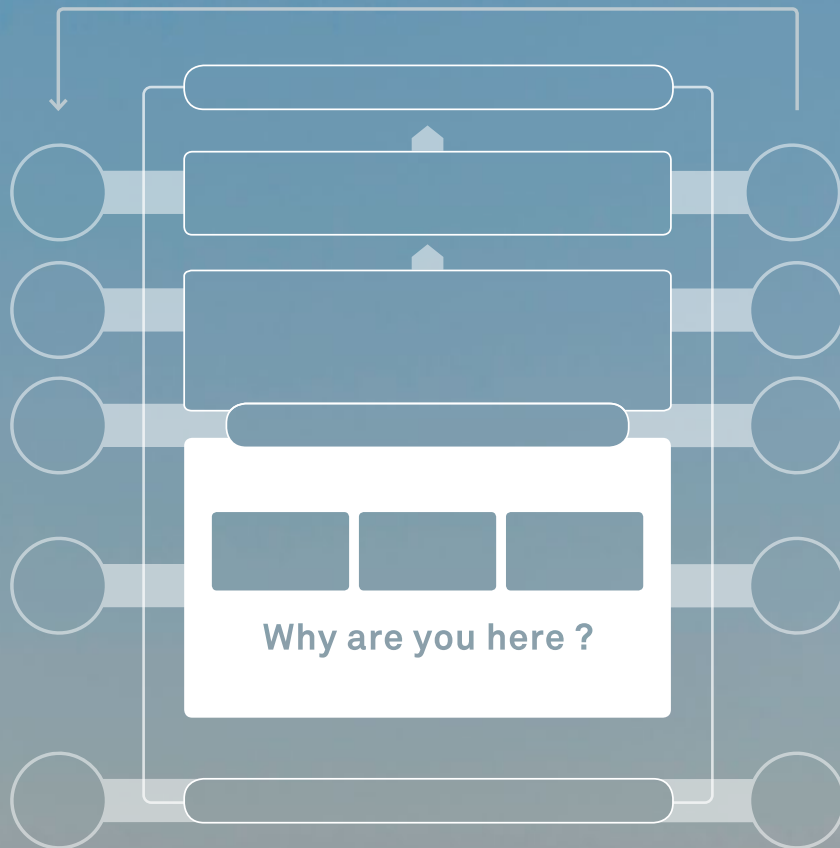


Annual Report 2017



Why are you here?



“ Why are you here? ”

This question captures the culture at Recruit.

**We believe this culture is the foundation
for all the value we create.**

**To Empower
Individuals...**



I help people
get jobs.

indeed™

**By providing
opportunities
for life**



Recruit Group Management Philosophy

Mission

We are focused on responding to the needs of society by creating new value, thereby contributing to a brighter and more fulfilling world in which all individuals can live life to the fullest.

Our aim is to contribute to a bright, vibrant future where people can choose their own life path.

Our vision is a world in which everyone can Follow Your Heart:

A world filled with opportunities for people of all generations and in all regions to aspire to even bigger dreams.

A world in which people can directly determine the course of their own life.

A sustainable, rich, and fulfilling world in which everyone has countless chances for a fresh start. In an effort to help achieve this world, we are committed to offering new opportunities and taking on a greater role to meet growing needs while believing in the potential of every individual.

Our mission is to be the one to help you discover Opportunities for Life.



Creation of New Value.

Contributions to Society.

Respect for All Individuals.



The Recruit Way

Creation of New Value

Generate new value to respond to society's growing needs, predicting and boldly tackling the challenges that come with the constantly changing times.

Contributions to Society

Contribute to society through all of our corporate activities, aspiring to realize a sustainable, rich, and fulfilling world.

Respect for All Individuals

Respect each individual. Based on mutual respect and high expectations for the ambition and potential of every employee, provide support for individuals to allow them to fully apply their energies.

Performance Highlights

(Fiscal year 2016)

EBITDA

¥230.8 billion

Overseas sales ratio

Over **40**%

Adjusted EPS growth rate

15.1%

Growth rate of
net sales of Indeed, Inc.

62%^{*}

Adjusted ROE

18.0%

(*) The Indeed results are based on fiscal year ending December and on USD, which differ from the figures of reported Recruit Holdings Co., Ltd. consolidated results, due to differences in consolidation methodologies.

Group employees

45,688



Consolidated subsidiaries

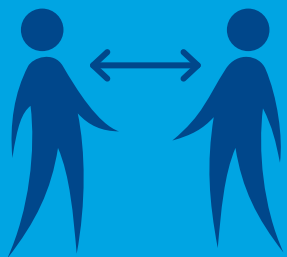
357

Years since foundation

57 years

New business entries
for RECRUIT VENTURES

700



Staffing positions filled by Recruit

Over **250,000**

Global Presence

Japan

Net sales

¥1,111.0 billion

Employees

32,325

Europe

Net sales

¥226.9 billion

Employees

5,926

Countries

Over

60

Other

Net sales

¥168.9 billion

Employees

2,486

North America

Net sales

¥332.9 billion

Employees

4,951

Overseas sales ratio

3.6%

FY2011

40.1%

FY2016

Annual Report 2017

Editorial Policy

From fiscal year 2016, Recruit Group has combined its annual report and CSR report into a single report to enable stakeholders to gain a greater understanding of management, business strategies and mid- to long-term value creation.

In addition to financial information and management strategies that have conventionally been published, this report includes more non-financial information and we have tried to make the report as visually comprehensible as possible by using a rich array of photos and charts. We would be delighted to have you read the report.

For more details on Recruit Group's financial and non-financial information, please refer to the Company website.

Latest Information for Investors <http://www.recruit-rgf.com/ir/>

Sustainability Information <http://www.recruit-rgf.com/csr/>

Warning about Forward-Looking Statements

Recruit Group has prepared this report based on the assumption that the information obtained is accurate and complete, but does not provide any declarations or guarantees about the accuracy or completeness of the information presented herein. Moreover, this report contains forward-looking statements. However, actual results may differ significantly from the estimates specified or implied by these forward-looking statements due to the materialization of various risks and uncertainties. Undue reliance should not be placed on these forward-looking statements. Third parties are expressly forbidden to publish or use this report, or any content herein, without the prior written consent of Recruit Group.

Period Covered by This Report

This report covers the 2016 fiscal year (April 1, 2016 to March 31, 2017).

However, comments are made about other fiscal years as necessary.

Referenced Guidelines

- International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- Global Reporting Initiative (GRI)
- G4 Sustainability Reporting Guidelines

INDEX

Message to stakeholders	17
CEO Message	18
CFO Message	26
Corporate governance	31
Leadership	32
Features of Corporate Governance	34
Interview with External Board Directors	39
Realizing Sustainable Management	42
Who we are	45
Recruit's Story of Value Creation	46
Providing New Value with the Ribbon Model	48
Corporate Culture	52
Intellectual Capital	53
What we do	61
Strategic Business Units	62
HR Technology	64
Media & Solutions	70
Staffing	76
Data section	83
Five-Year Financial Summary	84
Change of Our Reporting Segments	85
Business Overview	86
Consolidated Financial Statements	112
Corporate Governance	117
Sustainability	129
Sustainability	130



Message to stakeholders

CEO Message

Advancing Innovations that help individuals live to the fullest

Recruit's strength

It is the will of every employee to create new value by working hard to solve issues for immediate customers, for industries and eventually for society as a whole. We pick ourselves back up even when we fail and we learn from our mistakes.

The history of Recruit itself is also our strength, where we have continuously created major innovations by harnessing everyone's will.

From its home in Japan, Recruit aims to be No. 1 in the world.

Our vision is to create a more fulfilling world where all individuals can live life to the fullest.

A professional headshot of Masumi Minegishi, a middle-aged man with dark hair, smiling. He is wearing a dark grey suit jacket, a white dress shirt, and a dark blue tie with a light blue geometric pattern. The background is a plain, light grey.

Masumi Minegishi

President, CEO,
and Representative Director

■ Management in Tune with Global Trends

When I became CEO five years ago, globalization was already advancing at an unprecedented pace, and the advent of new devices like smartphones and the spread of social media were changing the way people communicate. My mission at the time was to steer Recruit as appropriately as possible.

I began by splitting Recruit Group into different businesses. I restructured the Group organization, of which Recruit Co., Ltd. had been at the center, dividing it into a set of core operating companies with 1,000–2,000 employees under Recruit Holdings Co., Ltd. Management decisions became much faster since each operating company resembled Recruit at the beginning of 1980s when Recruit was growing at its fastest pace.

In 2013, we revised our management philosophy to “We are focused on responding to the needs of society by creating new value, thereby contributing to a brighter and more fulfilling world in which all individuals can live life to the fullest”. Our mission is to deliver “Opportunities for Life”, which means providing the opportunities that people are seeking throughout the world, beyond the bounds of Japan, where we started our business.

As a step to realize this philosophy, Recruit set the vision of becoming the world leader in the HR business in terms of number of positions filled by 2020, and the world leader in terms of total service users in the HR and the Marketing Media businesses by 2030.

