Consolidated Financial Results for the Three Months Ended June 30, 2017 [IFRS]

August 10, 2017

Company name: Recruit Holdings Co., Ltd.
Listed stock exchange: Tokyo Stock Exchange
Securities code: 6098
URL: http://www.recruit.jp
Representative: Masumi Minegishi, President, CEO, and Representative Director
Contact: Keiichi Sagawa, CFO and Senior Managing Corporate Executive Officer
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Scheduled submission date of quarterly securities report: August 10, 2017
Scheduled commencement date of dividend distribution: —
Preparation of briefing materials to the quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(1) Consolidated Operating Results (Percentage indicates changes from the previous corresponding period.)

	Revenue		Operating income		Profit before tax		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2017	524,396	19.6	56,326	12.6	59,115	15.6	40,460	15.8
Three months ended June 30, 2016	438,580	-	50,041	-	51,141	-	34,950	-

	Profit attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended June 30, 2017	40,219	15.6	49,565	-	24.08	24.03
Three months ended June 30, 2016	34,804	-	(11,506)	-	20.54	20.51

The Company implemented a three-for-one stock split of its common stock effective July 1, 2017. The amounts of basic earnings per share and diluted earnings per share were calculated assuming that the stock split was implemented at the beginning of the previous fiscal year.

Reference: EBITDA (*Please refer to “Explanation regarding appropriate use of financial results forecast and other special notes (1)”):

Three months ended June 30, 2017	¥71,881 million [13.9%]
Three months ended June 30, 2016	¥63,094 million [-%]

Profit used as the basis for calculation of dividends (*Please refer to “Explanation regarding appropriate use of financial results forecast and other special notes (1)”):

Three months ended June 30, 2017	¥39,251 million [8.4%]
Three months ended June 30, 2016	¥36,214 million [-%]

Adjusted EPS (*Please refer to “Explanation regarding appropriate use of financial results forecast and other special notes (1)”):

Three months ended June 30, 2017	¥25.34 [11.3%]
Three months ended June 30, 2016	¥22.76 [-%]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2017	1,442,995	753,832	749,062	51.9
As of March 31, 2017	1,462,903	742,765	737,575	50.4

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	-	0.00	-	65.00	65.00
Year ending March 31, 2018	-				
Year ending March 31, 2018 (forecast)		11.00	-	11.00	22.00

Note: Revision of dividends forecast from the recently announced figures: None
The Company implemented a three-for-one stock split of its common stock with a record date of June 30, 2017 and an effective date of July 1, 2017. Accordingly, the above annual dividend forecast for the year ending March 31, 2018 takes into account the said stock split. The annual dividend forecast for the year ending March 31, 2018 without considering the stock split will be ¥66.

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentage indicates changes from the previous corresponding period.)

	Revenue		Operating income		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,084,000	7.3	185,500	(4.1)	122,000	(10.7)	73.03

Note: Revision of results forecast from the recently announced figures: None
The Company implemented a three-for-one stock split of its common stock effective July 1, 2017. Basic earnings per share was calculated assuming that the stock split was implemented at the beginning of the current fiscal year.

Reference:	EBITDA	Year ending March 31, 2018	¥251,000 million [8.1%]
	Adjusted EPS	Year ending March 31, 2018	¥82.01 [2.4%]
	Profit used as the basis for calculation of dividends	Year ending March 31, 2018	¥124,000 million [1.5%]

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2017: None
(Changes in specified subsidiaries accompanying change in scope of consolidation)
Newly included: —
(Company name)

Excluded: —
(Company name)

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRSs: None
2) Changes in accounting policies other than item 1) above: None
3) Changes in accounting estimates: None

(3) Number of shares issued (common stock)
1) Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2017	1,695,960,030 shares	As of March 31, 2017	1,695,960,030 shares

2) Number of treasury shares at the end of the period

As of June 30, 2017	25,642,833 shares	As of March 31, 2017	25,375,680 shares

3) Average number of shares during the period

Three months ended June 30, 2017	1,670,368,679 shares	Three months ended June 30, 2016	1,694,327,234 shares

Note: The Company implemented a three-for-one stock split of its common stock effective July 1, 2017. The number of shares issued (common stock) was calculated assuming that the stock split was implemented at the beginning of the previous fiscal year.

* These consolidated financial results are outside the scope of quarterly review procedures.
* Explanation regarding appropriate use of financial results forecast and other special notes

(1) Calculation method of management indices
- EBITDA: operating income + depreciation and amortization ± other operating income/expenses
- Profit used as the basis for calculation of dividends: profit attributable to owners of the parent - non-recurring income/losses, etc.
- Adjusted profit: profit attributable to owners of the parent ± adjustment items (*1) (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
- Adjusted EPS: adjusted profit / (number of shares issued at the end of the period - number of treasury shares at the end of the period)

(*1) Amortization of intangible assets arising due to business combinations ± non-recurring income/losses

(2) Explanation regarding appropriate use of financial results forecast and other special notes
- The Company has adopted the International Financial Reporting Standards (“IFRSs”) from the first quarter of the fiscal year ending March 31, 2018. For differences between IFRS-based and Japanese GAAP-based financial figures, please refer to “2. Condensed Consolidated Financial Statements and Primary Notes, (7) Notes to Condensed Consolidated Financial Statements, 6. First-time Adoption.”
- The figures for the year ended March 31, 2017 used for calculating the percentage of year-on-year changes are finalized figures based on IFRSs in this document. Since the IFRS figures reported in the consolidated financial results for the year ended March 31, 2017 were approximations, the percentage of year-on-year changes were amended as appropriate.
- The consolidated financial results forecast mentioned above includes future assumptions and projections as well as forecasts based on plans as of the disclosure date of this document. There are possibilities that actual results may differ significantly from this forecast due to various factors in the future. For the matters concerning the financial results forecast, please refer to “1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2017, (4) Qualitative Information on Consolidated Financial Results Forecast.”

Contents of the Attached Materials

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2017

(Commencement of adoption of IFRSs)

The Group has adopted International Financial Reporting Standards (IFRSs) in place of Japanese GAAP from the beginning of the year ending March 31, 2018. Comparative figures for the previous fiscal year and the previous corresponding period are also prepared in conformity with IFRSs. For the reconciliation sheets required to be disclosed under IFRSs, please refer to "2. Condensed Consolidated Financial Statements and Primary Notes, (7) Notes to Condensed Consolidated Financial Statements, 6. First-time Adoption."

(1) Overview of Consolidated Operating Results

i Overview of Consolidated Operating Results

(Three months ended June 30, 2017)

(Billions of yen, unless otherwise specified)

	Three months ended June 30, 2016	Three months ended June 30, 2017	Change	% of Change
Consolidated operating results				
Revenue (Note 1)	438.5	524.3	85.8	19.6
HR Technology	29.0	46.4	17.4	59.9
Media & Solutions	161.4	165.2	3.7	2.3
Staffing	252.7	318.0	65.2	25.8
Operating income	50.0	56.3	6.2	12.6
Profit before tax	51.1	59.1	7.9	15.6
Profit for the period	34.9	40.4	5.5	15.8
Profit attributable to owners of the parent	34.8	40.2	5.4	15.6
Management indices				
EBITDA (Notes 1 and 2)	63.0	71.8	8.7	13.9
HR Technology	4.3	7.7	3.4	79.0
Media & Solutions	44.1	43.1	(0.9)	(2.2)
Staffing	14.8	20.6	5.7	38.8
Adjusted EPS (Yen) (Note 3)	22.76	25.34	2.57	11.3
Average foreign exchange rates during the period (Yen)				
U.S. dollar	108.04	111.09	3.05	2.8
Euro	121.88	122.26	0.38	0.3
Australian dollar	80.50	83.43	2.93	3.6
Effects of foreign exchange rates on revenue (Note 6)				
Consolidated (accumulated amount at the end of each quarter)	-	5.4	-	-
Overseas Staffing (accumulated amount at the end of each quarter)	-	4.5	-	-

Notes:
1. These figures are adjusted for corporate expenses/eliminations and therefore does not agree with the total for each segment.
2. EBITDA: Operating income + depreciation and amortization ± other operating income/expenses
3. Adjusted EPS: adjusted profit (Note 4) / (number of shares issued at the end of the period - number of treasury shares at the end of the period)
4. Adjusted profit: profit attributable to owners of the parent ± adjustment items (Note 5) (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
5. Adjustment items: amortization of intangible assets arising due to business combinations ± non-recurring income/losses
6. Revenue in foreign currency in the period under review x (average exchange rate adopted for the period under review - average exchange rate adopted for the previous period)
7. Monthly average foreign exchange rates have been applied to the HR Technology segment.

(Outline of consolidated operating results)

Consolidated revenue was ¥524.3 billion, an increase of 19.6% year on year. This was mainly due to continued favorable growth in the HR Technology segment and earnings contributions by USG People B.V., which we acquired in the previous fiscal year, in the Staffing segment from the beginning of this fiscal year. Revenue increased by ¥5.4 billion due to changes in foreign exchange rates.

Operating income was ¥56.3 billion, an increase of 12.6% year on year. This was mainly a result of increased segment profit in the Staffing and HR technology segments.

Profit before tax was ¥59.1 billion, an increase of 15.6% year on year. This was due primarily to a ¥0.7 billion increase of gains on changes in equity in finance income, a ¥0.6 billion decrease of foreign exchange losses in financial expenses, a ¥0.4 billion increase in share of profit of associates and joint ventures in addition to an increase in operating income.

Profit for the period was ¥40.4 billion, an increase of 15.8% year on year, and profit attributable to owners of the parent was ¥40.2 billion, an increase of 15.6% year on year.

Consolidated EBITDA was ¥71.8 billion, an increase of 13.9% year on year. This was mainly a result of the increased segment profit in the Staffing and HR Technology segments.

Adjusted EPS was ¥25.34, an increase of 11.3% year on year, and profit used as the basis for calculation of dividends (*1) was ¥39.2 billion, an increase of 8.4% year on year.

Revenue and EBITDA of existing businesses (*2) amounted to ¥524.3 billion and ¥71.8 billion, respectively. Since there were no items to be excluded for the three months ended June 30, 2017, these figures correspond to the stated revenue and EBITDA, respectively.

