

This document has been translated from Japanese original for reference purposes only.  
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. Recruit Holdings Co., Ltd. assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Items Disclosed on Internet Concerning  
Convocation Notice of  
the 57th Ordinary General Meeting of Shareholders

Notes to Consolidated Financial Statements  
Notes to Non-consolidated Financial Statements  
(April 1, 2016 - March 31, 2017)

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: 357

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.

USG People B.V.

Chandler Macleod Group Limited

Recruit Administration Co., Ltd.

Recruit Communications Co., Ltd.

Recruit Technologies Co., Ltd.

During the year ended March 31, 2017, RSI Fund I LLC and 8 other companies have become consolidated subsidiaries due to new establishment, while USG People B.V. and 101 other companies have become consolidated subsidiaries mainly due to acquisition of their shares during the year ended March 31, 2017.

Meanwhile, due to the sale, etc. of Yuko Yuko Corporation and 2 other companies, which were consolidated subsidiaries of the Company, these companies have been excluded from the scope of consolidation from the year ended March 31, 2017, and BO LE ASSOCIATES GROUP VIETNAM COMPANY LIMITED and 37 other companies have been excluded from the scope of consolidation from the year ended March 31, 2017 due to 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: 19

Name of the major company, etc.

51job, Inc.

During the year ended March 31, 2017, kaonavi, inc. and 5 other companies have become equity-method associates due to acquisition of their shares.

(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 194 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 101 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, and accompanying facilities and structures acquired on or subsequent to April 1, 2016. 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)

Customer-related assets: 2 to 15 years

(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.

Appropriation treatment is applied to foreign exchange forward contracts that meet the requirements for appropriation treatment. Integrated treatment is applied to interest rate and currency swap transactions that meet the requirements for integrated treatment (exceptional treatment/appropriation treatment).

2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Foreign currency-denominated monetary receivables and payables, etc.
Interest rate and currency swap	Foreign currency-denominated debt

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.

The Company engages in interest rate and currency swap transactions in order to hedge the risks associated with fluctuations in interest rates and foreign exchange rates.

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.

Evaluation of effectiveness on interest rate and currency swap transactions subject to integrated treatment 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, 2017, the Company adopted “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, issued June 17, 2016) following the revision to the Corporation Tax Act. Accordingly, the depreciation method of facilities attached to buildings and structures acquired on and after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effect of this change in the consolidated financial statements for the year ended March 31, 2017 was immaterial.

(Notes to Changes in Representation Methods)

(Matters Related to Consolidated Balance Sheets)

“Customer-related assets,” which was included in “Other” under “Intangible assets” in the previous fiscal year, is presented separately from the year ended March 31, 2017, due to its increased materiality.

(Matters Related to Consolidated Statements of Income)

“Business integration expenses,” which was included in “Other” under “Extraordinary losses” in the previous fiscal year, is presented separately from the year ended March 31, 2017, due to its increased materiality.

(Notes to Consolidated Balance Sheets)

Accumulated depreciation of property, plant and equipment: ¥54,627 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, 2017

Common stock: 565,320,010 shares

2. Class and number of treasury stock at the end of the year ended March 31, 2017

Common stock: 8,458,560 shares

Note: Number of shares of the Company held by the trust included in the number of treasury stock at the end of the year ended March 31, 2017: 272,659 shares

3. Matters related to dividends

(1) Dividend payout amounts

At the Meeting of the Board of Directors held on May 13, 2016, the amount of dividends was resolved as follows:

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

(2) Dividends whose record dates are within the year ended March 31, 2017 but effective dates are in the following fiscal year

At the Meeting of the Board of Directors held on May 12, 2017 the following proposal will be discussed and resolved.

Total amount of dividends	¥36,213 million
Source of dividends	Retained earnings
Dividend per share	¥65

Record date March 31, 2017

Effective date June 21, 2017

Note: Total amount of dividends resolved at the Meeting of the Board of Directors held on May 12, 2017 includes dividends for the Company's stock held in the trust account related to the Board Incentive Plan of ¥17 million.