We decided to go public in 2014 because doing so would contribute to the long-term growth in profit that our vision dictates. The IPO diversified our financial strategy, increased trustworthiness from a global standpoint, and improved management transparency. It also allowed Recruit to invest flexibly and aggressively in growth, including M&A.

Our major agenda currently includes enhancement of existing businesses, development of new businesses and execution of

M&A. Particularly for overseas businesses, we aim to grow our HR technology business through Indeed, a search engine website. Aiming for a sustained increase in enterprise value, Recruit is reinforcing its corporate governance structure at the global level.

■ Our Determination as a Company is to Advance Innovation

Since the establishment of Recruit Group, all of our employees have worked to create new value with various stakeholders by directly addressing any needs expressed in the form of dissatisfaction, inconvenience, and unease in society and among our customers. I consider it our mission to provide new value to society through innovation.

Recruit was founded in 1960 during Japan's high economic growth period. We started out in the business of providing information that matches the needs between job seeking students and hiring companies.

We opened up hiring information in a consistent and convenient form as an information magazine, through which students can compare opportunities and choose an opportunity that best fits their will and value. This was a new model for seeking jobs. Years ago, it was considered virtuous to spend one's entire career at a single company, and changing jobs was viewed as taking a step backwards. Recruit changed that perception into an opportunity for people to shape their own careers and life plans. We have created opportunities to meet each person's job seeking needs in diverse situations, providing options of working as a part-time or temporary worker, and supporting women's participation in the workforce.

Going beyond the HR field, Recruit diversified into domains where information had been closed off, such as housing, travel, wedding and used cars. By opening up and eliminating asymmetries in information, we gave consumers confidence to choose and helped increase the efficiency of companies and industries.

By always being first to identify and provide solutions for the needs of people and industries, Recruit has created new markets and established itself as the leading brand. The services Recruit Group has created to date have become the essential infrastructure in its respective industries.

Today, the information we deal with has become digital and our medium of service is changing from paper-based magazines to the Internet and smartphone apps. Digital information can now reach the farthest corners of the world, so we may not be able to provide services required by users and clients if we stay within Japan. We are seeing major changes such as advancement of technologies accelerated globally like AI, rapid changes in communications such as a sharp shift to IoT and devices, and spread of social media and cloud-based services. We must quickly incorporate them and turn them into benefits for users. Not satisfied with being the leader in a limited range of domains and areas, we will relentlessly seek new challenges for creating new value.

■ Recruit's Competitive Edge Is Its People and Culture

How has Recruit kept its entrepreneurial spirit alive for more than 50 years? How is Recruit able to continuously produce such a variety of human resources? Moreover, why has Recruit been able to create new growth businesses and transform existing businesses at the same time amid changes in the environment?

I believe “people” are the answer to these questions. People are the driving force behind the creation of innovations tuned into the changes in the social landscape.

And the “people” are supported by two things: our corporate culture which can never be copied by rivals, and our way of nurturing people and making the most of them.

For example, our start-up contest has been held for over 30 years. This has created numerous new businesses, including Zexy, HOT PEPPER, and Jyuken Sapuri (now Study Sapuri). We hold the contest once a month, and around 700 business ideas

were proposed in fiscal year 2016.

In M&A by Recruit, the person who identified an opportunity and proposed the deal to management is assigned to continuously take responsibility after the acquisition. Instead of sending a large number of employees from Recruit over to the acquired company to impose our way of doing things, we clarify authority and have the management of the acquired company make its own performance commitments. We have found this to be a key aspect of our winning strategy.

Recruit has a number of systems for circulating human capital and intellectual capital, such as the Human Resources Development Committee, goal setting and assessment, feedback systems, and knowledge-sharing events.

Our true strength is that these systems, business models and corporate culture of “Entrepreneurs United”, “Strong Sense of Ownership”, and “Empowered Individuals, Strong Teams” have impacts on each other and develop continuously. The circulation of these competitive advantages, deeply embedded in our corporate culture, cannot be easily imitated by any other companies.

■ I Started Out Managing Several Media Businesses

My own roots can be traced to the principles of the “Strong Sense of Ownership” and the “Entrepreneurs United”. My career at Recruit started with the used car information magazine, Car Sensor. One day, when I was making the rounds of sales offices in an advertising and marketing company, I asked to take a turn answering the phones at a sales office that I was familiar with. I learned from inquiries over the phone what car models were popular, and analyzed which cars were selling well and at what price range in each region. Then proposed models to purchase and selling prices to certain store managers. The revenues at these stores began to grow. When I proposed selling new cars with affordable low interest rate loans, inquiries about the ads were off the charts. These experiences taught me the overriding importance of providing solutions to customers’ needs.

Next, with the launch of the wedding information magazine Zexy, I gained the invaluable experience of seeing how the declining wedding services industry could turn itself around by opening up information and offering products completely tailored to the customers. Companies can invigorate entire industries. I came to be attracted by making a commitment to society as a business person.

Subsequently, I was put in charge of the Housing and Real Estate business. We decided to overhaul this business, where growth had slowed over the past 30 years, and reposition the service primarily online under the SUUMO brand, creating a new growth platform. Our employees did the most important job, meeting with customers and facing the industry with a strong determination and a vision for what they wanted to achieve. I set them challenging targets and tasks one after the other, and they developed by striving for those challenges. This kind of our culture makes Recruit what it is.

■ Aiming to Help Solve Social Issues around the World

Globalization and IT are having impacts on society and the environment. In this rapidly shifting trend, we will embark on even more complex and difficult challenges.

In countries around the world, there are innumerable social issues waiting for solutions. I believe it is our mission to help these issues be solved. In the HR field for instance, Recruit is directly taking on issues of inequality. We are providing solutions for unmet needs in various countries and professions through our staffing business and our job search site Indeed, both are in the leading positions in the global market. Recruit also understands the importance of an even stronger awareness of ESG, and continues forward-looking initiatives that contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations through determined cooperation with various stakeholders and sectors.

What else can Recruit Group do to solve issues around the world? We will strive to create new value, aiming at achieving a bright and sustainable world for everyone, while grasping the overall image of an increasingly complex world.

Recruit Group will continue to take on new challenges in a constantly changing world to meet the ever-increasing expectations of society with the support of its stakeholders.

峰岸 真澄



CFO Message



Keiichi Sagawa

CFO, CRO, and Senior Managing
Corporate Executive Officer

Achieving Record-Setting Profits and Delivering a Solid Performance in Line with Our Mid-Term Management Strategy

■ Record-Setting Net Sales and EBITDA*

In fiscal year 2016, Recruit Group generated EBITDA of ¥230.8 billion, an increase of 14.1% year on year, on net sales of ¥1,839.9 billion, up 15.8%, representing its best performance

since fiscal year 2007. Net sales grew in all three major segments: the Marketing Media, HR Media and Staffing. Net income attributable to owners of the parent rose 32.4% to ¥85.4 billion. The overseas ratio of consolidated net sales, which was only 3.6% in fiscal year 2011, has risen to 40.1% due to M&A in the Staffing business and growth at Indeed.

With its swift decision-making structure, Recruit Group will respond to the rapidly changing Internet business environment, capture needs and business opportunities in the global market ahead of others, and maximize shareholder value and enterprise value. Starting from April 2016, Recruit formed three new Strategic Business Units (SBUs) called Global Online HR, Media & Solutions, and Global Staffing. With a new structure designed to accelerate business momentum in each SBU, in fiscal year 2016, Recruit began to disclose information based on the SBU structure using HR Technology, Media & Solutions, and Staffing as its three reportable segments.

* Recruit voluntarily adopted International Financial Reporting Standards (IFRS) from fiscal year 2017. Prior-year comparisons for fiscal year 2016 results are based on Japanese GAAP and will differ from comparisons based on finalized IFRS figures. Please refer to page 29 for the background to the introduction of IFRS, and page 63 for performance data comparisons for each segment based on IFRS figures.

■ Management Strategy and Progress

Over the three-year period beginning in fiscal year 2016, Recruit Group has been working to develop new businesses and execute M&A, along with bolstering existing businesses in Japan and overseas, in order to achieve its long-term vision. Notably, Recruit Group has positioned the HR Technology segment, centered on Indeed as a growth pillar. To implement this growth strategy, Recruit has broadened the time frame of its management targets from “stable growth each fiscal year” to the “compound annual growth rate (CAGR) for three years”. We have also adopted adjusted EPS as a management target. For the three-year period from fiscal year 2016 to fiscal year 2018, we are targeting a compound annual growth rate in the high single digits. Adjusted EPS for fiscal year 2016 was ¥80.42, an increase of 15.1% year on year.

We continue to execute appropriate financial strategies in accordance with the mid- to long-term strategy. As of the beginning of fiscal year 2017, Recruit has the capacity to execute investments of up to ¥500 billion over the mid-term. Even so, Recruit has maintained its strategy of giving priority to raising funds from external borrowings when cash in hand generated from business activities does not cover the fund requirements for new investments, or when external conditions such as foreign exchange and interest rates are conducive for such financing. In terms of capital efficiency, Recruit's basic policy is to maintain its ROE of around 15%.