*1 Profit attributable to owners of the parent less non-recurring income/losses, etc.
*2 Financial results excluding financial results of subsidiaries newly included in the scope of consolidation during the period due to acquisition of their shares, etc.

(Management policy during the current fiscal year)

In order to expand opportunities to return profits to our shareholders, we decided to change our dividend policy and we will pay interim dividends from the fiscal year ending March 31, 2018. During the current fiscal year, we plan to distribute dividends in an amount of ¥22 per share of common stock for the full year including ¥11 per share at the end of the second quarter and ¥11 per share at the end of the fiscal year. In addition to this, each common stock owned by shareholders listed on the final shareholder registry as of June 30, 2017 was split into three shares for the purpose of increasing the liquidity of the Company’s stock and expanding the investor base by reducing the stock price per trading unit of the Company’s stock.

ii Overview of Segment Operating Results

1) HR Technology segment

(Overview of operating results)

This reportable segment consists of a single business operation, namely, “Indeed,” a job search engine website and its related businesses.

For the three months ended June 30, 2017, revenue in our HR technology segment was ¥46.4 billion, an increase of 59.9% year on year. This was mainly due to growing clients’ usage of Indeed services.

Segment profit (segment EBITDA) was ¥7.7 billion, an increase of 79.0% year on year. This was mainly due to the revenue growth. Also, we engaged in marketing activities in order to further enhance brand awareness within the United States and in other regions globally as well as focused on strengthening our sales force by hiring additional sales staff.

The operating results of this reportable segment and its relevant data are as follows:

(Billions of yen/Millions of U.S. dollars)

	Three months ended June 30, 2016	Three months ended June 30, 2017	Change	% of Change
Segment revenue	29.0	46.4	17.4	59.9
Segment profit (segment EBITDA)	4.3	7.7	3.4	79.0
(Reference) Revenue of Indeed on a U.S. dollar-basis	263	418	154	58.4

2) Media & Solutions segment

(Overview of operating results)

This operating segment consists of two business operations, namely, Marketing Solutions and HR Solutions.

For the three months ended June 30, 2017, revenue in our Media and Solution segment was ¥165.2 billion, an increase of 2.3% year on year. This was mainly a result of HR Solutions maintaining a solid growth trend and Marketing Solutions also achieving robust results.

Segment profit (segment EBITDA) was ¥43.1 billion, a decrease of 2.2% year on year. This was mainly due to revenue in the housing and real estate business of Marketing Solutions, which increased temporarily in the previous corresponding period, leveling off in the current period. The temporary increase in the previous corresponding period was attributable to the change in the timing of recognition of certain revenue following a contractual amendment in the same period.

The operating results of this operating segment and the relevant data are as follows:

(Billions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017	Change	% of change
Total segment revenue	161.4	165.2	3.7	2.3
Marketing Solutions	90.6	91.7	1.0	1.2
Housing and real estate	25.7	24.6	(1.0)	(4.2)
Bridal	13.5	13.8	0.2	2.2
Travel	14.1	13.6	(0.4)	(3.1)
Dining	8.9	8.8	(0.0)	(0.9)
Beauty	13.7	15.0	1.3	9.7
Other	14.5	15.6	1.0	7.3
HR Solutions	68.0	71.2	3.1	4.7
Domestic Recruiting	63.6	66.3	2.6	4.2
Others	4.4	4.9	0.5	11.6
Corporate Expenses/Eliminations (Media & Solutions segment)	2.7	2.1	(0.5)	(19.9)
Total segment profit (segment EBITDA)	44.1	43.1	(0.9)	(2.2)
Marketing Solutions	25.9	24.7	(1.2)	(4.6)
HR Solutions	18.6	20.7	2.1	11.7
Corporate Expenses/Eliminations (Media & Solutions segment)	(0.4)	(2.3)	(1.9)	-

		Year ended March 31, 2017				Year ending March 31, 2018
	(Unit)	1Q-end	2Q-end	3Q-end	4Q-end	1Q-end
Business data						
"Hot Pepper Gourmet" Accumulated number of online seat reservations (Note 1)	Million persons	9.63	194.0	369.2	515.3	144.8
"Hot Pepper Beauty" Accumulated number of online reservations (Note 1)	Million	138.8	294.4	449.3	613.8	182.4
Number of AirREGI registered accounts	Thousand	244	255	267	279	292
"Study Sapuri" Number of paid members of the service for high school students	Thousand persons	215	230	237	244	318
Market environment indices						
Number of new housing starts (Note 2)	/	247,079	253,072	250,696	223,290	249,916
Job-offers to job-seekers ratio (Note 3)	Point	1.35	1.37	1.41	1.44	1.49

Notes: 1. Pre-cancellation reservation acceptance basis, stating the cumulative figures from the beginning of each fiscal year
2. Source: "Statistical Survey of Construction Starts" Ministry of Land, Infrastructure, Transport and Tourism
3. Source: Ministry of Health, Labour and Welfare

(Overview of businesses in the three months ended June 30, 2017)

- Marketing Solutions

Housing and real estate:

Changes have been observed in the market environment as indicated by circumstances such as a slight pause in the increase in housing starts of condominium apartments. However, revenue grew in all of our key divisions, namely the condominium apartment, independent housing and leasing divisions, as a result of focusing on strengthening the provision of solutions to clients, in addition to our efforts to promote user attractiveness. Regarding revenue related to over-the-counter services in the housing and real estate business, a temporary increase was seen in the previous corresponding period, reflecting the change in the timing of recognition of certain revenue following a contractual amendment in the previous fiscal year, but this effect was leveled off in the current period.

As a result, revenue attributable to housing and real estate business was sluggish at ¥24.6 billion, a decrease of 4.2% year on year. However, revenue, excluding the effects from the change in the timing of revenue recognition, increased by 6.6% (Note 1) year on year.

Bridal:

Amid a downward trend in the number of marrying couples and the number of wedding receptions in Japan due to the declining birth rate, we focused on providing solutions to major wedding venue operator clients for increasing their customer attractiveness.

As a result, revenue attributable to bridal business was solid at ¥13.8 billion, an increase of 2.2% year on year.

Travel:

Owing to our initiatives to promote utilization targeted at users, the total number of hotel guests through our service has increased. Meanwhile, the transfer of a subsidiary engaged in this business in the previous fiscal year led to the absence of its earnings contribution in the three months ended June 30, 2017, which was the factor behind the decrease in revenue.

As a result, revenue attributable to travel business was ¥13.6 billion, a decrease of 3.1% year on year. Revenue, excluding the effects of the transfer of the subsidiary, increased by 13.6% (Note 2) year on year.

Dining:

Transactions with certain major clients of the Company decreased amid a harsh business environment surrounding restaurants and diners due primarily to shortage of labor. Meanwhile, we focused on strengthening client touchpoints by proactively conducting operational support through *Air Platform*.

As a result, revenue attributable to dining business was flat at ¥8.8 billion, a decrease of 0.9% year on year.

Beauty:

Online reservations through our service continued to increase primarily through efforts to install *SALON BOARD* to our clients and improve our service usability. Furthermore, the number of salons has further increased as a result of initiatives to acquire clients in local regions, in addition to urban areas.

As a result, revenue attributable to beauty business was favorable at ¥15.0 billion, an increase of 9.7% year on year.

Others (Marketing Solutions)

This business mainly consists of the automobile business, education-related business including education and studies, and overseas marketing business, as well as business revenue of *Air Platform*.

Revenues attributable to these businesses above were favorable at ¥15.6 billion, an increase of 7.3% year on year.

Notes: 1. The amount of impact is calculated using management accounting figures.
2. Calculated using the previous fiscal year’s actual figures at subsidiaries.

- HR Solutions

Domestic recruiting:

The domestic labor market has remained at a very tight condition as evidenced by the rise in the ratio of job-offers to job-seekers and a continuous increase in the number of job advertisements.

Under this environment, both full-time and part-time recruitment divisions have kept growing as a result of enhancing our brand values, strengthening user attractiveness, and reinforcing our sales structure.

As a result, revenue attributable to domestic recruiting business was solid at ¥66.3 billion, an increase of 4.2% year on year.

Others (HR Solutions)

This business mainly consists of the HR development service-related business in Japan and the employment placement business in Asia.

Revenues attributable to these businesses were favorable at ¥4.9 billion, an increase of 11.6% year on year.

3) Staffing segment

(Overview of operating results)

This reportable segment consists of two business operations, namely, Domestic Staffing and Overseas Staffing.

For the three months ended June 30, 2017, revenue in our Staffing segment was ¥318.0 billion, an increase of 25.8% year on year. This was due primarily to the earnings contribution from the beginning of the current fiscal year of USG People B.V., which we acquired in the previous fiscal year in the Overseas Staffing. In the Domestic Staffing as well, earnings expanded owing to a solid market environment.

Segment profit (segment EBITDA) was ¥20.6 billion, an increase of 38.8% year on year. This was mainly due to the increase of revenue of Domestic Staffing and the earnings contribution of USG People B.V. in the Overseas Staffing.

The operating results of this reportable segment and its relevant data are as follows:

(Billions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017	Increase/ Decrease	Changes (%)
Total segment revenue	252.7	318.0	65.2	25.8
Domestic Staffing	111.7	125.7	14.0	12.6
Overseas Staffing	141.0	192.3	51.2	36.3
Total segment profit (segment EBITDA)	14.8	20.6	5.7	38.8
Domestic Staffing	7.4	11.3	3.9	52.2
Overseas Staffing	7.3	9.2	1.8	25.1

(Persons)

	Year ended March 31, 2017				Year ending March 31, 2018
	1Q	2Q	3Q	4Q	1Q
Market environment indices					
Average number of active agency workers (Note)	309,332	317,955	332,504	341,296	-

Note: Source: Japan Staffing Services Association. The figure for this reported quarter is omitted since the data has not been disclosed at the time of this report.

(Overview of operations in the three months ended June 30, 2017)

- Domestic Staffing

The domestic staffing market continues to expand moderately as evidenced by the continued increase in the number of active agency workers. In this environment, we focused our efforts on extending existing staffing contracts and increasing the number of new staffing contracts.

As a result, revenue attributable to domestic staffing business was favorable at ¥125.7 billion, an increase of 12.6% year on year.

- Overseas Staffing

For the three months ended June 30, 2017, earnings of USG People B.V., whose shares we acquired in the previous fiscal year, have contributed from the beginning of the fiscal year.