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, 2017 (excluding those whose beginning dates of exercise periods had not commenced)
- Common stock: 865,000 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 and issuance of bonds 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 and bonds are used for operating capital and funds for capital investment, and since a large portion of debts 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, 2017 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	261,342	261,342	-
(2) Notes and accounts receivable - trade	305,336	305,336	-
(3) Securities and investment securities			
1) Shares of subsidiaries and associates	35,464	96,180	60,716
2) Available-for-sale securities	152,468	152,468	-
Total	754,611	815,328	60,716
(1) Notes and accounts payable - trade	68,029	68,029	-
(2) Accrued expenses	97,891	97,891	-
(3) Income taxes payable	35,218	35,218	-
(4) Bonds payable	50,000	49,953	(47)
(5) Long-term debt (*)	162,324	162,064	(259)
Total	413,462	413,156	(306)
Derivative transactions	-	-	-

\* The balance sheet amount of long-term debt includes the current portion of long-term debt.

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) Accrued expenses and (3) 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.
- (4) Bonds payable  
The fair values of bonds payable are measured by referring to the quoted market price.
- (5) Long-term debt  
The fair values of long-term debt are measured by discounting the sum of the principal and interest at the assumed interest rate applicable in a new similar borrowing.

#### Derivative transactions

The fair values of derivative transactions subject to appropriation treatment of foreign exchange forward contracts and exceptional treatment of interest rate and currency swap are stated as part of the fair value of the hedged long-term debt as they are treated together with such debt.

Note 2: Unlisted shares, etc. (the amount recorded in the consolidated balance sheets: ¥18,867 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:	¥1,384.16
Net income per share:	¥152.51

Note: From the year ended March 31, 2017, the Company introduced the Board Incentive Plan. The Company’s stock held in the trust is recognized as treasury stock in the consolidated financial statements. In line with this, the Company’s stock held in the trust is included in treasury stock deducted from the number of shares issued at the end of the period for the calculation of equity per share. In addition, the Company’s stock held in the trust is included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of net income per share.  
The number of treasury stock at the end of the period deducted for the calculation of equity per share is 272,659 shares.  
The average number of shares of treasury stock deducted for the calculation of net income per share is 102,164 shares in the current fiscal year.

#### (Notes on Business Combinations, etc.)

##### 1. Business Combination by Acquisition

###### (1) Overview of the Business Combination

- 1) Company name and business description of the acquired company  
Company name: USG People B.V. (Renamed from USG People N.V. in July 2016)  
Business description: Comprehensive staffing business  
The Company acquired 98 subsidiaries of USG People B.V. at the same time.
- 2) Main reason 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, the Company acquired the shares of USG People B.V., which provides comprehensive staffing services in Europe mainly in the Netherlands.
- 3) Effective date of the business combination  
June 1, 2016
- 4) Legal form of the business combination  
The transaction was classified as a stock acquisition in which cash is provided as a consideration.
- 5) Company name following the business combination  
The company name has not been changed following the business combination.

6) Percentage of voting rights acquired

Before the stock acquisition: 0%

After the stock acquisition: 98.68%

7) Principal basis for determining the acquirer

This was determined based on the fact that the transaction was a stock acquisition in which cash was provided as a consideration.

(2) Period of Business Performance of the Acquired Company Included in the Consolidated Financial Statements

From July 1, 2016 to December 31, 2016

(3) Breakdown of Acquisition Cost

Consideration paid for acquisition

Cash	¥181,140 million
<u>Total acquisition cost</u>	<u>¥181,140 million</u>

(4) Details and Amounts of Major Acquisition-related Expenses:

Advisory fees, etc.: ¥1,258 million

(5) Amount of Goodwill Recognized, Reason Thereof, Method and Period of Amortization

1) Amount of goodwill

¥125,246 million

2) Reason

Due to prospective earning power expected from future business development.

3) Method and period of amortization

Goodwill is amortized using the straight-line method over a period of 10 years.