■ **Balancing Investments to Enhance Enterprise Value and Shareholder Returns**

To benefit all shareholders, Recruit Group is committed to increasing enterprise value through appropriate management decisions on well-considered investments and ongoing earnings growth. In addition, we position shareholder returns as an important management measure.

With a basic policy of maintaining a steady and sustained dividend, we will determine the return of profits to shareholders by comprehensively regarding business performance trends and the need to enhance internal reserves for growth investments and establish a solid financial base. Guided by this policy, in February 2017, we revised our benchmark for the payout ratio from “around 25% of consolidated net income before amortization of goodwill” to “approximately 30% of profit attributable to owners of the parent, excluding the effects of non-recurring income/losses”, in order to enhance the return of profits to shareholders.*

Based on this policy, in fiscal year 2016, we paid an annual dividend of ¥65 per share. Looking ahead, we will continue to steadily return profits to shareholders.

Additionally, we have decided to distribute an interim dividend from fiscal year 2017, and plan to distribute dividends twice a year based on interim and year-end dividend record dates.

We also implemented a three-for-one stock split of our common stock with a record date of June 30, 2017 and an effective date of July 1, 2017. The purpose of this stock split is to increase stock liquidity and expand the investor base by reducing the stock price per trading unit of stock.

* Presented on a Japanese GAAP basis before the revision and in terms of IFRS line items after the revision.

■ Accelerating Global Business Expansion Further through the Voluntary Adoption of IFRS

Recruit Group is expanding its business in the global market. To accelerate this process, we must strengthen the foundations of our business management while enhancing the international comparability and convenience of financial information for the capital markets. Accordingly, Recruit Holdings has voluntarily adopted IFRS to replace the previous Japanese GAAP standard.

Looking at the impact of adopting IFRS on Recruit Group's consolidated business performance compared to Japanese GAAP, revenue for fiscal year 2016 increased by ¥101.9 billion to ¥1,941.9 billion, and EBITDA by ¥1.4 billion to ¥232.2 billion. The main reason for the increase in revenue was that the consolidation period for the results of USG People (Staffing segment), which became a consolidated subsidiary in fiscal year 2016, was extended from 6 months under Japanese GAAP to 10 months under IFRS, as IFRS consolidates the business results of overseas subsidiaries on the same balance sheet date as the parent company. Operating income increased by ¥66.2 billion to ¥193.5 billion and net income attributable to owners of the parent by ¥51.2 billion to ¥136.6 billion. The main reason for the large increases in operating income and net income is that goodwill is not amortized under IFRS. Incidentally, adopting IFRS had only a limited impact on EBITDA and adjusted EPS, Recruit's key management targets. Both targets have been adjusted to facilitate like-on-like comparisons with figures based on Japanese GAAP even after the transition to IFRS.



Our vision for the world
Follow Your Heart

Follow Your Heart

Material wealth does not necessarily lead to fulfillment in life. Recruit believes that in a truly fulfilling world, people can achieve their dreams on their own and choose their own lifestyle. *Follow Your Heart* expresses our wish to be the one to support individuals as they work toward their dreams.

Corporate governance

Leadership

Board & Directors



Masumi Minegishi President, CEO, and Representative Director

Masumi Minegishi joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1987 and subsequently was transferred to a section responsible for new business development in 1992, where he contributed to the launch of the Zexy bridal magazine. In 2003, he was appointed Executive Officer at the age of 39, becoming the youngest Executive Officer at the time. He subsequently assumed the role of Senior Corporate Executive Officer in 2004 and was placed in charge of the housing information business, where he built the SUUMO brand and contributed to the launch of Japan's largest comprehensive housing information service. After becoming Board Director and Senior Corporate Executive Officer in 2009, he was involved in medium- to long-term planning as the officer in charge of corporate planning and also promoted investment in companies outside Japan as the officer in charge of business department. He has been serving in his current position as President, CEO, and Representative Director, since 2012.



Shogo Ikeuchi CSO, CHRO, and Senior Managing Corporate Executive Officer

After joining Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1988, Shogo Ikeuchi spent his first two years working on a supercomputer project. He subsequently worked in the Corporate Planning and Recruitment Advertising Departments before transferring to the Human Resources Department in 1993. There he was involved in the design of the Company's personnel management system. From 2000, he worked at the Office of Corporate Planning, where he engaged in the formulation of mid- and long-term growth strategies, promoted new business development, and facilitated overseas business expansion with a focus on Asia. He subsequently was in charge of corporate planning and human resources as an Executive Officer, a role which he assumed in 2005 and which contributed to Recruit's overseas business expansion and R&D efforts. After being appointed Corporate Executive Officer and Board Director in 2012, he was based in New York as Representative Director of Recruit USA, Inc. from January 2014 through the end of March 2016. In April 2016, he assumed the positions of Senior Managing Corporate Executive Officer and Board Director and has been in charge of corporate planning and human resources.



Keiichi Sagawa CFO, CRO, and Senior Managing Corporate Executive Officer

Keiichi Sagawa joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1988, where he was first assigned to the accounting department before transferring to the HR Division in 2000 and becoming Division Head of the HR Tokai Division in 2004. In that capacity, he worked to strengthen services such as From A navi and TOWNWORK. He subsequently was appointed Corporate Executive Officer in 2006. As the officer responsible for business supervision, he facilitated the reorganization of the governance structure from a division-based structure to a company-based structure. By redefining the company as the strategic business unit and delegating authority and responsibility accordingly, he improved the level of freedom in business operations and helped develop business leaders. As the officer responsible for investment management, he also built the foundation for promoting M&A strategy. In 2011, he was appointed Corporate Executive Officer and Board Director and led the IPO project that resulted in the successful listing of Recruit Holdings on the First Section of the Tokyo Stock Exchange in October 2014. In his current position, he is in charge of the corporate staffing department and is responsible for areas including finance, accounting, tax matters, capital market strategies, legal affairs, compliance, and information security.



Shigeo Ohyagi External Board Director

Shigeo Ohyagi joined Teijin Limited in 1971. During a time when Teijin was transforming itself and diversifying its business, he volunteered to set up new projects and was assigned to the pharmaceuticals and healthcare division. For the following 30 years, he worked on the development of a nationwide in-house sales system, numerous partnership alliance deals, and made the pharmaceuticals and healthcare division the central pillar of Teijin's earnings. In 2008, he assumed the role of President and CEO of Teijin. Facing a challenging business environment following the 2008 financial crisis and the Great East Japan Earthquake, he carried out structural reform, including the consolidation of production facilities, while pushing forward a strategy for future growth and development. In 2014, he became Chairman of the board at Teijin. In June 2014, he assumed the role of External Board Director at Recruit Holdings Co., Ltd. With a depth of knowledge and experience as a manager at Teijin who globally developed a wide variety of projects centered around materials and healthcare, he is using his knowledge of corporate governance to provide oversight of business matters and advice on all aspects of management.



Yasushi Shingai External Board Director

Yasushi Shingai obtained a Master's degree in engineering at Kyoto University Graduate School of Engineering in 1980 and subsequently joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc. (JT)). Starting in 1989, he spent seven years in the US identifying and implementing many joint research and development projects with American pharmaceutical and biotechnology start-up companies, including joint development of the Anti-HIV prescription drug, ViraceptR. He returned to the JT Head Office in 1996 to handle company-wide corporate strategy and financial strategy as well as M&A. After serving as Vice President of the Financial Planning Division, he was appointed Director, Senior Vice President and Chief Financial Officer. In 2006, he took on a role at JT International S.A., the world headquarters for the international tobacco business outside of Japan and China, to oversee the acquisition and integration of British-based multinational company named Gallaher Group. He has been Executive Deputy President and Representative Director at Japan Tobacco Inc. (JT) since June 2011. He has also been External Board Director at Recruit Holdings Co., Ltd. since June 2014.

Audit & Supervisory Board Members



Yukiko Nagashima Audit & Supervisory Board Member (standing)

Yukiko Nagashima joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1985. After working in recruitment advertising, she transferred to the personnel department in 1995. There, she headed recruitment and education and launched an internal business school and other programs for exchange study among companies in different industries. She transferred to the bridal business in 2002 and grew Zexy into the largest bridal information service business in Japan before being appointed Corporate Executive Officer in 2006. She subsequently was appointed President and Representative Director of Recruit Staffing Co., Ltd. in 2008, where she promoted "smart work" that emphasizes per-hour productivity and pursued the creation of work opportunities for more diverse individuals. She assumed her current role as Audit & Supervisory Board Member (standing) in June 2016.