As a result, revenue attributable to overseas staffing business was favorable at ¥192.3 billion, an increase of 36.3% year on year. Revenue increased by ¥4.5 billion due to changes in foreign exchange rates.

Revenue, excluding the effects of the earnings contributions from USG People B.V. and those of foreign exchange rates, decreased by 4.5% as a result of conducting business operations focused on profitability based on unit management and a decrease in transactions with existing clients due primarily to a challenging business environment in certain industries in the United States.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Current assets were ¥648.8 billion, a decrease of ¥42.5 billion or 6.1%, from the end of the previous fiscal year. This was mainly due to a decrease in cash and cash equivalents (hereinafter referred to as “cash”).

Non-current assets were ¥794.1 billion, an increase of ¥22.6 billion or 2.9%, from the end of the previous fiscal year. This was mainly due to increases in goodwill and intangible assets.

As a result, total assets as of June 30, 2017 were ¥1,442.9 billion, a decrease of ¥19.9 billion or 1.4%, from the end of the previous fiscal year.

2) Liabilities

Current liabilities were ¥380.1 billion, a decrease of ¥33.4 billion or 8.1%, from the end of the previous fiscal year. This was mainly due to decreases in trade and other payables and income taxes payable.

Non-current liabilities were ¥309.0 billion, an increase of ¥2.4 billion or 0.8%, from the end of the previous fiscal year. This was mainly due to increases in other financial liabilities, net defined benefit liability and deferred tax liabilities.

As a result, total liabilities as of June 30, 2017 were ¥689.1 billion, a decrease of ¥30.9 billion or 4.3%, from the end of the previous fiscal year.

3) Equity

Equity as of June 30, 2017 was ¥753.8 billion, an increase of ¥11.0 billion or 1.5%, from the end of the previous fiscal year. This was mainly due to the recording of profit and other comprehensive income and payment of dividends.

(3) Analysis of Cash Flows

Cash as of June 30, 2017 decreased by ¥39.4 billion from the end of the previous fiscal year to ¥315.7 billion, due to the fact that cash outflows from investing activities and financing activities exceeded cash inflows from operating activities.

1) Cash flows from operating activities

Cash provided by operating activities during the three months ended June 30, 2017 was ¥25.8 billion, a year-on-year decrease of ¥0.3 billion or 1.2%. This was mainly due to adding a decrease in trade and other receivables of ¥14.7 billion and subtracting a decrease in trade and other payables of ¥14.6 billion and income taxes paid of ¥35.4 billion and other items from profit before tax of ¥59.1 billion.

2) Cash flows from investing activities

Cash used in investing activities during the three months ended June 30, 2017 was ¥22.6 billion, a year-on-year decrease of ¥170.6 billion or 88.3%. This was mainly due to payments for purchase of property, plant and equipment of ¥4.8 billion, payments for purchase of intangible assets of ¥11.0 billion and payments for acquisition of subsidiaries of ¥3.4 billion.

3) Cash flows from financing activities

Cash used in financing activities during the three months ended June 30, 2017 was ¥40.1 billion, a year-on-year increase of ¥4.9 billion or 14.1%. This was mainly due to dividends paid of ¥35.6 billion.

(4) Qualitative Information on Consolidated Financial Results Forecast

No changes have been made to the consolidated financial results forecast for the year ending March 31, 2018 announced on May 12, 2017. Since the IFRS figures used for preparing the consolidated financial results for the year ended March 31, 2017 were approximations, the percentage of year-on-year changes were amended as appropriate based on the finalized figures.

2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of April 1, 2016 (Date of transition to IFRSs)	As of March 31, 2017	As of June 30, 2017
Assets			
Current assets			
Cash and cash equivalents	309,860	355,196	315,761
Trade and other receivables	221,998	294,456	284,507
Other current financial assets	21,792	21,330	20,419
Other current assets	14,454	20,410	28,191
Total current assets	568,106	691,394	648,879
Non-current assets			
Property, plant and equipment	39,515	49,158	52,102
Goodwill	169,264	303,273	317,004
Intangible assets	138,684	229,914	234,303
Investments in associates and joint ventures	34,199	37,627	38,611
Other non-current financial assets	109,862	113,413	114,174
Deferred tax assets	32,864	32,879	30,354
Other non-current assets	5,552	5,241	7,564
Total non-current assets	529,942	771,508	794,116
Total assets	1,098,049	1,462,903	1,442,995

(Millions of yen)

	As of April 1, 2016 (Date of transition to IFRSs)	As of March 31, 2017	As of June 30, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	153,274	173,947	161,425
Bonds and borrowings	15,044	24,967	24,832
Other financial liabilities	6,453	3,097	4,062
Income tax payables	39,237	32,847	15,261
Provisions	4,212	9,114	5,085
Other current liabilities	112,030	169,551	169,434
Total current liabilities	330,253	413,524	380,100
Non-current liabilities			
Bonds and borrowings	-	186,620	186,498
Other financial liabilities	3,837	1,960	2,285
Provisions	3,210	4,198	4,441
Net defined benefit liability	44,019	43,349	43,624
Deferred tax liabilities	36,082	52,739	54,283
Other non-current liabilities	12,401	17,743	17,930
Total non-current liabilities	99,553	306,612	309,062
Total liabilities	429,806	720,137	689,163
Equity			
Equity attributable to owners of the parent			
Common stock	10,000	10,000	10,000
Share premium	53,756	52,529	50,214
Retained earnings	598,188	714,055	717,082
Treasury shares	(495)	(31,640)	(32,351)
Other components of equity	2,306	(7,369)	4,117
Total equity attributable to owners of the parent	663,755	737,575	749,062
Non-controlling interests	4,487	5,190	4,769
Total equity	668,243	742,765	753,832
Total liabilities and equity	1,098,049	1,462,903	1,442,995

(2) Condensed Consolidated Statement of Profit and Loss

Three Months Ended June 30, 2017

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Revenue	438,580	524,396
Cost of sales	228,989	282,760
Gross profit	209,590	241,635
Selling, general and administrative expenses	157,745	184,283
Other operating income	824	351
Other operating expenses	2,628	1,377
Operating income	50,041	56,326
Share of profit (loss) of associates and joint ventures	764	1,202
Finance income	1,324	1,850
Finance costs	989	264
Profit before tax	51,141	59,115
Income tax expense	16,191	18,655
Profit for the period	34,950	40,460
Profit attributable to:		
Owners of the parent	34,804	40,219
Non-controlling interests	145	240
Profit for the period	34,950	40,460
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	20.54	24.08
Diluted earnings per share (yen)	20.51	24.03

(3) Condensed Consolidated Statement of Comprehensive Income
Three Months Ended June 30, 2017

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit for the period	34,950	40,460
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	(7,030)	(1,626)
Remeasurements of defined benefit plans	-	-
Share of other comprehensive income of associates and joint ventures	-	(5)
Subtotal	(7,030)	(1,631)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(39,072)	10,200
Effective portion of the change in the fair value of cash flow hedges	(353)	536
Subtotal	(39,426)	10,737
Other comprehensive income (loss) for the period, net of tax	(46,456)	9,105
Comprehensive income for the period	(11,506)	49,565
Comprehensive income attributable to:		
Owners of the parent	(11,330)	49,324
Non-controlling interests	(175)	241
Total comprehensive income	(11,506)	49,565

(4) Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 2016

(Millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Share capital	Share premium	Retained earnings	Treasury shares	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2016	10,000	53,756	598,188	(495)	2,137	-	168
Profit for the period			34,804				
Other comprehensive income						(38,751)	(353)
Comprehensive income for the period	-	-	34,804	-	-	(38,751)	(353)
Transfer from other components of equity to retained earnings			(7,030)				
Purchase of treasury shares				(0)			
Disposal of treasury shares		60		35	(95)		
Dividends			(28,236)				
Share-based payments							
Equity transactions with non-controlling interests		(1,208)					
Increase (decrease) by business combination							
Other			1,208				
Transactions with owners - total	-	(1,148)	(34,058)	35	(95)	-	-
Balance at June 30, 2016	10,000	52,607	598,934	(460)	2,042	(38,751)	(184)

	Equity attributable to owners of the parent					
	Other components of equity					
	Net change in financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2016	-	-	2,306	663,755	4,487	668,243
Profit for the period			-	34,804	145	34,950
Other comprehensive income	(7,030)		(46,135)	(46,135)	(321)	(46,456)
Comprehensive income for the period	(7,030)	-	(46,135)	(11,330)	(175)	(11,506)
Transfer from other components of equity to retained earnings	7,030		7,030	-		-
Purchase of treasury shares			-	(0)		(0)
Disposal of treasury shares			(95)	0		0
Dividends			-	(28,236)		(28,236)
Share-based payments			-	-		-
Equity transactions with non-controlling interests			-	(1,208)	(554)	(1,763)
Increase (decrease) by business combination			-	-	797	797
Other			-	1,208	(44)	1,163
Transactions with owners - total	7,030	-	6,934	(28,237)	197	(28,039)
Balance at June 30, 2016	-	-	(36,894)	624,187	4,509	628,697

Three months ended June 30, 2017

(Millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Share capital	Share premium	Retained earnings	Treasury shares	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2017	10,000	52,529	714,055	(31,640)	3,221	(11,383)	792
Profit for the period			40,219				
Other comprehensive income						10,199	536
Comprehensive income for the period	-	-	40,219	-	-	10,199	536
Transfer from other components of equity to retained earnings			(1,631)				
Purchase of treasury shares				(1,062)			
Disposal of treasury shares		(75)		351	(275)		
Dividends			(36,195)				
Share-based payments					1,026		
Equity transactions with non-controlling interests		(2,222)					
Increase (decrease) by business combination							
Other		(17)	634				
Transactions with owners - total	-	(2,315)	(37,193)	(711)	750	-	-
Balance at June 30, 2017	10,000	50,214	717,082	(32,351)	3,971	(1,183)	1,329