(6) Amounts of Assets Acquired and Liabilities Assumed on the Date of the Business Combination and Breakdown by Major Items

Current assets	¥53,624 million
Noncurrent assets	¥97,143 million
<u>Total assets</u>	<u>¥150,768 million</u>
Current liabilities	¥64,379 million
Long-term liabilities	¥50,661 million
<u>Total liabilities</u>	<u>¥115,041 million</u>

(7) Amounts and Amortization Period of Acquisition Costs Allocated to Intangible Assets Excluding Goodwill

<u>Main components</u>	<u>Amount</u>	<u>Amortization period</u>
Customer-related assets	¥61,198 million	14 years
Trademark rights	¥21,162 million	10 years

(8) Estimated Amount of Impact on Consolidated Statements of Income for the Year Ended March 31, 2017 Assuming the Business Combination was Completed on the Beginning Date of the Current Fiscal Year, and the Method of Calculating such Amount

Net sales	¥161,052 million
EBITDA (operating income + depreciation and amortization + amortization of goodwill)	¥6,585 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.

## 2. Business Divestitures

### Sales of Investments in Subsidiaries

#### (1) Overview of the Business Divestiture

- 1) Name of the divested company  
Yuko Yuko Holdings Inc.
- 2) Overview of the divested business  
Consolidated subsidiary: Yuko Yuko Corporation  
Description of business: Publisher and operator of domestic hotel information magazine "Yuko Yuko" and domestic hotel booking website "yukoyuko.net."
- 3) Reason for the business divestiture  
In order to acquire business in the senior demographic of the accommodation booking market in the travel business of the Marketing Media segment, the Group acquired Yuko Yuko Corporation in 2006 and has since promoted a growth strategy. At the same time, as a result of the Group's efforts to grow its existing travel information magazine "Jalan" and travel information search and booking website "Jalan.net," and rising internet usage rates, the number of active users has steadily increased regardless of age, including the senior demographic. In light of this situation, the Company has concluded that it will be beneficial to cooperate with partner companies other than those of the Group for the further growth of Yuko Yuko Corporation and, accordingly, has transferred the shares of Yuko Yuko Corporation.
- 4) Date of the business divestiture  
July 27, 2016
- 5) Other matters concerning the transaction including its legal form  
Share transfer in which consideration is limited to cash or other properties

#### (2) Overview of the Accounting Treatment

- 1) Amount of gain on transfer of business divestitures  
¥19,648 million
- 2) Appropriate carrying amounts of the assets and liabilities of the transferred business

Current assets	¥311 million
<u>Noncurrent assets</u>	<u>¥826 million</u>
Total assets	¥1,137 million
Current liabilities	¥709 million
<u>Long-term liabilities</u>	<u>¥114 million</u>
Total liabilities	¥823 million
- 3) Accounting treatment  
The difference between the consolidated carrying amount and the sales value of Yuko Yuko Corporation is recorded as gain on sales of shares of subsidiaries and associates under extraordinary income.

#### (3) Reporting Segment in which the Divested Business was Included

Marketing Media segment

(4) Approximate Amount of Gain (Loss) Associated with the Divested Business Recorded on Consolidated Statements of Income for the Fiscal Year Ended March 31, 2017

	<u>Year ended March 31, 2017</u>
Net sales	¥2,610 million
EBITDA (operating income + depreciation and amortization + amortization of goodwill)	¥487 million

(Additional information)

Effective from the fiscal year ended March 31, 2017, the Company adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued March 28, 2016).

## 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, and accompanying facilities and structures acquired on or subsequent to April 1, 2016.

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

Appropriation treatment is applied to foreign exchange forward contracts that meet the requirements for appropriation treatment. Integrated treatment is applied to interest rate and currency swap transactions that meet the requirements for integrated treatment (exceptional treatment/appropriation treatment).

##### (2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Foreign currency-denominated monetary receivables and payables, etc.
Interest rate and currency swap	Foreign currency-denominated debt

##### (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.

The Company engages in interest rate and currency swap transactions in order to hedge the risks associated with fluctuations in interest rates and foreign exchange rates.

##### (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.

Evaluation of effectiveness on interest rate and currency swap transactions subject to integrated treatment 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 Accounting Policies)

Effective from the year ended March 31, 2017, the Company adopted “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, issued June 17, 2016) following the revision to the Corporation Tax Act. Accordingly, the depreciation method of facilities attached to buildings and structures acquired on and after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effect of this change in the non-consolidated financial statements for the year ended March 31, 2017 was immaterial.

(Notes to Changes in Representation Methods)

Not applicable.