Akihito Fujiwara Audit & Supervisory Board Member (standing)

Akihito Fujiwara joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1986. He was responsible for building many operational systems within the Information Network Department and Internal Systems Department, transitioning from paper-based to Internet-based business, and establishing IT management processes. He became Federation Executive Officer of FIT (Federation of IT, referring to a company-wide cross-functional information systems organization which is currently Recruit Technologies Co., Ltd.) in 2004 and Corporate Executive Officer in 2006 before being appointed head of the Automobile division (currently Recruit Marketing Partners Co., Ltd.) in 2009 and head of the ad optimization and Keyman's Net promotion office in 2013. He was named Audit & Supervisory Board Member (standing) of Recruit Holdings Co., Ltd. in 2014, a position he still holds today.



Hiroki Inoue Audit & Supervisory Board Member

Hiroki Inoue is a Partner, Nagashima Ohno & Tsunematsu. His beginnings at this law firm go back to 1990, when he joined its predecessor, Nagashima & Ohno. In 1995, he received his Master of Laws (LL.M.) degree from Harvard Law School. In 1996, he became a registered attorney of New York State. From 1995 to 1996, he worked at Troutman Sanders LLP, a law firm in Atlanta, Georgia, USA. From 1996 to 1998, he worked at the Nagashima & Ohno ASEAN Office in Singapore, and was involved in the legal issues facing Japanese corporations in Southeast Asia. Since returning to Japan in 1998, he has mostly focused on M&A transactions while also providing legal services in a wide range of areas, some of which include offering advice on the Companies Act, the Financial Instruments and Exchange Act, and the Insurance Business Act, and offering guidance on annual general meetings and international business transactions. Since 2015, he has been involved in the management of Nagashima Ohno & Tsunematsu as Managing Partner. He is also currently serving as an Audit & Supervisory Board Member of Recruit Holdings Co., Ltd. since being appointed to this position in June 2015.



Yasuaki Nishiura Audit & Supervisory Board Member

Yasuaki Nishiura joined the Tokyo Office of Tohmatsu Aoki & Co. (currently Deloitte Touche Tohmatsu LLC) in 1975. After seven years of experience in the audit department, he was transferred to the San Francisco office of Touche Ross & Co. (currently Deloitte & Touche LLP) and launched the Japanese Services Group from scratch. Five years later in 1987, he was promoted to Partner at Deloitte & Touche LLP. He has been involved with many consulting projects such as M&A transactions, human capital strategy, and intellectual property strategy and mainly supported the direct investments of Japanese businesses into the United States. In 2011, he was promoted to West Region Leader of the Japanese Services Group of Deloitte & Touche LLP. In 2014, he retired from Deloitte & Touche LLP. In June of 2016, he joined Recruit Holdings Co., Ltd. as an Audit & Supervisory Board Member and is currently serving in that capacity. He is also a Visiting Professor at Nagoya University, a position he has held since August 2016.

Features of Corporate Governance

Our Approach

Based on our corporate mission, we seek long-term and stable growth for our business. We believe that governance is important to enhance our enterprise value and to be an attractive company for all of our stakeholders, such as users, clients, shareholders, employees, business partners, society, and local communities.

Corporate Governance Overview

Ensuring transparency, appropriateness, and effectiveness of management for the sustainable increase of enterprise value.

Form of Corporate Governance	Company with an Audit & Supervisory Board
Chairman of the Board of Directors	Masumi Minegishi
Number of Board Directors	Five members including two external members
Number of Audit & Supervisory Board Members	Four members including two external members
Fiscal Year 2016 Board of Directors Meetings	
Number of meetings	17
Board Director average attendance	100%
Audit & Supervisory Board Member average attendance	100%
Fiscal Year 2016 Audit & Supervisory Board Meetings	
Number of meetings	17
Audit & Supervisory Board Member average attendance	100%
Election of Independent Officers	Two External Board Directors, one External Audit & Supervisory Board Member
Executive Remuneration System	<ol style="list-style-type: none"> 1. Fixed remuneration 2. Short-term incentive plan: cash remuneration based on individual assessments for each fiscal year 3. Long-term incentive plan: stock remuneration based on attainment of the consolidated performance targets for each fiscal year
Accounting Auditor	Ernst & Young ShinNihon LLC

Previous Steps to Strengthen Corporate Governance

Steps to strengthen corporate governance include the introduction of the Corporate Executive Officer system and the Strategic Business Unit (SBU) system. We aim to continuously strengthen our systems in response to changes in the business environment.

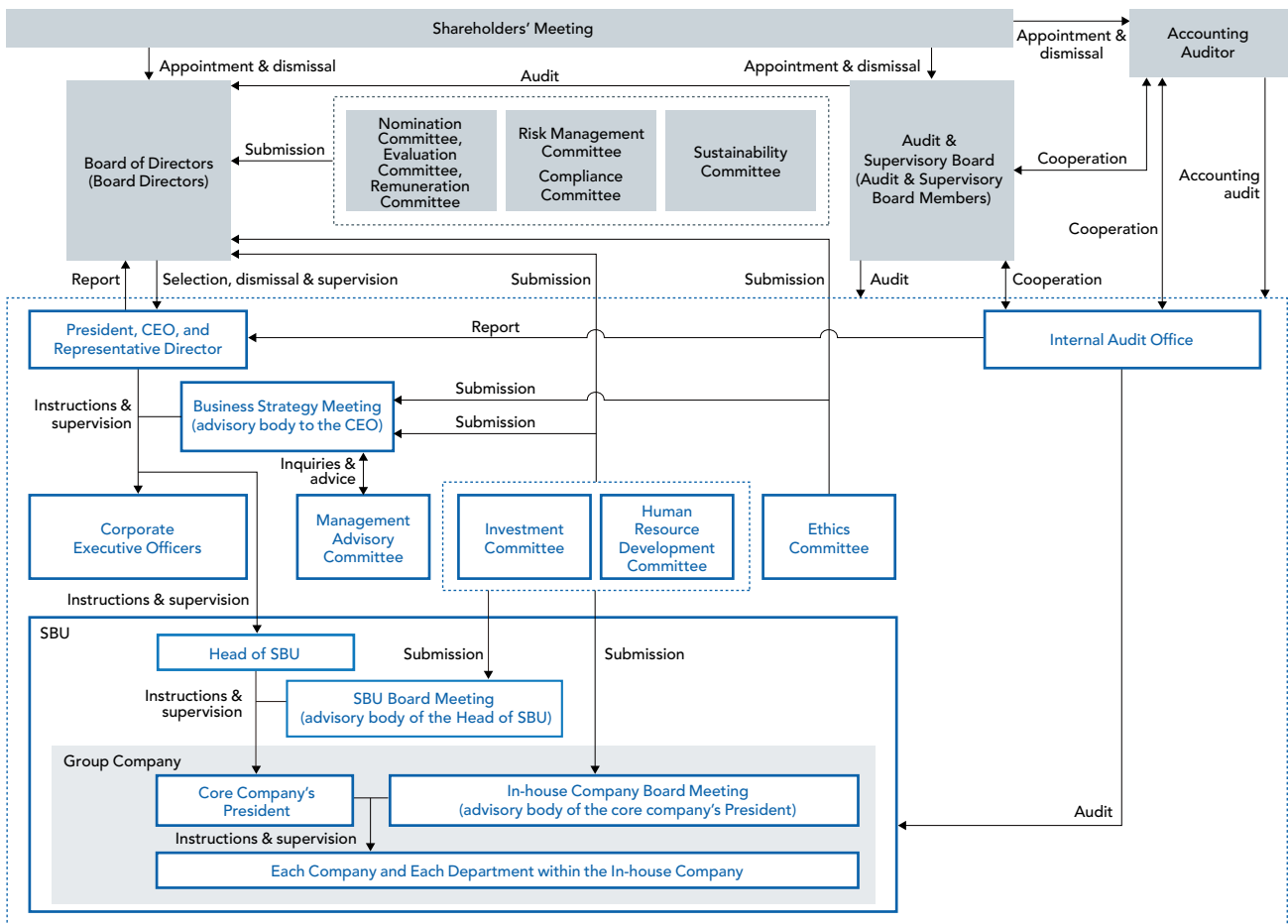
Time	Measures	Objectives
2000	Introduction of the Corporate Executive Officer system	· Separation of management and execution
2006	Introduction of the in-house company structure system	<ul style="list-style-type: none"> · Rapid response to environmental change · Development of business managers · Acceleration of business development
2012	Transition to holding company structure and new Group setup	<ul style="list-style-type: none"> · Recruit Holdings: to focus on overseas development and R&D · Operating companies to build competitive advantages and focus on achieving stable growth
2016	Introduction of SBU structure	· Maximize value at the SBU level

■ Outline of the Corporate Governance Structure

To create a governance system emphasizing compliance, the Company appoints External Board Directors on its board and has adopted the “company with an Audit & Supervisory Board” form of organization (as defined in Japan’s Companies Act), in which Audit & Supervisory Board Members oversee the activities of Board Directors and the Board of Directors. At the same time, we appoint External Board Directors and External Audit & Supervisory Board Members in the interest of accountability to shareholders and other stakeholders, the provision of management advice, and the maintenance of checks on the execution of business activities. We strengthen the management oversight function by establishing committees such as the Nomination, Evaluation and Remuneration Committee directly under the Board of Directors.