	Equity attributable to owners of the parent					
	Other components of equity					
	Net change in financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2017	-	-	(7,369)	737,575	5,190	742,765
Profit for the period			-	40,219	240	40,460
Other comprehensive income	(1,631)		9,105	9,105	0	9,105
Comprehensive income for the period	(1,631)	-	9,105	49,324	241	49,565
Transfer from other components of equity to retained earnings	1,631		1,631	-		-
Purchase of treasury shares			-	(1,062)		(1,062)
Disposal of treasury shares			(275)	0		0
Dividends			-	(36,195)		(36,195)
Share-based payments			1,026	1,026		1,026
Equity transactions with non-controlling interests			-	(2,222)	(649)	(2,872)
Increase (decrease) by business combination			-	-	-	-
Other			-	617	(12)	604
Transactions with owners - total	1,631	-	2,382	(37,837)	(661)	(38,499)
Balance at June 30, 2017	-	-	4,117	749,062	4,769	753,832

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities		
Profit before tax	51,141	59,115
Depreciation and amortization	11,248	14,530
(Increase) decrease in trade and other receivables	15,780	14,746
Increase (decrease) in trade and other payables	(11,202)	(14,651)
Other	1,303	(13,178)
Subtotal	68,271	60,562
Interest and dividends received	707	694
Interest paid	(188)	(3)
Income tax paid	(42,658)	(35,424)
Net cash flows from operating activities	26,133	25,829
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(6,990)	(4,848)
Payment for purchase of intangible assets	(9,860)	(11,079)
Payment for purchase of shares of subsidiaries and associates	(172,425)	(3,478)
Other	(4,044)	(3,222)
Net cash flows from investing activities	(193,321)	(22,628)
Cash flows from financing activities		
Repayments of long-term borrowings	(3,750)	-
Payments for purchase of treasury shares	(0)	(1,062)
Dividends paid	(27,826)	(35,605)
Other	(3,651)	(3,521)
Net cash flows from financing activities	(35,228)	(40,188)
Effect of exchange rate changes on cash and cash equivalents	(6,346)	(2,447)
Net increase (decrease) in cash and cash equivalents	(208,763)	(39,435)
Cash and cash equivalents at the beginning of the period	309,860	355,196
Cash and cash equivalents at the end of the period	101,097	315,761

(6) Going Concern Assumption

Not applicable.

(7) Notes to Condensed Consolidated Financial Statements

1. Reporting Entity

Recruit Holdings Co., Ltd. (the "Company") is a stock company incorporated under the Companies Act of Japan and domiciled in Japan. The addresses of its registered headquarters and principal business locations are disclosed on the Company's website (http://www.recruit.jp/). The details of businesses and principal activities of the Company and its subsidiaries (the "Group") are described in "5. Operating Segments."

2. Basis of Preparation

(1) Compliance of the condensed consolidated financial statements with IFRSs and matters regarding the first-time adoption thereof

The Company's condensed consolidated financial statements are prepared in conformity with International Accounting Standards 34 "Interim Financial Reporting" (hereinafter "IAS 34"). The Company applies the provisions of Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Financial Statements, etc. (Cabinet Office Ordinance No. 64 of 2007) (hereinafter "Ordinance on Quarterly Financial Statements") since it meets the requirements of the "Specified Company under Designated International Accounting Standards" prescribed in Article 1-2 of Ordinance on Quarterly Financial Statements.

The Group adopted IFRSs from the year ending March 31, 2018 and prepares the condensed consolidated financial statements in conformity with IAS 34 from the first quarter ended June 30, 2017. The date of transition to IFRSs is April 1, 2016. In the transition to IFRSs, the Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The effects of the transition to IFRSs on the financial position, operating results, and cash flows of the Group are disclosed in Note "6. First-time Adoption."

(2) Basis of measurement

As explained in "3. Significant Accounting Policies," the condensed consolidated financial statements of the Company are prepared on the historical cost basis except for certain financial instruments and other assets that are measured at fair value.

(3) Functional currency and presentation currency

The condensed consolidated financial statements of the Company are presented in Japanese yen, which is the functional currency of the Company, and figures less than one million yen are rounded down to the nearest million yen.

(4) Early adoption of standards and interpretations

The Group early applied the following standards:

・IFRS 9 "Financial Instruments" (revised in 2014)

(5) Standards and interpretations in issue but not yet adopted by the Group

Major standards that were issued by the date of approval of the condensed consolidated financial statements are as follows. The Group did not early adopt them in the three months ended June 30, 2017.

The Company is currently evaluating the effects of the adoption of these standards on the Company's condensed consolidated financial statements and they cannot be estimated at the time of this report

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and revisions
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revision of accounting principles for revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revision of accounting principles for leases

3. Significant Accounting Policies

Unless otherwise indicated, the following accounting policies have been applied to all the terms stated in the condensed consolidated financial statements, including the condensed consolidated statements of financial position at the date of transition to IFRSs.

(1) Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of Recruit Holdings Co., Ltd. and its subsidiaries (collectively the "Group"), and the Group's equity in its associates. In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements as necessary. Intragroup balances of receivables and payables, intragroup transactions, and unrealized gains and losses arising from intragroup transactions are eliminated in preparing the condensed consolidated financial statements.

1) Subsidiary

A subsidiary is an entity that is controlled by the Group. Control is achieved if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group obtains control of a subsidiary on its acquisition date, and the subsidiary is included in the consolidation from such date until the date on which the Group loses control. A subsidiary with a different closing date is consolidated based on its provisional financial statements as of the consolidated closing date. Changes in the ownership interest of a subsidiary without a loss of control are accounted for as equity transactions. Any difference between the adjustment of non-controlling interests and the fair value of the consideration received is recognized directly in equity as the equity attributable to owners of the parent. Any gain or loss arising on the loss of control is recognized in profit or loss. Comprehensive income of a subsidiary is allocated to the equity attributable to owners of the parent and non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2) Associate

An associate is an entity over which the Group has significant influence but does not have control or joint control. An associate is accounted for using the equity method from the date on which the Group obtains significant influence until the date on which it loses such influence.

(2) Business combinations

The Group accounts for each business combination by applying the acquisition method. The consideration transferred in a business combination is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer, including any contingent consideration, if applicable.

Identifiable assets acquired and liabilities assumed in a business combination are measured at fair values at the acquisition date.

Acquisition-related costs incurred in a business combination are expensed in profit or loss as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree, over the fair value of the net identifiable assets and liabilities assumed at the acquisition date.

If the initial accounting for a business combination is incomplete by the consolidated closing date, the Group reports provisional amounts for the items for which the accounting is incomplete. The Group retrospectively adjusts the provisional amounts recognized at the acquisition date as an adjustment during the measurement period when new information about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognized amounts for the business combination. The measurement period does not exceed one year from the acquisition date.

(3) Effects of changes in foreign exchange rates

The Group’s condensed consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. Each entity in the Group determines its own functional currency and the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into the functional currency of each of the Group companies at the spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the closing date. Non-monetary assets and liabilities measured at historical cost that are denominated in foreign currencies are translated using the exchange rates at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated using the spot exchange rates at the date when the fair value is determined. Differences arising from the translation and settlement are recognized as profit or loss.

The assets and liabilities of foreign operations are translated using the spot exchange rate at the closing date, while revenue and expenses of foreign operations are translated using the spot exchange rate at the date of the transaction or a rate that approximates such rate. The resulting translation differences are recognized as other comprehensive income. In cases where a foreign operation is disposed of, the cumulative amount of translation differences related to the foreign operation is recognized in profit or loss on disposal.

(4) Financial instruments

1) Financial assets

A. Classification and measurement of financial assets

The Group measures all financial assets at fair value at initial recognition and classifies them as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI financial assets), or financial assets measured at fair value through profit or loss (FVTPL financial assets) at initial recognition.

a. Financial assets measured at amortized cost

The Group classifies financial assets that satisfy the following conditions as financial assets measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized as the sum of the fair value and transaction costs, and subsequently measured at amortized cost using the effective interest method less impairment losses. Interest income, gains or losses on derecognition, and impairment losses are recognized as finance income or costs.

b. FVTOCI financial assets

i. FVTOCI debt financial assets

The Group classifies debt financial assets that satisfy the following conditions as FVTOCI debt financial assets measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVTOCI debt financial assets are initially recognized at fair value, and subsequent changes in fair value (other than impairment losses) are recognized in other comprehensive income. The cumulative amount in other comprehensive income is reclassified to profit or loss upon derecognition of the asset. Interest income, gains or losses on derecognition, and impairment losses are recognized as finance income or costs in profit or loss.

ii. FVTOCI equity financial assets

Of financial assets measured at fair value, the Group classifies equity financial assets for which the Group has made an irrevocable election at initial recognition to present subsequent fair value changes in other comprehensive income as financial assets measured at fair value through other comprehensive income. The Group, in principle, designates all equity financial assets as FVTOCI equity financial assets.

FVTOCI equity financial assets are initially recognized as the sum of the fair value and transaction costs. Subsequent changes in fair value as well as gains or losses on derecognition are recognized in other comprehensive income, and their cumulative amount is immediately reclassified to retained earnings after being recognized in other components of equity.

Dividends received on FVTOCI financial assets are recognized as finance income when entitlement to the dividends is determined, except for cases where the dividend clearly indicates the collection of the cost of investment.

c. FVTPL financial assets

The Group classifies financial assets measured at the above amortized cost, debt financial assets that are not classified into FVTOCI debt financial assets and derivatives as FVTPL financial assets.

FVTPL financial assets are initially recognized at fair value, and any subsequent changes in fair value as well as any gains or losses on disposal are recognized as finance income or costs in profit or loss.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost or FVTOCI debt financial assets.

The Group assesses at the end of each reporting period whether credit risk on a financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to lifetime expected credit losses. If not, the loss allowance is measured at an amount equal to 12-month expected credit losses. Whether credit risk has increased significantly or not is determined based on changes in default risk.

For trade receivables that do not contain a significant financing component, the loss allowance is measured at an amount equal to lifetime expected losses under a simplified approach, based on their past credit losses, regardless of changes in the credit risk.

C. Derecognition

The Group derecognizes a financial asset when the contractual rights to cash flows arising from the financial asset expire or substantially all the risks and rewards of ownership of the financial asset is transferred as a result of the transfer of the financial asset.

Interests in the transferred financial asset which are created or retained by the Group are recognized separately as assets or liabilities.

