

Message from our CEO

Opportunities for Life. Faster, simpler and closer to you.

We are committed to contributing to society through working together with our stakeholders to realize our mission.



Masumi Minegishi
President and CEO,
Representative Director

■ The goals of Recruit Group

We are living amid rapid and drastic change. In the last three decades, we have seen computer processing speeds increase to the point that we now hold tremendously powerful smart devices in our pockets, paving the way for an ever-more connected world and connected lifestyles.

Changes in the way that information and experiences are shared has transformed lifestyles, fundamentally altered economies, and had a colossal impact on society and the environment worldwide. Moreover, the frameworks and rules supporting this change have become burdensome and exceedingly complex. While many people take such progress for granted and enjoy the advantages of more freedom of choice when making life decisions, not everyone is benefiting from the shift. Rather, there is an increase in disparity between those who can leverage technology to process complex information and those who cannot. This gap also appears to have widened between countries, and even between different groups of people within countries.

Because of this, we believe that it is important that societies encourage a “Follow Your Heart” mindset, where individuals can determine their own direction and create the lives that they wish to lead. Since our foundation, we have advocated for a brighter world where all individuals can live life to the fullest, and we truly believe that by offering increased opportunities to everyone we can contribute to realizing such a world.

The theme of this annual report—Opportunities for Life. Faster, simpler and closer to you—represents Recruit Holdings’ mission as inspired by the philosophy

described above. Based on this mission, we endeavor to meet the diverse needs of individual users and enterprise clients by providing the very best matching solutions through our ambition combined with our technology. It is my hope that, through this report, we can communicate to all of our stakeholders that our management philosophy is rooted in our daily activities.

The Sustainable Development Goals (SDGs^{*)})—targets that the international community aims to achieve by 2030—declare first and foremost the objective of realizing a society where all people can pursue larger freedom. Larger freedom means the opportunity to determine one’s life through a multiplicity of choices, meaning that everyone can choose their own way of life. In this sense, Recruit Group’s “Follow Your Heart” vision is perfectly aligned with the aim of humanity as a whole. We strongly believe that we can make a significant contribution to the realization of such a future, and we are committed to continuing to work towards these goals.

Since our foundation, we have advocated for a brighter world where all individuals can live life to the fullest, and we truly believe that by offering increased opportunities to everyone, we can contribute to that.

* Acronym of Sustainable Development Goals, which were adopted by the United Nations summit meeting in September 2015 and are goals for the 193 member countries to achieve in the 15 years from 2016 to 2030.

■ Reflecting on FY2018, looking toward the future

We aim to become a global leader in the HR Matching market by promoting innovation with technology.

As a Group, we have carefully incorporated the social role we believe we should play into our management philosophy. Since our founding in 1960, we have been committed to eliminating dissatisfaction, inconvenience, and unease for society and customers, and creating value by solving these issues. We have operated our businesses in Japan and globally, connecting individual users and enterprise clients, including SMEs and offering each the best matching experience. For FY2018, our consolidated revenue was 2,310.7 billion yen (up 6.3% YoY) and consolidated EBITDA was 293.2 billion yen (up 13.5% YoY), both of which reached record highs.

We aim to continue providing the best matching solutions available. In particular, in our newly defined HR Matching market, there remains inefficiency, inconvenience, and mismatching in recruiting and hiring processes globally. Through innovative uses of cutting-edge technologies, we can significantly reduce the amount of time and effort currently invested by individual job seekers and companies in finding a good match.

The HR Matching market consists of the job advertising and talent sourcing tools market, the placement and search market, and the temporary staffing market. We believe that the total addressable market for our HR Matching business in 2018 was at least 150 billion US dollars^{*1} worldwide (see Fig. 1). The scale of our existing HR Matching business is approximately 870 billion yen^{*2}, compared to a potential HR Matching market of at least 150 billion US dollars^{*1} (approximately 16 trillion yen). Therefore, we have significant opportunity to continue to expand our HR Matching business globally.

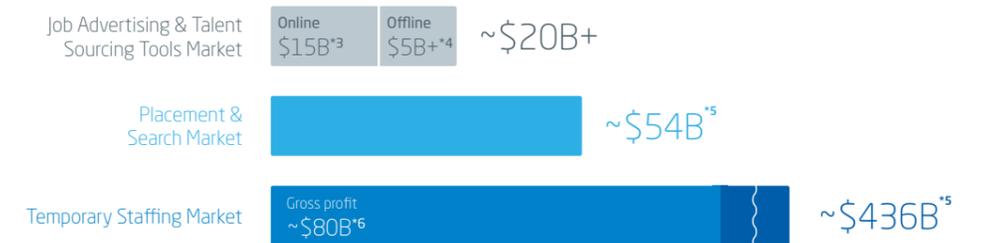
Within the HR Matching market, the online job advertising and talent sourcing tools market, which is the primary area for our HR Technology business, is estimated to be approximately 15 billion US dollars^{*3}. The online job advertising business in HR Solutions within our Media & Solutions business also operates in this market.

