values of securities and investment securities are measured at a quoted price of a stock exchange, and the fair values of bonds are mainly measured at a quoted price obtained from the financial institutions with which the Company has transactions. The shares of subsidiaries and associates with a quoted price of a stock exchange are recorded at the amounts after applying the equity method in the consolidated balance sheets.

The fair values of securities and investment securities are measured at their carrying amounts since they are settled in a short period and therefore approximate the fair values.

Liabilities

(1) Notes and accounts payable - trade, (2) Current portion of long-term debt, (3) Accrued expenses and (4) Income taxes payable

The fair values of notes and accounts payable - trade, current portion of long-term debt, accrued expenses and income taxes payable are measured at their carrying amounts since they are settled in a short period and therefore approximate the fair values.

Derivative transactions

The fair values of derivative transactions are measured based on a quoted price obtained from the financial institutions with which the Company has transactions.

Note 2: Unlisted shares, etc. (the amount recorded in the consolidated balance sheets: ¥18,042 million) are not included in “(3) Securities and investment securities,” as they do not have quoted prices in an active market and their fair values are deemed extremely difficult to determine.

(Notes on Per Share Information)

Equity per share: ¥1,363.96

Net income per share: ¥114.28

(Notes on Business Combinations, etc.)

Business combination by acquisition

1. Acquisition of the shares of Peoplebank Holdings Pty Ltd

(1) Details and amounts of revision in case of significant changes to the initial allocation amounts of acquisition cost

The allocation of acquisition cost was not finalized in the previous fiscal year, as the identification of distinguishable assets and liabilities and the fair value measurement of Peoplebank Holdings Pty Ltd as of the business combination date had yet to be completed. Accordingly, tentative accounting treatment had been performed based on the reasonable information available at the time of preparation of the consolidated financial statements.

The amounts of goodwill to be revised as a result of the revision of the allocation of acquisition cost in the current fiscal year are as follows.

(Millions of yen)

Revised items	Amount of revision
Goodwill (Prior to revision)	5,916
Customer-related assets	(2,714)
Trademark rights	(708)
Intangible assets (Other)	(362)
Deferred tax liabilities	738
Other adjustments of acquisition cost	519
Total amount of revision	(2,528)
Goodwill (Revised)	3,388

(2) Amount of goodwill generated, reasons for the goodwill, and amortization method and amortization period of goodwill

1) Amount of goodwill generated

¥3,388 million

2) Reasons for the goodwill

Goodwill was generated due to forecasted excess profitability contributed by the future business expansion.

3) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over a period of 5 years.

2. Acquisition of the shares of Chandler Macleod Group Limited

(1) Overview of the business combination

1) Name and description of business of the acquired company

Name of the acquired company: Chandler Macleod Group Limited

Description of business: Business management of HR service business

In addition, the Company acquired 112 subsidiaries of Chandler Macleod Group Limited at the same time.

2) Primary reasons for the business combination

The Company aims to achieve stable and sustainable growth by enhancing existing domestic businesses as well as promoting the establishment and expansion of a global business platform.

In order to further accelerate and expand overseas business development in the Staffing segment, we have acquired the shares of Chandler Macleod Group Limited, which provides staffing services in Australia, etc.

3) Date of the business combination
April 16, 2015
4) Legal form of the business combination
Share acquisition with cash as consideration.
5) Name of the company after the business combination
No changes are made to the name of the company after the business combination.
6) Ratio of voting rights acquired
Ratio of voting rights held before the acquisition of shares: 0%
Ratio of voting rights after the acquisition: 100%
7) Primary ground for determining the acquiring company
Due to the share acquisition with cash as consideration

(2) Period of business performance of the acquired company which is included in the consolidated financial Statements
From April 1, 2015 to December 31, 2015

(3) Acquisition cost of the acquired company and its breakdown

Compensation for acquisition	Cash	¥26,713 million
Acquisition cost		¥26,713 million

(4) Details and amounts of major acquisition-related expenses:
Advisory fees, etc.: ¥596 million

(5) Amount of goodwill generated, reasons for the goodwill, and amortization method and amortization period of goodwill
1) Amount of goodwill generated
¥16,010 million
2) Reasons for the goodwill
Goodwill was generated due to forecasted excess profitability contributed by the future business expansion.
3) Amortization method and amortization period of goodwill
Goodwill is amortized using the straight-line method over a period of 7 years.