2) Financial liabilities

A. Classification and measurement of financial liabilities

The Group measures all financial liabilities at fair value at initial recognition and classifies them as financial liabilities measured at amortized cost or financial assets measured at fair value through profit or loss (FVTPL financial liabilities)

a. Financial liabilities measured at amortized cost

The Group classifies all financial liabilities as financial liabilities measured at amortized cost, except for:

- FVTPL financial liabilities (including derivative liabilities)
- financial guarantee contracts
- contingent consideration recognized in a business combination

Financial liabilities measured at amortized cost are initially recognized as the fair value less transaction costs, and subsequently measured at amortized cost using the effective interest method.

b. FVTPL financial liabilities

FVTPL financial liabilities are initially recognized at fair value and any subsequent changes in fair value is recognized as finance income or costs in profit or loss, unless hedge accounting requirements are met.

B. Derecognition

The Group derecognizes financial liabilities if their obligations are discharged, canceled, or expired.

3) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position only if there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4) Derivatives and hedge accounting

To address the risks from fluctuations in interest rates and foreign exchange rates, the Group applies hedge accounting by entering into derivative contracts, including interest rate swaps, currency swaps and forward exchange contracts. These derivatives are initially recognized as assets or liabilities at fair value at the date on which the contracts are entered into.

The changes in the fair value after initial recognition are recognized in profit or loss if the hedged item and the hedging instrument do not qualify for hedge accounting. If the hedging relationship qualifies for hedge accounting, the portion of the gain or loss on the hedging instrument in a cash flow hedge that is determined to be an effective hedge is recognized in other comprehensive income, and its cumulative amount is recognized in other components of equity. The amount recognized in other components of equity is reclassified to profit or loss in order to offset the effects arising when the hedged item is recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments due within three months from the date of acquisition that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(6) Property, plant and equipment

An item of property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses by using the cost model.

The cost of an item of property, plant and equipment includes costs directly attributable to the acquisition of the asset and the initial estimate of the costs of dismantlement, removal and restoration.

An item of property, plant and equipment is depreciated using the straight-line method over the useful life of each component. The depreciation method, useful lives and residual values are reviewed at the end of each fiscal year, and the effects of any changes in the estimates are accounted for as changes in accounting estimates prospectively from the period in which the estimates are changed.

Major useful lives are as follows:

・Buildings and structures: 2 to 50 years

(7) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses by using the cost model.

Intangible assets acquired separately are measured at cost at initial recognition. Identifiable intangible assets, other than goodwill, acquired through business combinations are measured at fair value at the date on which the Group obtains control.

Expenditures on all internally generated intangible assets are expensed in the period in which they are incurred, except for development expenses that satisfy the capitalization criteria.

Intangible assets with definite useful lives are amortized using the straight-line method over their useful lives. The amortization method and useful lives are reviewed at the end of each fiscal year, and the effects of any changes in the estimates are accounted for as changes in accounting estimates prospectively from the period in which the estimates are changed. Intangible assets with indefinite useful lives are not amortized.

Major useful lives are as follows:

・Software: 5 to 7 years

・Customer-related assets: 2 to 15 years

(8) Leases

1) Assets subject to leases

At the inception of a lease contract, the Group assesses whether the contract is a lease or contains a lease based on the substance of the contract. If the implementation of the contract depends on the use of certain assets or groups of assets, and the right to use the assets is provided under the contract, the assets are the subject of the lease.

2) Operating lease transactions

In operating lease transactions, lease payments are recognized in profit or loss using the straight-line method over the lease terms.

(9) Impairment of an item of property, plant and equipment and intangible assets

At the end of each quarterly period, the Group assesses whether there is any indication that an item of property, plant and equipment and intangible assets with definite useful lives may be impaired. If any indication exists, impairment tests are performed based on their recoverability.

Intangible assets with indefinite useful lives and those not yet available for use are not amortized, and tested for impairment annually, irrespective of whether there is any indication of impairment, or whenever there is an indication of impairment.

The recoverable amount is measured at the higher of an asset’s fair value less costs of disposal and its value in use. The value in use is calculated by discounting the estimated future cash flows to their present value with a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

If the recoverable amount of an individual asset or a cash-generating unit falls below its carrying amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized in profit or loss (other operating expenses).

For an item of property, plant and equipment and intangible assets for which impairment losses were recognized in prior fiscal years, the Group assesses at the closing date whether there is any indication of a reversal of an impairment loss.

If there is an indication of a reversal of an impairment loss, and the recoverable amount of an individual asset or a cash-generating unit exceeds its carrying amount, the impairment loss is reversed up to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior fiscal years.

(10) Goodwill

Goodwill is presented at cost less accumulated impairment losses.

Goodwill is allocated to a cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination. The Group performs an impairment test for the cash-generating unit or group of cash-generating units to which goodwill was allocated during a specified period of time in each fiscal year or whenever there is an indication of impairment.

A cash-generating unit or group of cash-generating units to which goodwill is allocated is determined based on the unit by which the goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation.

If the recoverable amount of a cash-generating unit or group of cash-generating units falls below its carrying amount in an impairment test, the difference is recognized as an impairment loss. In recognizing the impairment loss, the carrying amount of goodwill allocated to the cash-generating unit or group of cash-generating units is reduced and then the carrying amounts of the other assets in the cash-generating unit or group of cash-generating units are reduced pro rata on the basis of the carrying amount of each asset.

An impairment loss for goodwill is recognized in profit or loss (other operating expenses) and is not reversed in a subsequent period.

(11) Non-current assets held for sale

An asset or asset group for which the value is expected to be recovered through a sale transaction rather than through continuing use is classified as a non-current asset or disposal group held for sale if (i) it is highly probable that the asset or asset group will be sold within one year, (ii) the asset or asset group is available for immediate sale in its present condition, and (iii) the Group’s management has made a commitment to sell the asset or asset group.

Non-current assets held for sale are not depreciated or amortized and are measured at the lower of their carrying amount and fair value less costs to sell.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Where the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations. In calculating the present value, the Group uses a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(13) Post-employment benefits

The Group has established defined contribution plans and defined benefit plans as retirement benefit plans for employees.

Retirement benefit costs for defined contribution plans are recognized in profit or loss for the period over which employees render services.

For each defined benefit plan, the Group calculates the present value of defined benefit obligations and the related current service cost and past service cost using the projected unit credit method and recognizes them as an expense.

A discount rate is determined by reference to the closing-date market yields on high quality corporate bonds for the period corresponding to the discount period, which is set on the basis of the period until the expected date of benefit payment in each future fiscal year.

Net interest on the net defined benefit liability is recorded as cost or selling, general and administrative expenses.

Remeasurements of the net defined benefit liability which are incurred in the current period are recognized as other comprehensive income, and their cumulative amount is immediately reclassified to retained earnings after being recognized in other components of equity.

(14) Equity

1) Common stock and share premium

For equity financial assets issued by the Company, their issue prices are recorded in common stock and share premium, and the transaction cost (net of related tax effects) directly attributable to the issuance is deducted from common stock and share premium proportionally on the basis of the issue price.

2) Treasury shares

When treasury shares are acquired, the consideration paid including the transaction cost (net of related tax effects) directly attributable to the acquisition is recognized as an item of deduction from equity. When treasury shares are sold, the consideration received is recognized as an increase in equity.

(15) Share-based payment

The Group has adopted equity-settled share-based payment plans and cash-settled share-based payment plans.

1) Equity-settled share options

The Group granted equity-settled share options as an incentive plan for its Board Directors (excluding External Board Directors) and employees until the fiscal year ended March 31, 2016.

The Group recognizes the services received as consideration for the share options as an expense, and the corresponding amount is recognized as an increase in equity. The expense is estimated by the fair value of the share options at the grant date. The fair value is calculated, taking into account the terms and conditions of the options, primarily by using the Black-Scholes model.

2) Equity-settled Board Incentive Plan (BIP) trust

The Group has adopted an equity-settled BIP trust as an incentive plan for its Board Directors (excluding External Board Directors), Corporate Executive Officers and Corporate Officers since the fiscal year ended March 31, 2017.

The fair value of points at the grant date is recognized as an expense over the period from the grant date to the vesting date, and the corresponding amount is recognized as an increase in common stock. The fair value of points at the grant date is calculated using the adjusted market price of shares which takes into account expected dividend yields.

3) Cash-settled share-based payment plan

The Group measures at fair value the liability incurred in the cash-settled share-based payment plan. The fair value of the liability is remeasured at the closing date and the settlement date, and the changes in the fair value are recognized in profit or loss.

(16) Revenue recognition

The Group recognizes its main revenues as follows:

1) Revenue from advertisement placement services

The Group receives advertising fees from clients by providing information on housing, bridal, education, automobiles, travel, dining, beauty, education and sale of goods, through the Group’s websites and information magazines to the individuals considering the use of services and purchase of products.

The Group also receives advertising fees from clients who are considering recruitment of new graduates or mid-career professionals by supporting the entire process from recruitment to employment through advertisement placements on the Group's websites and information magazines.

Of the advertisement placement services, revenue from advertisement placement on the Internet is recognized over the period the advertisement is placed on the website, and revenue from services for advertisement placement in information magazines is recognized at the date of their publication.

2) Revenue from recruitment services

The Group provides recruitment services under which it introduces job seekers considering a career change to clients considering recruitment of mid-career professionals by sorting out requirements for desired staff and then selecting candidates whose work experience, skills and intention meet those requirements. The Group receives referral fees from the client when the referred job seeker is actually employed. Revenue from recruitment services is recognized at the time of employment by the client.

3) Revenue from staffing services

The Group provides staffing services mainly for administrative jobs, manufacturing jobs and light works, as well as various specialist positions to clients. Revenue from staffing services is recognized based on the working hour of the staff during the dispatch period.

4) Revenue from sale of goods

The Group engages in the sale of magazines and other goods to customers. Revenue from the sale of goods is recognized when (i) the significant risks and rewards of ownership of the goods transfer to the buyers, (ii) the Group retains neither continuing involvement nor effective managerial control over the goods sold, (iii) it is probable that the economic benefits related to the transaction will flow to the Group, and (iv) the amount of costs and revenue arising from the transaction can be measured reliably.

(17) Income taxes

Income taxes are the sum of current tax expenses and deferred tax expenses and recognized in profit or loss, except for taxes arising from items that are directly recognized in other comprehensive income or in equity and taxes arising from business combinations.

1) Current tax expenses

Current tax expenses are measured at the amount expected to be paid to or refunded from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the closing date.