To achieve rapid decision-making, Corporate Executive Officers, who are also Board Directors, are appointed and vested with decision-making authority for certain important matters of business execution. In view of the contributions of External Board Directors and the performance of the Audit & Supervisory Board, our present corporate governance system is judged to be functioning properly.

Outline of the Corporate Governance System



■ Advisory Functions of the Board of Directors

To strengthen the management oversight function, Recruit has voluntarily installed six committees under the direct control of the Board of Directors.

Composition of the Committees

● = Committee member

		Nomination Committee	Evaluation Committee	Remuneration Committee	Risk Management Committee	Compliance Committee	Sustainability Committee
President, CEO, and Representative Director	Masumi Minegishi	●	●	●		Chair-person	●
Board Directors	Shogo Ikeuchi	●	●	●			Chair-person
	Keiichi Sagawa				Chair-person		
External Board Directors	Shigeo Ohyagi	Chair-person	●	●			
	Yasushi Shingai	●	Chair-person	Chair-person			
Audit & Supervisory Board Members (standing)	Yukiko Nagashima						
	Akihito Fujiwara						
External Audit & Supervisory Board Members	Hiroki Inoue		●	●			
	Yasuaki Nishiura	●					
External experts, etc.					●	●	●

■ Executive Remuneration

The basic policies for officer remuneration of the Company are as follows.

1. Maintain a sufficient remuneration standard that can attract and retain superior management talents globally
2. Establish a highly performance-based remuneration plan that motivates officers to attain performance targets
3. Set remuneration linked to mid- to long-term enterprise value
4. Enhance objectivity and transparency in the remuneration determining process

The remuneration standards are determined with reference to the officer remuneration standards at major corporations as a benchmark based on external database services.

Remuneration for Board Directors (excluding External Board Directors) and Corporate Executive Officers consists of fixed remuneration (cash remuneration), a short-term incentive plan (cash remuneration) based on individual assessments for each fiscal year, and a long-term incentive plan (stock remuneration) based on attainments of the consolidated performance targets for each fiscal year. The Recruit's performance-based remuneration system is the Board Incentive Plan Trust (BIP Trust) scheme, which is an executive incentive plan based on the Performance Share Plan and the Restricted Stock Plan of the US. This is a stock-based officer remuneration plan under which Board Directors, etc., receive a grant or payment of Recruit's shares or an amount of money equivalent to the converted value of the Company's shares according to their individual rank and the level of attainment of performance

targets. The scheme aims at further clarifying the link between remuneration for Board Directors, etc., and the stock value of Recruit to promote motivation in contributing to the enhancement of mid- to long-term performance and improvement of enterprise value.

	Type of remuneration	Details
Board Directors	Fixed remuneration	Cash remuneration
	Short-term incentive plan	Cash remuneration based on individual assessments for each fiscal year Around 50% (against fixed remuneration)
	Long-term incentive plan*1	Stock remuneration based on attainment of the consolidated performance targets for each fiscal year Within the range of 50% to 200% (against fixed remuneration)
External Board Directors/ Audit & Supervisory Board Members	Fixed remuneration only	

*1 The performance target up to fiscal year 2018 is EBITDA for the existing businesses*2. For fiscal year 2018, the level of attainment of the adjusted EPS*3 performance target set during fiscal year 2016 shall also be considered in determining the level of payment. The performance-linked factor for the long-term incentive plan shall be within the range of 0% to 150%. The performance target indicator for the long-term incentive plan reflects the differences in the amount of EBITDA arising from the sales of each business during the period. Nevertheless, there will be no change to the level of adjusted EPS set for fiscal year 2016.

*2 EBITDA for the existing businesses: EBITDA (operating income + depreciation and amortization ± other operating income/expenses) for the existing businesses, excluding results of the subsidiaries to be newly consolidated as a result of acquisition of their shares, etc.

*3 Adjusted EPS = Adjusted net income*4 / (number of shares issued at the end of the period – number of treasury stock at the end of the period)

*4 Adjusted net income = Net income attributable to owners of the parent ± adjustment items*5

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

Remuneration amounts for Board Directors and Audit & Supervisory Board Members in fiscal year 2016 were as follows.

Executive position	Remuneration by type (Millions of yen)					Number of grantees
	Remuneration (Millions of yen)	Fixed remuneration *1,*2	Short-term incentive plan*1,*2	Long-term incentive plan	Retirement Benefit Reserve, etc.	
Board Directors (Excluding External Board Directors)	826	250	129	445	2	4
Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members)	68	66	—	—	2	3
External Officers	53	53	—	—	—	5

*1 A resolution setting the upper limit on remuneration for Board Directors at ¥50 million per month was passed at the 31st Ordinary General Meeting of Shareholders held in June 1991.

*2 A resolution setting the upper limit on remuneration for members of the Audit & Supervisory Board at ¥10 million per month was passed at the 57th Ordinary General Meeting of Shareholders held in June 2017.

For fiscal year 2016, individual remuneration for officers (limited to officers whose total remuneration on a consolidated basis was ¥100 million or more) was as follows.

(Millions of yen)						
Name	Executive position	Total remuneration	Fixed remuneration	Short-term incentive	Long-term incentive	Allowance for retirement benefits, etc.
Masumi Minegishi	Representative Director	302	85	41	175	0
Shogo Ikeuchi	Board Director	168	55	27	85	0
Keiichi Sagawa	Board Director	168	55	27	85	0

■ Evaluation of the Effectiveness of the Board of Directors

Self-evaluations were conducted in the following manner with respect to the meetings of the Board of Directors held during fiscal year 2016.

[Details of the self-evaluation]

- Persons evaluated: Board Directors and Audit & Supervisory Board Members of Recruit (10 persons in total)
- Evaluation period: From end of March 2017 to mid-April 2017
- Summary: Individual interviews were conducted, as necessary, based on the preliminary aggregate results of replies to a questionnaire survey that consists of items such as the appropriateness of the roles and responsibilities of the Board of Directors; the appropriateness of the organizational structure and composition of the Board of Directors; the appropriateness of the qualities and knowledge of Board Directors; the effectiveness of deliberations by the Board of Directors; the effectiveness of checks and balances and oversight functions performed by and between Board Directors who are also Corporate Executive Officers; and the appropriateness of deliberations from the perspective of shareholders and other stakeholders, as well as open-ended questions.

[Results of analysis and evaluation]

- The organization structure and composition of the Board of Directors as well as the qualities and knowledge of Board Directors are adequate in conducting deliberations.
- The level of agenda standards of the Board of Directors is adequate, and the Board proactively and continually carries out initiatives for prior distribution of materials and improvement of sharing methods.
- The Board of Directors conducts candid deliberations.

Based on the above, the Company's Board of Directors is deemed to be adequately fulfilling its roles and responsibilities both in terms of decision-making and supervision over business execution.

[Issues to be addressed]

In the course of the analysis and evaluation, constructive opinions were voiced that efforts should be made to enhance the effectiveness of the Board of Directors by further raising the precision of the agenda and the points of issue for improving enterprise value in the mid- to long-term. Going forward, the Company will endeavor to enhance the deliberations of the Board of Directors and its effectiveness.

» For more corporate governance information, please refer to page 117 and the following pages.

Interview with External Board Directors



Shigeo Ohyagi External Board Director

Mr. Shigeo Ohyagi joined Teijin Limited in 1971. During his career at Teijin, he worked in the Pharmaceutical Business Unit, and as CEO, and Representative Director of the Board in 2008, and Chairman of the Board in 2014 (his current position). He has been an External Board Director of Recruit Holdings Co., Ltd. since June 2014.



Yasushi Shingai External Board Director

In 1980, Yasushi Shingai joined Japan Tobacco and Salt Public Corporation (now JT Inc.). After serving as Vice President of the Financial Planning Division and Chief Financial Officer he became Executive Deputy President and Representative Director in 2011 (his current position). He has been an External Board Director at Recruit Holdings Co., Ltd. since June 2014.

Conducting effective governance while watching over growth as a global company

Recruit's External Board Directors Shigeo Ohyagi and Yasushi Shingai talked about their opinions of Recruit Group's corporate governance and challenges for improving enterprise value.

Q. Recruit Group transitioned to a Strategic Business Unit (SBU) structure following a major reorganization after splitting it into different businesses in 2012. What is your opinion of the progress made so far?

Ohyagi: This project was proposed to the Board of Directors in the previous fiscal year. I learned that Recruit's Board Directors were truly thinking strategically about what shape Recruit Group's organization should take to adapt to changes around the world amid rapid advances in IT globally. The purpose for

changing an organization is to maximize enterprise value, but, as a matter of course, it entails risk. Within this context, I was impressed by how quickly management moved to exhaustively examine detailed strategic scenarios at the Business Strategy Meeting. We External Board Director were able to participate in discussions because Board Directors explained how the reorganization would improve the overall efficiency of the Company and described how each SBU would fit into the holding company structure and the personnel assignments, cost issues, risks and

responsibilities for each SBU.