(Notes to Balance Sheets)

1. Accumulated depreciation of property, plant and equipment: ¥29,485 million

2. Guarantee obligation

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

Indeed, Inc.	¥14,095 million
STAFFMARK HOLDINGS, INC.	¥11,140 million
USG People Interservices NV	¥10,893 million
Chandler Macleod Group Limited	¥2,775 million
Advantage Resourcing America, Inc.	¥2,162 million
ADVANTAGE XPO LIMITED	¥280 million
Other	¥53 million
Total	¥41,401 million

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

Short-term monetary receivables:	¥93,229 million
Short-term monetary payables:	¥504,460 million
Long-term monetary receivables:	¥32 million

(Notes to Statements of Income)

Transaction volume with subsidiaries and associates

Transaction volume of operating transactions (revenue):	¥47,107 million
Transaction volume of operating transactions (expenses):	¥229,928 million
Transaction volume of non-operating transactions (revenue):	¥6,546 million
Transaction volume of non-operating transactions (expenses):	¥1,117 million

(Notes to Statements of Changes in Equity)

Class and the number of treasury stock at the end of the year ended March 31, 2017

Common stock:	8,458,560 shares
---------------	------------------

Note: From the year ended March 31, 2017, the Company introduced the Board Incentive Plan. The number of shares of the Company held by the trust included in the number of treasury stock as of March 31, 2017 is 272,659 shares.



(Notes on Tax Effect Accounting)

Breakdown by cause of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Allowance for doubtful accounts	¥437 million
Loss on valuation of investment securities	¥3,463 million
Loss on valuation of shares of subsidiaries and associates	¥16,160 million
Accrued enterprise tax and office taxes	¥774 million
Accrued employees' bonuses	¥247 million
Liability for employees' retirement benefits	¥198 million
Provision for retirement benefits	¥545 million
Other	<u>¥8,426 million</u>
Subtotal of deferred tax assets	¥30,255 million
Valuation allowance	<u>¥(19,765) million</u>
Total deferred tax assets	¥10,489 million

(Deferred tax liabilities)

Refund of capital surplus of subsidiaries	¥(27,783) million
Unrealized gain (loss) on available-for-sale securities	¥(8,811) million
Other	<u>¥(997) million</u>
Total deferred tax liabilities	<u>¥(37,591) million</u>
Net deferred tax assets	¥(27,101) 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]	14,837 [26]
Subsidiary	Recruit Marketing Partners Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	15,094 [27]
Subsidiary	Recruit Lifestyle Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	29,069 [50]
Subsidiary	Recruit Career Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	66,627 [126]
Subsidiary	Recruit Jobs Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	27,974 [48]
Subsidiary	Indeed, Inc.	Ownership Indirect 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	30,920 [118]
Subsidiary	Recruit Staffing Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	75,590 [139]
Subsidiary	STAFF SERVICE HOLDINGS CO., LTD.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	66,940 [132]
Subsidiary	STAFFMARK HOLDINGS, INC.	Ownership Indirect 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	21,085 [105]
Subsidiary	Recruit Communications Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	27,961 [59]
Subsidiary	Recruit Management Solutions Co., Ltd.	Ownership Direct 100%	Borrowing of funds (Note)	—	Short-term borrowings [Interest expense]	27,295 [55]
Subsidiary	USG People B.V.	Ownership Direct 98.6%	Lending of funds (Note)	—	Short-term loans receivable [Interest income]	26,593 [27]

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	Indeed Ireland Operations Limited	Ownership Direct 100%	Lending of funds (Note)	—	Short-term loans receivable [Interest income]	29,276 [67]

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: ¥1,041.41  
Net income per share: ¥133.11

Note: From the year ended March 31, 2017, the Company introduced the Board Incentive Plan. The Company's stock held in the trust is recognized as treasury stock in the non-consolidated financial statements. In line with this, the Company's stock held in the trust is included in treasury stock deducted from the number of shares issued at the end of the period for the calculation of equity per share. In addition, the Company's stock held in the trust is included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of net income per share.

The number of treasury stock at the end of the period deducted for the calculation of equity per share is 272,659 shares.

The average number of shares of treasury stock deducted for the calculation of net income per share is 102,164 shares in the current fiscal year.

(Notes on Company Subject to Regulation on Consolidated Dividends)

The Company is subject to regulation on consolidated dividends.

(Additional information)

Effective from the fiscal year ended March 31, 2017, the Company adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016).