2) Deferred tax expenses

Deferred tax expenses are calculated based on the temporary differences between the tax base for assets and liabilities and their carrying amount for accounting purposes at the closing date. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized, in principle, for all taxable temporary differences.

Deferred tax assets are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit (tax loss) at the time of transaction, and
- deductible temporary differences arising from investments in subsidiaries and associates where it is probable that the temporary difference will not reverse in the foreseeable future or it is not probable that future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill,
- temporary differences arising from the initial recognition of assets or liabilities in transactions that

are not business combinations and affect neither accounting profit nor taxable profit (tax loss) at the time of transaction, and

- taxable temporary differences arising from investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, using the tax rates that have been enacted or substantively enacted by the closing date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the assets and liabilities relate to income taxes are levied by the same taxation authority on the same taxable entity.

4. Significant Accounting Judgments, Accounting Estimates and Assumptions

In preparing the condensed consolidated financial statements, management makes judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on management's best judgments in light of historical experience and various factors deemed to be reasonable according to each situation. By their nature, however, actual results may differ from these estimates and assumptions, leading to material effects on the amounts recognized in the condensed consolidated financial statements of future quarterly periods due to changes in uncertain future economic conditions.

Estimates and their underlying assumptions are continuously reviewed. The effects of any revisions to these estimates are recognized in the period of the revision and future periods.

Estimates and assumptions that significantly affect the amounts recognized in the condensed consolidated financial statements are as follows:

(1) Fair value estimation of assets acquired and liabilities assumed in business combinations

The Group measures identifiable assets acquired and liabilities assumed in a business combination at their acquisition-date fair values. In determining fair values, assumptions about estimated future cash flows, discount rates and other factors are used. These assumptions represent management's best estimates. However, they may be affected by changes in uncertain future economic conditions.

(2) Method of fair value measurement of financial instruments

When measuring the fair values of particular financial instruments, the Group uses a valuation technique that includes unobservable inputs. The unobservable inputs may be affected by changes in uncertain future economic conditions.

(3) Impairment of property, plant and equipment, goodwill and intangible assets

The Group tests property, plant and equipment, goodwill and intangible assets for impairment in accordance with Note "3. Significant Accounting Policies."

When determining recoverable amounts in an impairment test, assumptions about estimated future cash flows, discount rates and other factors are used. These assumptions represent management's best estimates and judgments. However, they may be affected by changes in uncertain future economic conditions.

(4) Provisions

Provisions are measured based on management's best estimates and judgments at the reporting date of the expenditures expected to be required to settle the obligations in the future.

The expenditures expected to be required to settle the obligations in the future are determined by considering possible future outcomes comprehensively. However, they may be affected by the occurrence of unforeseeable events or changes in circumstances.

(5) Assessment of defined benefit obligations

The Group has defined benefit plans as retirement benefit plans. For each defined benefit plan, the present value of defined benefit obligations and the related costs including service cost are determined based on the actuarial assumptions on discount rates, mortality rates and other factors.

These assumptions represent management's best estimates and judgments. However, they may be affected by changes in uncertain future economic conditions.

(6) Recoverability of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences, operating losses and tax credit carryforwards, based on the period in which it is probable that sufficient amount of future taxable income will be available against which the deductible temporary differences can be utilized.

The period in which it is probable that sufficient amount of taxable income will be available represent management’s best estimates and judgments. However, they may be affected by changes in uncertain future economic conditions.

5. Operating Segments

(1) Overview of Reportable Segments

The Group’s reportable segments are those components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance.

The Group has three reportable segments by type of business, namely, (1) HR Technology segment, (2) Media & Solutions segment, and (3) Staffing segment.

The HR Technology segment consists of a single business operation, namely, “Indeed,” a job search engine website operated by Indeed, Inc., and its related businesses.

The Media & Solutions segment consists of two business operations, namely, the Marketing Solutions and the HR Solutions.

The Staffing segment consists of two business operations, namely, the Domestic Staffing and the Overseas Staffing.

(Matters concerning changes, etc. in reportable segments)

The Group considers it a priority task to respond to the rapidly changing Internet business environment, capture the needs and the business opportunities in the global market ahead of others and maximize shareholder value and corporate value, under a swift decision-making structure. As part of these initiatives, starting from April 2016, we have worked to expand our business value based on the three Strategic Business Units (SBUs) of Global Online HR, Media & Solutions and Global Staffing.

In order to further enhance these initiatives and because the aforementioned SBUs have become the units based on which the Board of Directors decide on the allocation of operating resources and assess business performance, effective from April 1, 2017, the previous reportable segments of “Marketing Media,” “HR Media,” “Staffing” and “Other” have been changed to the “HR Technology,” “Media & Solutions” and “Staffing” segments.

Segment information for the previous first quarter ended June 30, 2016 was prepared and disclosed in accordance with the current classification method for reportable segments.

(2) Information on Reportable Segments

Income of reportable segments is EBITDA (operating income – other operating income + other operating expenses + depreciation and amortization). Segment profit of corporate expenses/eliminations includes management consulting fees from the Group companies and corporate expenses not allocated to any reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not allocable to the segments. Intersegment revenue or transfers are calculated based on a price used in transactions with third parties. Segment assets are not stated as they are not calculated.

(Millions of yen)

Previous First Quarter (Three Months Ended June 30, 2016)	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	28,320	160,482	249,776	438,580	-	438,580
Intersegment revenue or transfers	756	979	3,002	4,738	(4,738)	-
Total	29,077	161,461	252,779	443,318	(4,738)	438,580
Segment profit (loss)	4,339	44,140	14,846	63,326	(232)	63,094
Depreciation and amortization						11,248
Other operating income						824
Other operating expenses						2,628
Operating income						50,041
Share of profit (loss) of associates and joint ventures						764
Finance income						1,324
Finance costs						989
Profit before tax						51,141

(Millions of yen)

Current First Quarter (Three Months Ended June 30, 2017)	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	45,367	164,248	314,780	524,396	-	524,396
Intersegment revenue or transfers	1,121	953	3,283	5,358	(5,358)	-
Total	46,488	165,202	318,063	529,754	(5,358)	524,396
Segment profit (loss)	7,768	43,169	20,602	71,540	341	71,881
Depreciation and amortization						14,530
Other operating income						351
Other operating expenses						1,377
Operating income						56,326
Share of profit (loss) of associates and joint ventures						1,202
Finance income						1,850
Finance costs						264
Profit before tax						59,115

6. First-time Adoption

The Group has adopted International Financial Reporting Standards (“IFRSs”) from the current fiscal year and prepared the accompanying condensed consolidated financial statements for the first quarter of the fiscal year ending March 31, 2018 in conformity with IAS 34. The most recent consolidated financial statements prepared in conformity with accounting standards generally accepted in Japan (“JGAAP”) are for those for the fiscal year ended March 31, 2017 and the date of transition to IFRSs was April 1, 2016.

The effect of the transition from JGAAP to IFRSs on the financial position, operating results and cash flows is presented in the following reconciliation sheets and notes regarding reconciliation. In the reconciliation tables, “Reclassifications” includes items that that do not have an effect on retained earnings or comprehensive income, and “Difference in recognition and measurement” includes items that do have an effect on retained earnings or comprehensive income.

IFRS 1 requires that, in principle, first-time adopters retrospectively apply the requirements of IFRSs. However, IFRS 1 prohibits retrospective application of certain requirements of IFRSs. For “Estimates,” “Derecognition of financial assets and financial liabilities,” “Hedge accounting” and “Non-controlling interests,” the Group only applies IFRSs to transactions occurring on or after the date of transition to IFRSs. In addition, IFRS 1 permits exemptions of certain requirements of IFRSs (IFRS 1 Exemptions). In accordance with these provisions, effects of the transition to IFRSs are reconciled in retained earnings or other components of equity as of the date of transition to IFRSs.

Stated below are the exemptions under IFRS 1 that the Group has elected to use in transitioning from JGAAP to IFRSs.

- The Group has not applied IFRS 3 “Business Combinations” to business combinations that occurred prior to the date of transition to IFRSs.
- The Group has not applied IAS 21 “The Effects of Changes in Foreign Exchange Rates” to the cumulative amount of the exchange differences relating to investments in foreign operations that occurred prior to the date of transition to IFRSs and the differences for foreign operations are deemed to be zero as of the date of transition to IFRSs.
- The Group applied IFRS 9 “Financial Instruments” to the financial instruments held by the Group and designated equity financial assets as financial assets measured at fair value through other comprehensive income.

Reconciliation of equity as of the date of transition to IFRSs (April 1, 2016)

(Millions of yen)

JGAAP account	JGAAP	Reclassifica-tions	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	257,741	52,581	(461)	309,860		Cash and cash equivalents
Notes and accounts receivable-trade	222,288	(1,534)	1,245	221,998	6)	Trade and other receivables
Securities	53,176	(32,147)	763	21,792		Other current financial assets
Deferred tax assets	23,264	(23,264)				
Other current assets	37,524	(23,155)	84	14,454		Other current assets
Allowance for doubtful accounts	(4,256)	4,256				
Total current assets	589,739	(23,264)	1,632	568,106		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment						
Buildings and structures, net	9,767	22,664	7,082	39,515	1)	Property, plant and equipment
Land	7,743	(7,743)				
Other, net	14,921	(14,921)				
Intangible assets						
Goodwill	213,051	-	(43,787)	169,264	2), 10)	Goodwill
Software	70,938	77,604	(9,858)	138,684	10)	Intangible assets
Other	77,604	(77,604)				
Investments and other assets						
Investment securities	120,854	(84,817)	(1,838)	34,199		Investments in associates and joint ventures
		110,145	(282)	109,862	3)	Other non-current financial assets
Deferred tax assets	11,757	23,264	(2,158)	32,864	11)	Deferred tax assets
Net defined benefit asset	3	8,971	(3,421)	5,552	7)	Other non-current assets
Other non-current assets	34,588	(34,588)				
Allowance for doubtful accounts	(288)	288				
Total noncurrent assets	560,942	23,264	(54,264)	529,942		Total non-current assets
Total assets	1,150,681	-	(52,631)	1,098,049		Total assets

(Millions of yen)