In the manufacturing industry where I came from, companies tend to take their time implementing measures, so I had thought it would take several years for Recruit Group to finish such a major reorganization. I was very impressed how quickly Recruit Group made progress.

Shingai: I was also filled with admiration by how quickly the reorganization progressed. I could see that the Board Directors had a clear image of what is expected of each SBU within the larger picture of Recruit Holdings. By participating in discussions at the Board of Directors, we External Board Directors were able to also have a clearer image of that reorganization. At first, I was concerned that this transition to an SBU structure would be like gilding the lily. However, management proactively addressed the potential pitfalls of traditional organizational theory by specifically clarifying how to promote the delegation of authority and how to divide responsibilities among the holding company, each SBU and subsidiaries. The business domain of the Media & Solutions SBU is especially broader in scope than other SBUs, so its complexity and diversity are different. I understand that management debated extensively over the significance of combining all these operations into a single SBU. In the end, as a clear picture began to develop of each SBU, it became apparent how the SBUs will be able to develop business more broadly in ways that a single operating company cannot, and how these functional areas will have a positive financial impact. It is now possible to see where value is being created, a remarkable accomplishment in my opinion.

Ohyagi: During this transition, Recruit also

continued improving its business portfolio through transfer of subsidiaries' shares and rebuilding its IT systems. I believe the ability to bring about a self-transformation on this scale is a unique trait of Recruit Group.

Q. What is your assessment of the PMI process after M&A deals are signed? Are there any issues?

Shingai: I have plenty of experience in PMI. I would say that Recruit Group places importance on the corporate cultures of acquired companies during the PMI process. What is corporate culture? It is a pattern of behavior that has developed over many years under the influence of various frameworks in a place where people gather. At Indeed, for example, sharp growth for so long from so soon after its founding led to the development of a certain culture. After acquiring Indeed, Recruit made a bold decision to leave it alone without trying to impose the company's own corporate culture. I believe this is remarkable. For PMI to be successful, it is important to decide before the acquisition on what to do with management after the acquisition. At the Global Online HR SBU, Recruit explains to acquisition candidates the advantages of Unit management system prior to the acquisition, getting them interested in trying out this style of management. In other words, Recruit focuses on inspiring the autonomy of acquired companies.

Meanwhile, it is essential to avoid risks that should not be taken in M&A. I believe Recruit was able to definitely control risks with help from outside experts. I have been particularly interested in the initiatives at the Media & Solutions SBU, which has been examining new

strategies for businesses that use IT while advancing PMI at acquired overseas subsidiaries. More specifically, management laid out winning strategies before the acquisitions and has been flexibly revising those strategies in accordance with progress on PMI. This cannot be easily imitated by other ordinary companies. As External Board Directors, we might be forthright with our opinions, but the Board Directors take our opinions seriously and understand that taking some risks is necessary to generate future returns.

Ohyagi: There are numerous examples of failed PMI around the world. This is because there are compliance issues lurking under management's radar. Recruit Group will need to continue to refine its compliance initiatives and systems. As the holding company has delegated authority to each SBU, it is important to stay in control while maintaining overall harmony. I believe the Board Directors are already aware of this.

Shingai: Stories about companies faltering often begin on the far horizon where no one is looking. For global management to work well, it is important to increase transparency and share information about risks. It is the same with PMI. There are numerous case studies of other companies that encountered problems, and they are quite valuable lessons for us to learn to stay on constant alert.

Q. What is your opinion of initiatives underway to improve corporate governance?

Ohyagi: Recruit Holdings has adopted the "company with an Audit & Supervisory Board" form of corporate governance. Once decision-making authority is given to SBUs, the

monitoring functions of the holding company become even more important. Accordingly, Recruit Holdings may change the design of its systems in the future.

Shingai: That's true. Strengthening the Group's governance and developing business quickly, however, do not always follow the same vector, and may veer off direction occasionally. This creates a healthy conflict, underscoring the need to increase transparency, especially for information about risks. People from the SBUs and those engaged in governance need to talk face to face and find common ground to accelerate business development. I think the Company have come up to a higher stage of mutual understanding last year through observing everyone's effort to reach agreements.

Ohyagi: Recruit Group is highly motivated in taking on new business challenges. It is our responsibility as External Board Directors to make sure no mistakes are made on the compliance front. To this end, we have augmented reporting functions and clearly stated our opinions. Looking back on the past year or two, Recruit has implemented the regular level of compliance measures. And from the current fiscal year, Recruit has added a foreign national to its roster of executive officers (Mark Schultz, Corporate Executive Officer in charge of Legal/Compliance/Information Security). I believe the Company has struck an excellent balance between being on the offensive and the defensive, by aiming to hire professionals able to thrive on the global stage. We will do our utmost to support the long-term growth of Recruit Group.

Realizing Sustainable Management

■ Compliance

We instituted Recruit Group Code of Ethics and various internal regulations to embody the Recruit Group Code of Ethics, and we use them as guidelines for self-regulation in our business practices. The internal control departments at Recruit Holdings and each Group company conduct compliance training and work to instill compliance practices within Japan, presenting the education content in a manual. Employees are given comprehension tests until they all pass. A whistleblower mechanism has been set up so that employees can inform the help line and seek advice or resolutions for various problems when there are signs of improper or unfair behavior.

Recruit Group (domestic data)	FY2014	FY2015	FY2016
Number of people undergoing training such as compliance comprehension tests	27,151	26,803	22,425
Reports and consultations with the Corporate Ethics Help Line	149	235	228

■ Prohibition of Bribery and Insider Trading

With consideration of our social and ethical responsibilities, we have established Recruit Group Regulations on Maintaining a Proper Distance with Politicians and Public Officials. Our aim is to prevent bribery by maintaining proper relationships with politicians and public officials. We have also issued Recruit Group Insider Trading Prevention Regulations as part of our effort to prevent the occurrence of insider trading.

■ Risk Management

We have instituted Recruit Group Risk Management Regulations so that we establish a basic policy for risk management and its promotion system, and thus carry out sound management of and responses to various risks associated with our businesses. The internal control departments at Recruit Holdings and each Group company establish priority risk themes and address these to advance various risk reduction measures.



■ Sustainability Management

Recruit Group holds Stakeholder Dialogues with a variety of stakeholders and Expert Dialogues with external experts. We draft proposals after considering and discussing initiatives that we should undertake, and these are further considered by the Sustainability Committee, an advisory body to the Board of Directors. Based on these discussions, at the Board of Directors, there are regular reports and discussions about annual sustainability promotion themes, activities, results and challenges, and future plans.

■ Respect for Human Rights and Environmental Preservation as a Business Foundation

Recruit Group considers respect for the human rights of each and every individual to be a major precondition for creating a society in which all people can flourish in line with its management philosophy. Recruit Group Code of Ethics clearly requires respect for human rights and forbids actions that infringe on them. Furthermore, Recruit Group Human Rights Policy has been formulated for all Recruit Group executives and employees. The policy clearly states that the “human rights expressed in the International Bill of Human Rights” and “human rights expressed in the principles relating to fundamental human rights stipulated by the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work” are recognized as the minimum standard, and that Recruit Group upholds the Guiding Principles on Business and Human Rights. In tandem, we are working on human rights due diligence, beginning with visualizing the status of Group company initiatives. Furthermore, we have acquired the ISO 14001 certification for environmental management, and in Japan especially, we have set a target of reducing our CO₂ emissions in fiscal year 2020 by 25% from our emissions in fiscal year 2008. We set our unique index and we are also continuing monitoring it. The index is the environment efficiency index (net sales [¥100,000]/paper consumption [tons]).