(6) Amounts of assets acquired and liabilities assumed on the date of the business combination and breakdown by major items

Current assets	¥12,637 million
Noncurrent assets	¥18,246 million
Total assets	¥30,883 million
Current liabilities	¥12,561 million
Long-term liabilities	¥7,620 million
Total liabilities	¥20,181 million

(7) Amounts and amortization period of acquisition costs allocated to intangible assets excluding goodwill

Main components	Amount	Amortization period
Customer-related assets	¥14,885 million	8 to 15 years
Trademark rights	¥1,987 million	10 years
Software	¥764 million	5 to 7 years

(8) Estimated amounts of impact on consolidated statements of income for the year ended March 31, 2016 assuming that the business combination was completed on the beginning date of the current fiscal year, and the method of calculating such amounts

Net sales	¥27,747 million
EBITDA (operating income + depreciation and amortization + amortization of goodwill)	¥(446) million

(Computation method of the estimated amounts)

The amounts of the estimated impact is the difference between (a) net sales and operating results assuming the business combination was completed on the beginning date of the fiscal year, adjusting for amortization of intangible assets and goodwill, and (b) net sales and operating results of the acquisition company's consolidated statements of income adjusting for amortization of intangible assets and goodwill.

The estimated amounts of impact have not been audited.

(Additional Information)

1. Acquisition of companies, etc. through share acquisition

The Company has decided at the Meeting of the Board of Directors held on December 22, 2015 that the Company will launch tender offer (hereinafter the "Tender Offer") for all issued common stock of USG People N.V. (hereinafter "USG," whose shares are listed on the Euronext Amsterdam Stock Exchange), a staffing company which operates in Europe mainly in the Netherlands. The Company and USG have reached conditional agreement (the "Merger Protocol") on the Tender Offer. The Company's Offer Memorandum regarding the Tender Offer was approved by the Netherlands Authority for the Financial Markets on March 29, 2016, and the Tender Offer commenced on April 1, 2016. With this Tender Offer, the Company plans to make USG into its consolidated subsidiary by acquiring 100% of the issued common stock in USG.

The Tender Offer does not fall under the tender offer set forth in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

(1) Purpose of the acquisition

The Company aims to achieve stable and sustainable growth by enhancing existing domestic businesses as well as promoting the establishment and expansion of a global business platform.

In the Staffing segment, through the acquisition of The CSI Companies, Inc., a U.S. staffing company, in 2010, we determined that the management techniques that we have established in Domestic Staffing operations are applicable overseas. As such, in 2011, we have acquired STAFFMARK HOLDINGS, INC., a U.S. staffing provider, as well as Advantage Resourcing America, Inc. and Advantage Resourcing Europe B.V., staffing companies that operate in the U.S. and Europe, and in 2015, we acquired companies including Chandler Macleod Group Limited, an Australian staffing company. In order to further accelerate and expand these efforts, we have decided on the Tender Offer of USG, which provides comprehensive staffing business in Europe mainly in the Netherlands.

(2) Name of the counterparties of the share acquisition

All shareholders of USG

(3) Name of the company to be acquired, description of its business and scale of operation

Name:	USG People N.V.	
Description of business:	Comprehensive staffing business	
Scale of operation:	(Year ended December 31, 2015)	
	Common stock:	€40 million
	Consolidated equity:	€487 million
	Consolidated total assets:	€1,281 million
	Consolidated net sales:	€2,550 million
	Consolidated EBITDA:	€90 million

(4) Timing of the share acquisition

Between May and June 2016 (scheduled)

(5) The number of shares to be acquired, acquisition cost, and equity ratio after the acquisition (scheduled)

Number of shares to be acquired: 81,118,761 shares

Acquisition cost:	Common stock of USG:	Approximately €1,420 million
		(Approximately ¥188.5 billion)
	Advisory fees, etc. (Estimated amount):	¥1.2 billion

Equity ratio after the acquisition: 100%

(6) Financing

Through cash on its balance sheet and partially through debt financing (scheduled)

2. Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate

Pursuant to "Act on Partial Revision of the Income Tax Act" and "Act on Partial Revision of the Local Tax Act," which passed the Diet on March 29, 2016, the effective tax rate applied to the calculation of deferred tax assets and deferred tax liabilities for the year ended March 31, 2016 (provided that, it is limited to those to be settled on and after April 1, 2016) was changed from 32.3% in the previous fiscal year to 30.9% for those which are anticipated to be recovered or paid during the period between April 1, 2016 and March 31, 2018, or 30.6% for those which will be recovered or paid from April 1, 2018 onward.