JGAAP account	JGAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	60,104	94,933	(1,763)	153,274	7)	Trade and other payables
Current portion of long-term debt	15,000	44	0	15,044		Bonds and borrowings
Accrued expenses	85,354	(79,165)	265	6,453		Other financial liabilities
Income tax payables	40,050	(1,380)	567	39,237		Income tax payables
Accrued employees' bonuses	24,728	(24,728)				
Other current liabilities	56,758	(52,560)	14	4,212		Provisions
		58,477	53,553	112,030	4), 6)	Other current liabilities
Total current liabilities	281,997	(4,380)	52,637	330,253		Total current liabilities
Long-term liabilities						Non-current liabilities
Other long-term liabilities	4,568	(4,400)	3,669	3,837		Other financial liabilities
		238	2,972	3,210		Provisions
Net defined benefit liability	28,750	1,808	13,460	44,019	5)	Net defined benefit liability
Deferred tax liabilities	49,693	18	(13,629)	36,082	11)	Deferred tax liabilities
Workers' compensation liability	8,671	6,715	(2,985)	12,401		Other non-current liabilities
Total long-term liabilities	91,683	4,380	3,488	99,553		Total non-current liabilities
Total liabilities	373,680	-	56,125	429,806		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	53,756	-	-	53,756		Share premium
Retained earnings	596,305	-	1,883	598,188		Retained earnings
Treasury stock	(495)	-	-	(495)		Treasury shares
Accumulated other comprehensive income	110,712	2,137	(110,543)	2,306	3), 8)	Other components of equity
Stock acquisition rights	2,137	(2,137)				
		-	(108,660)	663,755		Total equity attributable to owners of the parent
Non-controlling interests	4,585	-	(97)	4,487		Non-controlling interests
Total equity	777,000	-	(108,757)	668,243		Total equity
Total liabilities and equity	1,150,681	-	(52,631)	1,098,049		Total liabilities and equity

Reconciliation of equity as of June 30, 2016 (end of the previous first quarter)

(Millions of yen)

JGAAP account	JGAAP	Reclassifica-tions	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	106,153	(482)	(4,573)	101,097		Cash and cash equivalents
Notes and accounts receivable-trade	244,977	(1,941)	111	243,146	6)	Trade and other receivables
Securities	54	18,080	312	18,447		Other current financial assets
Other current assets	60,450	(39,242)	152	21,360		Other current assets
Allowance for doubtful accounts	(4,602)	4,602				
Total current assets	407,032	(18,984)	(3,996)	384,052		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	39,011	-	6,960	45,971	1)	Property, plant and equipment
Intangible assets						
Goodwill	373,065	-	(85,434)	287,631	2), 9), 10)	Goodwill
Other	149,229	-	68,699	217,928	9), 10)	Intangible assets
Investments and other assets						
Investment securities	109,125	(74,128)	(1,496)	33,499		Investments in associates and joint ventures
		103,478	(169)	103,309	3)	Other non-current financial assets
Other noncurrent assets	53,922	(19,698)	4,902	39,126	11)	Deferred tax assets
		9,050	(3,227)	5,822	7)	Other non-current assets
Allowance for doubtful accounts	(283)	283				
Total noncurrent assets	724,071	18,984	(9,765)	733,290		Total non-current assets
Total assets	1,131,104	-	(13,761)	1,117,342		Total assets

(Millions of yen)

JGAAP account	JGAAP	Reclassifica-tions	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	49,623	110,419	(4,828)	155,214	7)	Trade and other payables
Electronically recorded obligations - operating	13,986	(13,986)				
Current portion of long-term debt	11,250	1,647	(5)	12,891		Bonds and borrowings
Other current liabilities	189,457	(185,468)	(12)	3,975		Other financial liabilities
Income tax payables	13,221	(471)	(470)	12,279		Income tax payables
Accrued employees' bonuses	19,043	(19,043)				
		5,906	426	6,333		Provisions
		97,916	49,277	147,193	4), 6)	Other current liabilities
Total current liabilities	296,582	(3,080)	44,386	337,888		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term debt	23,960	-	-	23,960		Bonds and borrowings
Other long-term liabilities	59,985	(58,940)	1,568	2,613		Other financial liabilities
		1,554	2,935	4,490		Provisions
Net defined benefit liability	30,445	508	13,389	44,343	5)	Net defined benefit liability
		46,317	16,468	62,786	9), 11)	Deferred tax liabilities
		13,639	(1,076)	12,562		Other non-current liabilities
Total long-term liabilities	114,391	3,080	33,285	150,757		Total non-current liabilities
Total liabilities	410,973	-	77,671	488,645		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	52,812	-	(204)	52,607		Share premium
Retained earnings	585,472	-	13,462	598,934		Retained earnings
Treasury stock	(460)	-	-	(460)		Treasury shares
Accumulated other comprehensive income	66,290	2,042	(105,227)	(36,894)	3), 8)	Other components of equity
Stock acquisition rights	2,042	(2,042)				
		-	(91,970)	624,187		Total equity attributable to owners of the parent
Non-controlling interests	3,973	-	536	4,509		Non-controlling interests
Total equity	720,130	-	(91,433)	628,697		Total equity
Total liabilities and equity	1,131,104	-	(13,761)	1,117,342		Total liabilities and equity

Reconciliation of equity as of March 31, 2017 (end of the previous fiscal year)

(Millions of yen)

JGAAP account	JGAAP	Reclassifica-tions	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	261,342	84,334	9,520	355,196		Cash and cash equivalents
Notes and accounts receivable-trade	305,336	(2,506)	(8,373)	294,456	6)	Trade and other receivables
Securities	85,000	(63,577)	(91)	21,330		Other current financial assets
Deferred tax assets	25,079	(25,079)				
Other current assets	42,330	(22,907)	987	20,410		Other current assets
Allowance for doubtful accounts	(4,656)	4,656				
Total current assets	714,431	(25,079)	2,042	691,394		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment						
Buildings and structures, net	18,127	24,085	6,945	49,158	1)	Property, plant and equipment
Land	7,758	(7,758)				
Other, net	16,326	(16,326)				
Intangible assets						
Goodwill	282,555	-	20,718	303,273	2), 10)	Goodwill
Software	88,940	151,900	(10,926)	229,914	10)	Intangible assets
Customer related assets	95,307	(95,307)				
Other	56,593	(56,593)				
Investments and other assets						
Investment securities	121,800	(83,114)	(1,058)	37,627		Investments in associates and joint ventures
		112,679	733	113,413	3)	Other non-current financial assets
Deferred tax assets	11,766	25,079	(3,965)	32,879	11)	Deferred tax assets
Other noncurrent assets	36,377	(29,936)	(1,199)	5,241	7)	Other non-current assets
Allowance for doubtful accounts	(371)	371				
Total noncurrent assets	735,183	25,079	11,245	771,508		Total non-current assets
Total assets	1,449,614	-	13,288	1,462,903		Total assets

(Millions of yen)

JGAAP account	JGAAP	Reclassifica-tions	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	68,029	108,618	(2,699)	173,947	7)	Trade and other payables
Current portion of long-term debt	24,957	879	(869)	24,967		Bonds and borrowings
Accrued expenses	97,891	(94,945)	151	3,097		Other financial liabilities
Income tax payables	35,218	(2,875)	504	32,847		Income tax payables
Accrued employees' bonuses	26,022	(26,022)				
Other current liabilities	107,285	(97,843)	(328)	9,114		Provisions
		109,398	60,152	169,551	4), 6)	Other current liabilities
Total current liabilities	359,404	(2,791)	56,912	413,524		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	50,000	137,366	(745)	186,620		Bonds and borrowings
Long-term debt	137,366	(137,366)				
Other long-term liabilities	16,573	(15,414)	801	1,960		Other financial liabilities
		1,115	3,083	4,198		Provisions
Net defined benefit liability	29,214	1,805	12,328	43,349	5)	Net defined benefit liability
Deferred tax liabilities	69,973	193	(17,428)	52,739	11)	Deferred tax liabilities
Workers' compensation liability	8,541	15,091	(5,888)	17,743		Other non-current liabilities
Total long-term liabilities	311,670	2,791	(7,849)	306,612		Total non-current liabilities
Total liabilities	671,074	-	49,062	720,137		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	52,874	-	(344)	52,529		Share premium
Retained earnings	653,490	-	60,564	714,055		Retained earnings
Treasury stock	(31,640)	-	-	(31,640)		Treasury shares
Accumulated other comprehensive income	86,062	2,042	(95,474)	(7,369)	3), 8)	Other components of equity
Stock acquisition rights	2,042	(2,042)				
		-	(35,254)	737,575		Total equity attributable to owners of the parent
Non-controlling interests	5,710	-	(520)	5,190		Non-controlling interests
Total equity	778,540	-	(35,774)	742,765		Total equity
Total liabilities and equity	1,449,614	-	13,288	1,462,903		Total liabilities and equity

Reconciliation of comprehensive income for the previous first quarter (three months ended June 30, 2016)

(Millions of yen)

JGAAP account	JGAAP	Reclassifica-tions	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	407,540	-	31,040	438,580	6), 9), 10)	Revenue
Cost of sales	209,655	-	19,333	228,989	4), 5), 6), 9), 10)	Cost of sales
Gross profit	197,884	-	11,706	209,590		Gross profit
Selling, general and administrative expenses	165,174	-	(7,429)	157,745	1), 2), 4), 5), 7), 9), 10)	Selling, general and administrative expenses
		510	313	824		Other operating income
		2,569	59	2,628		Other operating expenses
Operating income	32,710	(2,058)	19,390	50,041		Operating income
Non-operating income	1,528	(1,528)				
Non-operating expenses	862	(862)				
Extraordinary income	75	(75)				
Extraordinary losses	1,811	(1,811)				
		539	225	764		Share of profit (loss) of associates and joint ventures
		553	770	1,324	3)	Finance income
		103	885	989	3)	Finance costs
Profit before taxes	31,641	-	19,500	51,141		Profit before tax
Income taxes	14,204	-	1,986	16,191	11)	Income tax expense
Net income	17,436	-	17,513	34,950		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	(6,664)	-	(365)	(7,030)	3)	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	158	-	(158)	-		Remeasurements of defined benefit plans
			(523)	(7,030)		Subtotal

(Millions of yen)

						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(38,342)	(1,729)	999	(39,072)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	1,972	-	(2,326)	(353)		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income (loss) in affiliated companies	(1,729)	(1,729)				
			(1,327)	(39,426)		Subtotal
Total other comprehensive income (loss)	(44,605)	-	(1,851)	(46,456)		Other comprehensive income (loss) for the period, net of tax
Comprehensive income (loss)	(27,168)	-	15,662	(11,506)		Comprehensive income (loss) for the period