The job placement and search market is estimated to be worth approximately 54 billion US dollars^{*5} globally. Our placement services in the Media & Solutions business, and Indeed Hire, which was launched in 2016 in our HR Technology business, operate in this market. We will seek to expand our presence in this market in the mid- to long-term.

In addition, we believe that the size of the temporary staffing market is estimated to be even larger than the job placement and search market, with approximately 80 billion US dollars^{*6} globally on a gross profit basis, which exclude salaries of agency workers recorded as a cost of sales.

We aim to become a global leader in the HR Matching market by promoting innovation through the use of technology.

Fig. 1: HR Matching market^{*1}



■ Compliance and diversity for sustainable corporate value improvement

We act sincerely based on high ethical values and implement measures such as continuous education, improvement and monitoring.

We have strengthened our compliance system on a Group-wide scale, understanding how critical compliance is in helping us create sustainable, long-term value for society and industry. In addition to meeting existing laws and regulations in each country and industry, we are striving to ensure compliance with internal guidelines, including the Recruit Group Code of Ethics. In this rapidly changing social environment, it is imperative that we remain a reliable partner for our various stakeholders. Accordingly, we act sincerely based on high ethical values and implement measures such as continuous education, improvement and monitoring. We are also prioritizing the countermeasures against risks faced by individual users, enterprise clients, and other partners, associated with the rapid advancement of technology, such as the protection of personal information and cybersecurity. We believe that these are the key to sustainable business management and a resolution for social issues.

^{*1} The \$150 billion+ total addressable market is the total of the Job Advertising & Talent Sourcing Tools Market, the Placement & Search Market and the Temporary Staffing Market shown on this page. Recruit Holdings has estimated the size of its addressable markets based on a combination of internal and external data, estimates, market research and assumptions, which are inherently subject to a number of uncertainties. Accordingly, the estimated size of Recruit Holdings' addressable markets may differ materially from the actual size of such markets, and you should not place undue reliance on this information.

^{*2} Comprised of revenue of our HR Technology segment, revenue of the HR Solutions in our Media & Solutions segment and gross profit calculated as revenue minus salary for agency workers, etc. of our Staffing segment.

^{*3} Estimated market size in 2018 based on internal estimates, assumptions and market research by Recruit Holdings. The online job advertising and talent sourcing tools market is defined to include (i) revenue of Indeed and competing job advertising boards in Recruit Holdings' target operating

markets and (ii) revenue of the talent solutions business of LinkedIn in Recruit Holdings' target operating markets.

^{*4} The offline job advertising and talent sourcing market is defined to include newspaper, magazine, and other print channels only and excludes television, cinema, radio, and other non-print channels, and is derived by applying the proportion of online to offline spending in the overall advertising market to Recruit Holdings' estimated size of the online job advertising and talent sourcing tools market.

^{*5} Source: SIA (Staffing Industry Analysts), Global Staffing Industry Market Estimates and Forecast: May 2019 Update.

^{*6} Gross profit for the temporary staffing market is estimated by multiplying (i) the market size by revenue in 2018 of \$436 billion as estimated by SIA, Global Staffing Industry Market Estimates and Forecast: May 2019 Update, by (ii) 18.3%, which was the weighted average gross profit margin of the top three public staffing companies in terms of revenue in 2018.

We are proactively promoting sustainability, incorporating diversity and inclusion. We believe that creating a work environment where employees can leverage their diverse viewpoints and skills is indispensable for developing a competitive advantage. In addition to supporting career advancement for women and minorities, including racial and ethnic groups, the LGBTQ community, or those facing time constraints (resulting from duties such as childcare or nursing care), we have embedded a culture of acceptance for all people and their unique strengths and talents.

We recognize that establishing diversity within the Board of Directors is essential for improving the quality of discussions in Board of Directors Meetings and for promoting the innovation needed for long-term sustainable growth. Our policy in selecting and nominating Board Director candidates is to choose from a pool of candidates, assured to be diverse and qualified to fulfill the duties and responsibilities of the position, based on their skills, leadership, background, judgment, personality, insight, and experience. The Board of Directors believes that there is a strong need to increase the diversity of its membership, in particular in terms of gender. For this reason, we have committed to selecting at least one female Director candidate in the proposal for Director appointment at the Ordinary General Meeting of Shareholders to be held in June 2021.

■ To our stakeholders

Recruit Holdings continues to increase corporate value in a sustainable manner by promoting innovation in the HR Matching market and by transforming Marketing Solutions operations in our Media & Solutions business. The SDGs emphasize the importance of partnerships, and we truly believe that in order to realize a brighter world where all individuals can live life to the fullest, everyone must work together.

While paying careful attention to the voices of all of our stakeholders, including our individual users, enterprise clients, employees, agency workers, business partners, investors and shareholders, and civil society, we are working hard to achieve our mission—Opportunities for Life. Faster, simpler and closer to you.

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Representative Director

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