As a result, deferred tax liabilities (after offsetting deferred tax assets) decreased by ¥650 million, income taxes: deferred recorded for the year ended March 31, 2016 decreased by ¥299 million, deferred gain (loss) on derivatives under hedge accounting decreased by ¥43 million, remeasurements of defined benefit plans decreased by ¥53 million, while unrealized gain (loss) on available-for-sale securities increased by ¥448 million.

Notes to Non-consolidated Financial Statements

(Notes on Matters Related to Significant Accounting Policies)

1. Valuation Standards and Valuation Methods of Assets

(1) Valuation standards and valuation methods of securities

1) Shares of subsidiaries and associates:	Stated at cost using the moving-average method
2) Available-for-sale securities	
Available-for-sale securities with market value:	Market value method based on the market price at the end of the period, etc. (Valuation differences are directly recorded as equity and cost of securities sold is calculated by the moving-average method.)
Available-for-sale securities without market value:	Stated at cost using the moving-average method

(2) Receivables and payables arising from derivative transactions: Market value method

(3) Valuation standards and valuation methods of inventories

Work in process:	Mainly stated at cost based on the specific identification method (amount presented on the balance sheets is calculated using the method of reducing book value due to a decline in profitability)
Merchandise and supplies:	Mainly stated at cost based on the specific identification method (amount presented on the balance sheets is calculated using the method of reducing book value due to a decline in profitability)

2. Depreciation and Amortization Methods of Noncurrent Assets

(1) Property, plant and equipment:	Declining balance method However, the straight-line method is applied for buildings (excluding accompanying facilities) acquired on or subsequent to April 1, 1998. The principal useful lives are as follows: Buildings: 3 to 50 years Tools, furniture and fixtures: 2 to 20 years
(2) Intangible assets:	Straight-line method The principal years of amortization are as follows: Software (for internal use): 5 years (period available for internal use)

3. Accounting Standards for Allowances and Provisions

Allowance for doubtful accounts:	In order to provide for losses due to bad debt, for general receivables, an estimated uncollectible amount is principally recorded according to the historical bad debt ratio. For specific receivables from companies in financial difficulty, an estimated uncollectible amount is recorded by

assessing the collectability of each receivable individually.

4. Significant Hedge Accounting

(1) Hedge accounting

Deferred hedge accounting is applied in principle

Appropriation treatment is applied to foreign exchange forward contracts that meet the requirements for appropriation treatment.

(2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign exchange forward contracts	Foreign currency-denominated monetary receivables and payables, etc.

(3) Hedging policy

Foreign exchange forward contracts are carried out for the purpose of hedging fluctuation risks of exchange rates for foreign currency transactions, and hedged items are distinguished on an individual contract basis.

(4) Methods for evaluating the effectiveness of hedges

When a foreign exchange forward contract is entered into, it is allocated to a particular transaction in the same amount denominated in foreign currencies and due on the same date in accordance with the risk management policy. Therefore, the correlation with subsequent fluctuations in the exchange rates is completely ensured, and thus the evaluation of effectiveness on the balance sheet date is omitted.

5. Other Important Matters That Form the Basis for Preparing Non-consolidated Financial Statements

(1) Amortization method and amortization period of goodwill

For amortization of goodwill, the duration of its effect is estimated and it is amortized over the estimated years to recover its investment within the limit of ten years on a straight line basis.

In the case where its amount is immaterial, the entire amount is amortized in the fiscal year of incurrence.

(2) Translation of significant assets or liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies have been translated into Japanese yen at the spot exchange rate at the balance sheet date, and translation adjustments are treated as gains or losses.

(3) Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Notes to Changes in Representation Methods)

Not applicable.