Reconciliation of comprehensive income for the fiscal year ended March 31, 2017

(Millions of yen)

JGAAP account	JGAAP	Reclassifica-tions	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	1,839,987	-	101,934	1,941,922	6), 9), 10)	Revenue
Cost of sales	979,110	-	72,400	1,051,510	4), 5), 6), 9), 10)	Cost of sales
Gross profit	860,876	-	29,534	890,411		Gross profit
Selling, general and administrative expenses	733,669	-	(23,037)	710,631	1), 2), 4), 5), 7), 9), 10)	Selling, general and administrative expenses
		23,768	548	24,317		Other operating income
		11,051	(467)	10,583		Other operating expenses
Operating income	127,207	12,717	53,588	193,513		Operating income
Non-operating income	6,631	(6,631)				
Non-operating expenses	2,120	(2,120)				
Extraordinary income	28,570	(28,570)				
Extraordinary losses	11,028	(11,028)				
		3,823	609	4,432		Share of profit (loss) of associates and joint ventures
		7,609	(4,563)	3,046	3)	Finance income
		2,096	(33)	2,062	3)	Finance costs
Profit before taxes	149,260	-	49,668	198,929		Profit before tax
Income taxes	63,197	-	(1,527)	61,669	11)	Income tax expense
Net income	86,063	-	51,196	137,260		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	2,121	-	3,007	5,129	3)	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	912	-	10	923		Remeasurements of defined benefit plans
		188	-	188		Share of other comprehensive income of associates and joint ventures
		188	3,018	6,240		Subtotal

(Millions of yen)

						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(27,482)	(2,741)	18,726	(11,497)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	2,157	-	(1,533)	624		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income (loss) in affiliated companies	(2,553)	2,553				
		(188)	17,193	(10,873)		Subtotal
Total other comprehensive income (loss)	(24,844)	-	20,211	(4,632)		Other comprehensive income (loss) for the year, net of tax
Comprehensive income	61,219	-	71,408	132,627		Comprehensive income for the year

Notes on Reconciliation

(1) Reclassifications

The main reclassifications are as follows:

・Time deposits with maturities over three months included in cash and cash equivalents under JGAAP are presented as other financial assets (current) under IFRSs.

・Short-term investments due within three months of the date of acquisition included in securities under JGAAP are presented as cash and cash equivalents under IFRSs.

・Financial assets and financial liabilities are presented separately in accordance with the presentation rules of IFRSs.

・Deferred tax assets and deferred tax liabilities are reclassified to non-current assets and non-current liabilities under IFRSs.

・Subscription rights to shares presented separately under JGAAP are presented as other components of equity under IFRSs.

・Of the items that were presented as non-operating income, non-operating expenses, extraordinary income and extraordinary losses under JGAAP, finance-related items are presented as finance income or finance costs and other items are presented as other operating income, other operating expenses or share of profit (loss) of investments accounted for using the equity method under IFRSs.

(2) Difference in recognition and measurement

1) Depreciation

Under JGAAP, the Group principally adopted the declining-balance method for depreciation of property, plant and equipment (excluding lease assets). Under IFRSs, the Group adopts the straight-line method.

2) Goodwill

Under JGAAP, the Group conducted impairment assessments only when there was an indication of impairment, but under IFRSs, the Group conducts impairment tests on goodwill annually.

As a result of the impairment test conducted on the transition date, the carrying amount of goodwill was reduced to the recoverable amount since the recoverable amount of goodwill fell below the carrying amount, and ¥33,055 million was recognized as an impairment loss. The recoverable amount was determined based on the value in use and, a discount rate of 13.83% to 31.55% derived from the weighted average cost of capital before tax was used in estimating the value in use of goodwill for which an impairment loss was recognized. The material goodwill for which an impairment loss was recognized was generated from cash generating units relating to Quandoo GmbH and an impairment loss of ¥22,858 million was recognized for the entire amount of the goodwill.

The value in use is determined using the estimation of cash flows before tax for the next five years based on the business plans of each cash-generating unit approved by management. For periods beyond those covered by the business plans, a going concern value is determined. The business plans represents management’s assessment of future trends in the business and historical data, and were prepared based on external and internal information. In determining the going concern value, a growth rate of 2.00% to 4.92% was used for each cash-generating unit.

In addition, under JGAAP, goodwill was systematically amortized over a period in which the goodwill was reasonably expected to have an effect, but under IFRSs, the Group has stopped amortizing goodwill since the date of transition to IFRSs. Consequently, selling, general and administrative expenses decreased by ¥12,149 million and ¥53,533 million for the three months ended June 30, 2016 and the fiscal year ended March 31, 2017, respectively.

3) Equity financial assets

Under JGAAP, the Group principally measured unlisted equity financial assets at cost, but under IFRSs, they are principally measured at fair value, and therefore, the amount of other non-current financial assets fluctuates.

In addition, under JGAAP, gains or losses on sales and impairment losses of equity financial assets were recognized in profit or loss, but under IFRSs, for financial assets designated to be measured at fair value through other comprehensive income, the changes in fair values are recognized as other comprehensive income and transferred to retained earnings.

4) Unused paid absences

Unused paid absences which was not required to be accounted for under JGAAP is recognized as a liability under IFRSs.

5) Retirement benefit obligations for defined benefit plans

Under JGAAP, actuarial differences were amortized by the straight-line method over a definite period within the average remaining service years of employees at the time of occurrence and proportionately charged to income from the fiscal year following the fiscal year of occurrence and past service cost was amortized by the straight-line method over a period within the average remaining service years of employees at the time of occurrence and proportionately charged to income from the fiscal year of occurrence. Under IFRSs, actuarial differences are recognized in other comprehensive income at the time of occurrence and past service cost is recognized in profit or loss at the time of occurrence.

In addition, under IFRSs, retirement benefits are recalculated in accordance with the provisions of IFRSs and the reconciliation of the difference arising principally from the inter-period allocation method of retirement benefit obligation is reflected in retained earnings.

6) Revenue

While under JGAAP, the Group recognized revenue for online advertisements in its entirety upon their first time placement on the website, under IFRSs, the Group records such revenue as deferred income under liabilities upon the placement of the advertisement on the website and recognizes the revenue over the period of the placement.

In addition, under JGAAP, revenue and cost of ticket sales at the discount ticket group purchasing website “Ponpare” were presented on a gross basis, but under IFRSs, they are presented on a net basis.

7) Provision for contingent payments for business combinations

Under JGAAP, consideration paid to employees, etc. on condition of their continuing services after business combinations were included in the cost of the business combination, but under IFRSs, the Group accounts for such consideration as a payment of remuneration to employees through a transaction separate from a business combination.

In addition, under JGAAP, consideration contributed to an escrow account in accordance with the share transfer agreement was recorded under investments and other assets until the payment was confirmed, but under IFRSs, it is accounted for as a cost of the business combination at the date on which control is obtained.

8) Exchange difference on translation of foreign operations

The Group elected the exemption provided in IFRS 1 and the outstanding balance of cumulative exchange differences on translation of foreign operations is fully transferred to retained earnings on the date of transition to IFRSs.

9) Business combinations related to USG People B.V.

On June 1, 2016, the Group acquired USG People B.V. and made the company a subsidiary. Under JGAAP, June 30, 2016 was considered to be the deemed acquisition date, but under IFRSs, June 1, 2016 is the date on which the acquirer obtains control of the acquiree.

In addition, under JGAAP, for the business combination related to USG People B.V., since the allocation of the cost was not completed as of June 30, 2016, goodwill was recognized and measured at the amount determined under provisional accounting based on reasonable information available at that time. Under IFRSs, the amounts are retrospectively adjusted to the date on which control was obtained to reflect the finalization of accounting. Consequently, goodwill decreased by ¥61,988 million, and intangible assets and deferred tax liabilities increased by ¥88,089 million and ¥26,100 million, respectively.

10) Unification of reporting periods

Under JGAAP, a consolidated subsidiary whose difference between its closing date and that of the parent company is no more than three months was consolidated using the financial statements of the subsidiary by making adjustments for significant transactions between the closing date of the subsidiary and that of the parent company. Under IFRSs, such subsidiary is consolidated using the provisional financial statements prepared as of the closing date of the parent company.

As a result, goodwill decreased by ¥10,731 million mainly due to a change in the foreign exchange rate on the transition date. Further, revenue, cost of sales and selling, general and administrative expenses each increased as follows in line with the unification of the reporting period of USG People B.V.

(Millions of yen)

	Three months ended June 30, 2016	Fiscal year ended March 31, 2017
Revenue	28,744	108,452
Cost of sales	23,013	87,063
Selling, general and administrative expenses	4,520	18,235

11) Reconciliation of deferred tax assets and deferred tax liabilities

The reconciliation of deferred tax assets and deferred tax liabilities are made mainly because of the temporary differences incurred in the process of reconciliations required in transitioning from JGAAP to IFRSs.

(3) Reconciliation of retained earnings

(Millions of yen)

	As of April 1, 2016 (Date of transition to IFRSs)	As of June 30, 2016 (End of the previous first quarter)	As of March 31, 2017 (End of the previous fiscal year)
1) Depreciation	4,015	3,977	4,389
2) Goodwill	(33,055)	(20,906)	20,914
3) Equity instruments	29,358	23,363	30,540
4) Unused paid absences	(20,428)	(20,834)	(23,136)
5) Retirement benefit obligations for defined benefit plans	(16,977)	(16,674)	(14,900)
6) Revenue	(31,490)	(27,996)	(33,038)
7) Provision for contingent payments for business combinations	(6,395)	(4,867)	(5,190)
8) Exchange differences on translation of foreign operations	70,077	70,077	70,077
Other	(9,380)	(7,625)	(8,493)
Impact of tax effects	16,160	14,946	19,402
Reconciliation of retained earnings	1,883	13,462	60,564

(4) Reconciliation of cash flows

The impacts on cash flows with the transition from JGAAP to IFRSs are mainly due to (i) the unification of reporting periods of consolidated subsidiaries, (ii) difference of the date of accounting for business combinations due to the difference in the treatment of deemed acquisition date, and (iii) difference of certain treatment of contingent payments for business combinations.