Shogo Ikeuchi

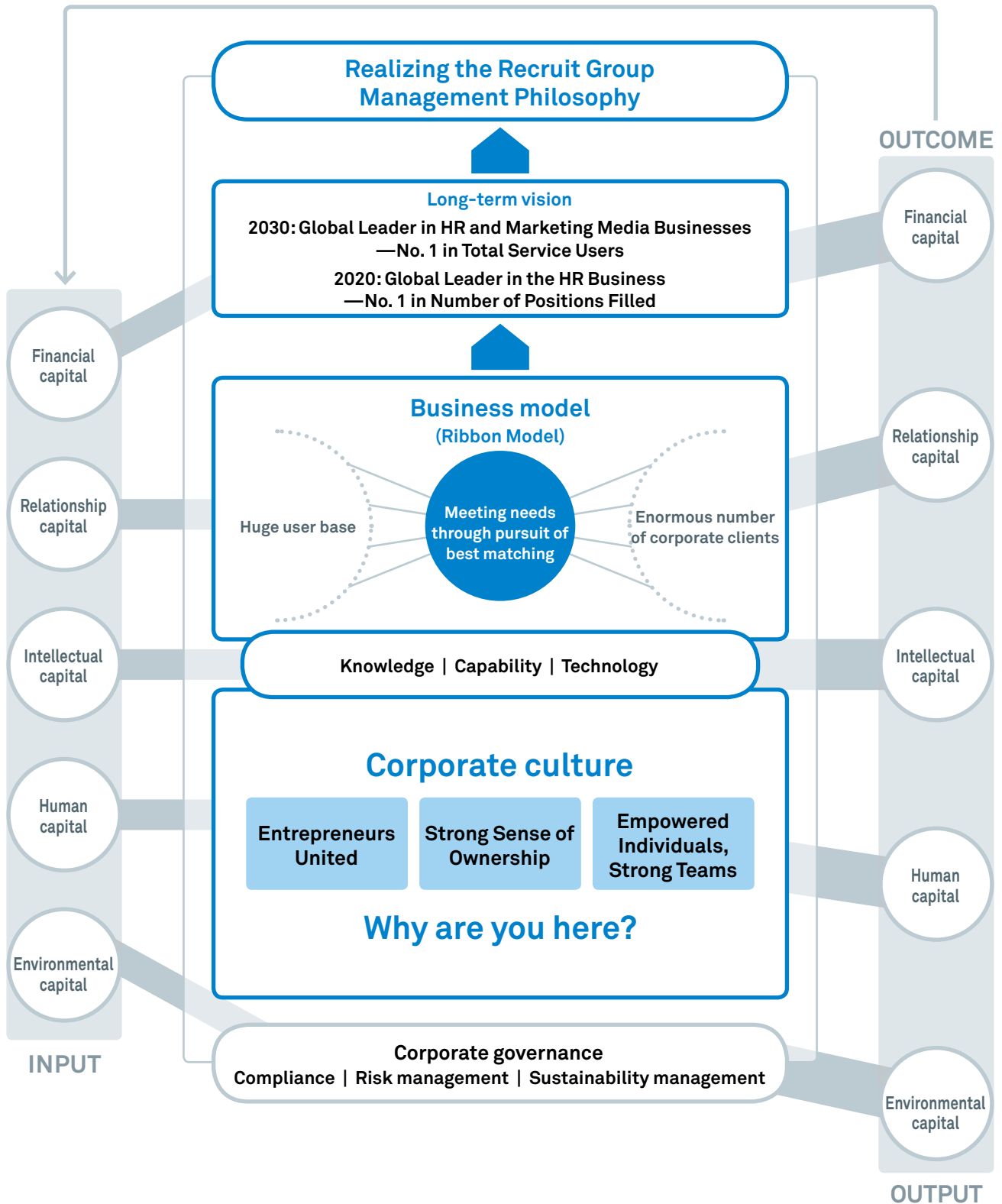
CSO, CHRO, and Senior Managing Corporate Executive Officer

Aiming for a sustainably fulfilled world, Recruit Group has established systems to safeguard management quality vital to business continuity. Recruit Group always strives for appropriate, sound operations, aiming to maintain the trust of society. We have rules and guidelines, such as Recruit Group Code of Ethics, and a learning framework to continuously embed these firmly in the day-to-day activities of our employees.



Who we are

Recruit Group's Story of Value Creation



Recruit Group provides new value to society through stories of value creation, beginning with its management philosophy through corporate governance. Its corporate culture makes its value creation story continuous and consistent, fostering human capital in a way that cannot be easily imitated by rivals.



Point 1: Recruit Group's Aim is to Realize its Management Philosophy

Recruit Group's management philosophy is to respond to the needs of society by creating new value, thereby contributing to a brighter and more fulfilling world in which all individuals can live life to the fullest. Management's main objective is to take steps toward realizing this philosophy.



Point 2: Global Leadership as a Strategic Target

As milestones for achieving its management philosophy, the Company aims to be the global leader in the HR Business in terms of number of positions filled by 2020, and also the global leader in the HR and Marketing Media Business in terms of total service users by 2030.



Point 3: Provide New Value via the Ribbon Model

Recruit Group's business model is called the Ribbon Model, because it connects individuals (users) with companies (clients). By offering individuals more choices in how they live, we are able to provide optimal matching scenarios, for the benefit of companies and industry circles.



Point 4: Recruit Group's Corporate Culture and Intellectual Capital for Nurturing Businesses

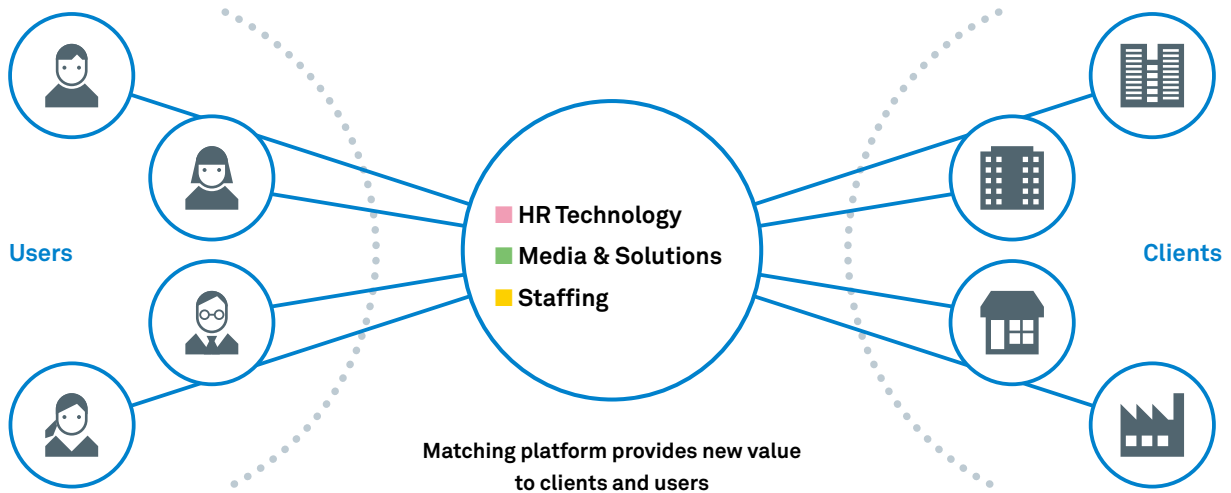
The Ribbon Model itself is a valuable piece of intellectual capital. Moreover, Recruit Group has diverse knowledge about and capabilities for energizing human resources and organizations, as well as businesses brought together via the Ribbon Model that have been constantly refined for more than 50 years. This intellectual capital is a key resource for creating and evolving businesses, and enables the passing down of its corporate culture.



Point 5: Recruit Group's Corporate Culture Unifies and Ties Everything Together

Recruit Group's unique corporate culture is the foundation that unifies and ties all of this together. By constantly asking "Why are you here?" within the context of customers and society, the Company reinforces its principles of "Strong Sense of Ownership" and "Entrepreneurs United", draw out its knowledge and capabilities from the Ribbon Model, and reignite growth as a business through "Empowered Individuals, Strong Teams". The Company believes its competitive advantages cannot be easily imitated because they are all rooted in its unique corporate culture.

Providing New Value with the Ribbon Model



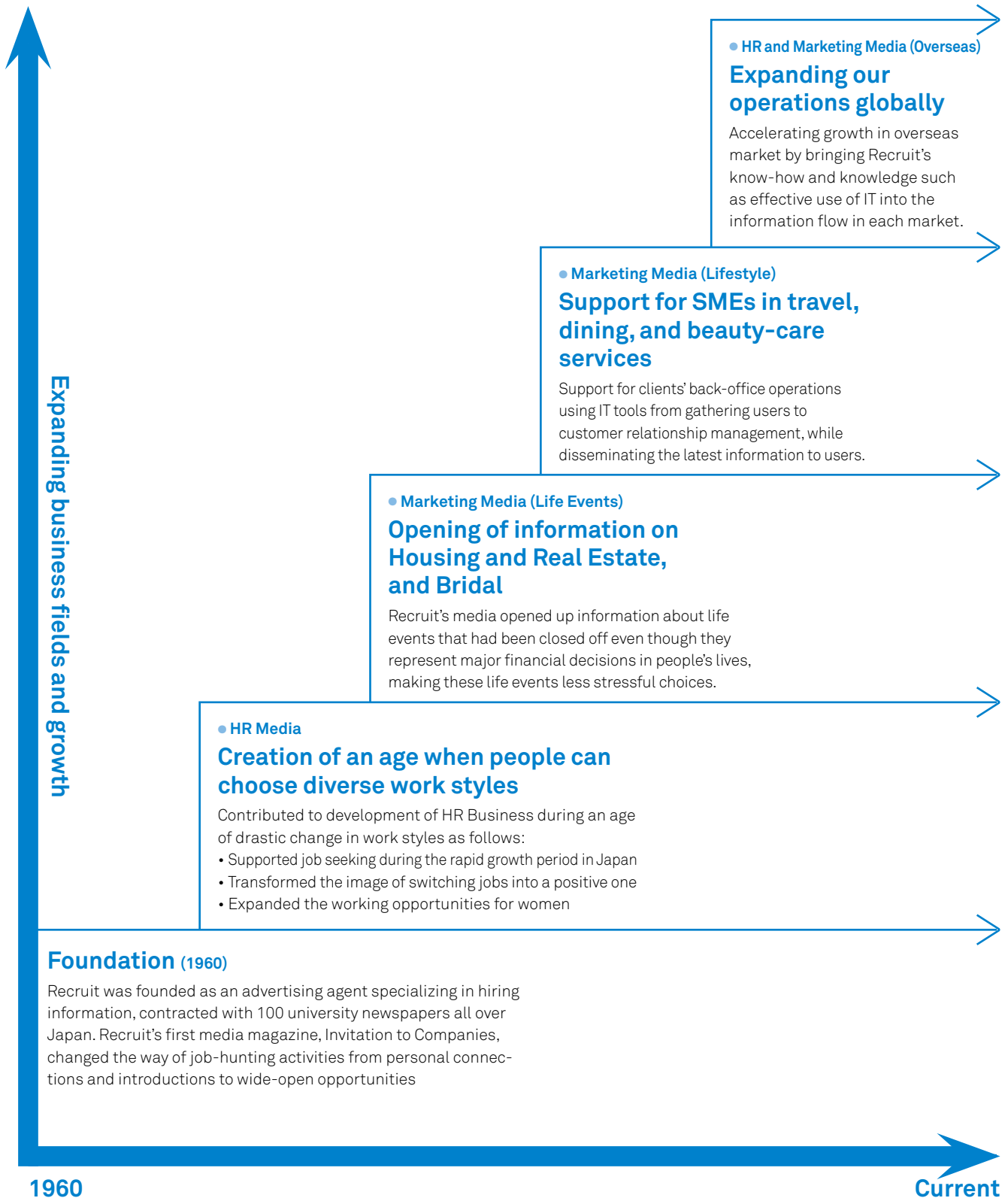
Over 57 years since its founding, Recruit Group has continued to create opportunities (platforms) for clients and users to interact. We have leveraged the channels built up for clients and users in order to realize our management philosophy of creating a brighter and more fulfilling world in which all individuals can live life to the fullest. This is our Ribbon Model. Our business model entails striving to satisfy two types of customers, namely clients and users, and by doing so, we are able to expand sales and profits, while helping to meet needs in the world through optimal matching.