(Notes to Balance Sheets)

1. Accumulated depreciation of property, plant and equipment: ¥25,707 million

2. Guarantee obligation

The Company guarantees the following subsidiaries and associates as stated below:

Indeed, Inc.	¥15,325 million
STAFFMARK HOLDINGS, INC.	¥12,161 million
Chandler Macleod Group Limited	¥3,702 million
Advantage Resourcing America, Inc.	¥2,444 million
ADVANTAGE XPO LIMITED	¥323 million
Other	¥46 million
Total	¥34,003 million

3. Monetary receivables and payables in relation to subsidiaries and associates

Short-term monetary receivables:	¥57,079 million
Short-term monetary payables:	¥419,711 million
Long-term monetary receivables:	¥100 million

(Notes to Statements of Income)

Transaction volume with subsidiaries and associates

Transaction volume of operating transactions (revenue):	¥46,453 million
Transaction volume of operating transactions (expenses):	¥214,947 million
Transaction volume of non-operating transactions (revenue):	¥526 million
Transaction volume of non-operating transactions (expenses):	¥798 million

(Notes to Statements of Changes in Equity)

Class and the number of treasury stock at the end of the year ended March 31, 2016

Common stock:	584,200 shares

(Notes on Tax Effect Accounting)

Breakdown by main causes of deferred tax assets and deferred tax liabilities

(Deferred tax assets)	
Allowance for doubtful accounts	¥280 million
Loss on valuation of investment securities	¥3,568 million
Loss on valuation of shares of subsidiaries and associates	¥17,271 million
Accrued enterprise tax and office taxes	¥1,514 million
Accrued employees' bonuses	¥223 million
Liability for employees' retirement benefits	¥160 million
Provision for retirement benefits	¥547 million
Other	¥7,904 million
Subtotal of deferred tax assets	¥31,472 million
Valuation allowance	¥(20,826) million
Total deferred tax assets	¥10,645 million
(Deferred tax liabilities)	
Refund of capital surplus of subsidiaries	¥(27,783) million
Unrealized gain (loss) on available-for-sale securities	¥(8,342) million
Other	¥(825) million
Total deferred tax liabilities	¥(36,951) million
Net deferred tax assets	¥(26,305) million

(Additional Information)

Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate

Pursuant to "Act on Partial Revision of the Income Tax Act" and "Act on Partial Revision of the Local Tax Act," which passed the Diet on March 29, 2016, the effective tax rate applied to the calculation of deferred tax assets and deferred tax liabilities for the year ended March 31, 2016 (provided that, it is limited to those to be settled on and after April 1, 2016) was changed from 32.3% in the previous fiscal year to 30.9% for those which are anticipated to be recovered or paid during the period between April 1, 2016 and March 31, 2018, or 30.6% for those which will be recovered or paid from April 1, 2018 onward.

As a result, deferred tax liabilities (after offsetting deferred tax assets) decreased by ¥1,479 million, income taxes: deferred recorded for the year ended March 31, 2016 decreased by ¥1,085 million, deferred gain (loss) on derivatives under hedge accounting decreased by ¥43 million, while unrealized gain (loss) on available-for-sale securities increased by ¥438 million.

(Notes on Transactions with Related Parties)
Subsidiaries and associates, etc.

(Millions of yen)

Attribute	Name of company, etc.	Ownership percentage of voting rights, etc.	Description of transactions	Transaction amount	Account item	Balance at end of the fiscal year
Subsidiary	Recruit Sumai Company Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	12,823 [22]
Subsidiary	Recruit Marketing Partners Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	11,861 [21]
Subsidiary	Recruit Lifestyle Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	22,062 [38]
Subsidiary	Recruit Career Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	57,513 [110]
Subsidiary	Recruit Jobs Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	20,990 [41]
Subsidiary	Recruit Staffing Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	68,497 [135]
Subsidiary	STAFF SERVICE HOLDINGS CO., LTD.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	55,164 [120]
Subsidiary	STAFFMARK HOLDINGS, INC.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	15,921 [35]
Subsidiary	Recruit Communications Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	28,562 [63]
Subsidiary	Recruit Management Solutions Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	27,031 [59]
Subsidiary	Chandler Macleod Group Limited	Ownership Direct 100%	Lending of funds (Note)	—	Short-term loans receivable [Interest income]	12,118 [294]
Subsidiary	Indeed Ireland Operations Limited	Ownership Direct 100%	Lending of funds (Note)	—	Short-term loans receivable [Interest income]	18,909 [97]

Transaction terms and policies for determining transaction terms, etc.

Note: The Company centrally manages the Group's funds, and lending and borrowing among group companies are settled on a daily basis. Thus, transaction amount is not stated. The interest rate is reasonably determined based on market rates.

(Notes on Per Share Information)

Equity per share:	¥992.70
Net income per share:	¥97.31

(Notes on Company Subject to Regulation on Consolidated Dividends)

The Company is subject to regulation on consolidated dividends.