By sharing the same concepts, everyone who works at Recruit Group gains a clearer sense of purpose and their roles. It also makes it easier to share knowledge and leverage data via the Ribbon Model.

Recruit Group has expanded businesses in HR field from job advertisement business for university students which is a founded business to HR agency and staffing. And we have utilized various know-how gained through these business operations, expanded into marketing fields such as life-event and daily-consumption, and now we are also accelerating overseas business development.

Recruit Group's business domain covers a wide range. But "HR technology", "Media & Solutions" and "Staffing" are common that we pursue the optimal matching of both clients and users, and create new value for society.

■ Development of the Ribbon Model and Creation of Value for Society



Recruit's Core Values

Interview with the Director of Recruit Management Competence Research Institute

■ The Ribbon Model is driving on Interaction with Customers outside Recruit and Cooperation of Individuals inside Recruit

Recruit's strength is its intellectual capital, which powers the high performance and deep insights of its human capital, and forges strong relationships with customers through countless interactions. Recruit has never stopped working to enhance its core competencies.

We call our business model the Ribbon Model. All of Recruit's core competencies are rooted in this Ribbon Model.

The concept behind the Ribbon Model is connecting users with clients. The first step is to gain insight into how they feel (i.e., do they have any dissatisfaction, inconveniences, or concerns) through interacting with customers. The next step is to enhance cooperation inside the companies to solve problems following insight.

For example, the sales staff, who are the point of contact with clients, and the engineers, who work in the data science field, are able to have a shared awareness of purpose through the Ribbon Model. It enables everyone throughout the organization to have a clear understanding of their own position and to share the results or knowledge that they have discovered. The model thus enables high-level communication and cooperation.

In the Ribbon Model, we are "Entrepreneurs United" in our ambition to build new businesses, we have "Strong Sense of Ownership" from the discovery of insights into our customers, and we are "Empowered Individuals, Strong Teams" by working

cooperatively together, ultimately connecting as the Ribbon Model. In other words, our true strength is derived from a corporate culture that is intimately intertwined with the Ribbon Model, the source of our intellectual capital.

■ Sharing Stories about Challenges Unites Employees and Leads to Cooperation

Recruit has long invested in building up its intellectual capital, most notably through platforms for employees to share knowledge and systems for cooperating. The Top Gun Award is a part of our knowledge management system, and serves to highlight projects that were successful in creating new products and services, especially in the client relationships field. In 2015, we expanded its scope and launched FORUM, which is composed of four categories: the Top Gun Forum for client relationships, Engine Forum for IT and other technologies, Growth Forum for business development and improvement and Guardian Forum for business foundation.

Members share the outcomes of their solutions, as well as their initiatives and skills. More importantly, they share their stories about taking on challenges, including the hardships and failures they faced until reaching a specific solution, starting with why they chose this particular issue to solve. By sharing these stories as knowledge, members move toward sharing the same mindset of wanting to take on new challenges in their daily work. This plants the seeds of new cooperative efforts among our members. Asking the question "Why are you here?" within the context of individual potential puts

employees on a firmer path toward their goals, which leads to the setting of even higher goals. Ultimately, this process leads to innovations that can change society.

■ A Unique Presence That Has Attracted the Attention of Overseas Business Schools

Since listing on the stock market, Recruit's Ribbon Model has been mentioned in case studies at multiple prestigious business schools around the world. In my many discussions with foreign professors, I became confident that Recruit's core competencies are viable on the world stage, even though they originated in Japan.

Recruit has polished its business models in Japan. Established in 1960, the founding members of Recruit were influenced by Peter Drucker and management psychology. Even though more than 50 years have passed since its founding, the average age of employees is in the low 30s, we have not lost our entrepreneurial spirit, and we continue to grow. This is an evidence of the unique path we have taken while our core competencies, systems and corporate culture are being unchanged.

Recruit has garnered the attention of overseas business schools for its connected and

bottom-up approach to management. Recruit's Ribbon Model is a model for creating value, and also for internal cooperation. The model is effective because management and employees on the front lines prioritize information transparency and quickly sharing information. Being able to flexibly draw connections from all corners of the organization allows faster decision-making by management, flexibility in changing strategies, and the ability to execute in unison when winning patterns emerge. Our systems for sharing knowledge allow the organization to rapidly turn challenges and the outcomes of trials into tactics, which are effectively leveraged in the investment decisions made by management. This innovative bottom-up approach to management has given us a key competitive edge in this age of rapidly changing business environments. While focusing on the creation of businesses from "0 to 1", Recruit is able to grow these businesses from "1 to 10" at the same time. This demonstrates that Recruit is able to realize both at the same time, which has traditionally been hard with two contradictory management approaches, because of Recruit's innovative bottom-up approach, which is optimal in times of rapid change. Recruit truly has a unique presence in the world while still being Japanese in nature.



Takanori Makiguchi

Director, Recruit Management Competence Research Institute, Sustainability and PR, Corporate Planning Division, Recruit Holdings Co., Ltd.



Recruit's Ribbon Model is used as case studies at world-class business schools such as the IESB Business School in Spain and International Institute for Management Development (IMD) in Switzerland. IMD's case study won the Case Centre Awards and Competitions 2017.

“Corporate Culture”, a Foundation that Brings It All Together

Entrepreneurs United

We give each of our employees chances to take on important tasks regardless of his/her experience. We start by asking them “Why are you here?” to ignite their own inspiration to take on work responsibilities, and require them to thoroughly explain their passion to get a final approval from their boss.

Strong Sense of Ownership

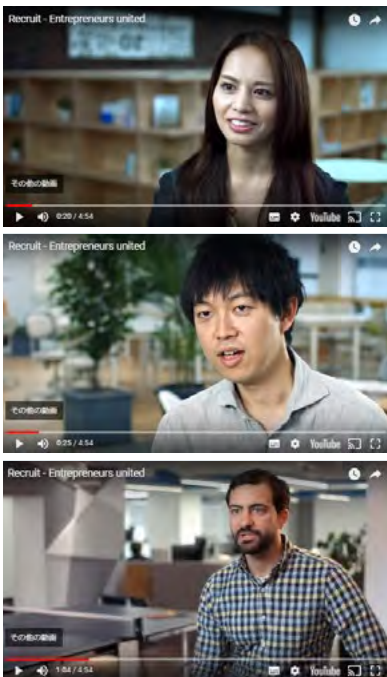
We expect each of our employees to take ownership of their own task and make a commitment to achieving results. We help them grow through cross-organizational communication and daily feedback.

Empowered Individuals, Strong Teams

We create opportunities for our employees to share collaborations with partners who have expert knowledge and information, and outcomes as explicit knowledge. People who have produced results also have opportunities to share with their colleagues the keys and approaches for getting the job done. This initiative leads to even greater accomplishments.

“Why are you here?”

Recruit has built a unique corporate culture since its founding. Why has this corporate culture persevered, even though people come and go at a high pace? How do employees feel about Recruit’s corporate culture? When conducting business, Recruit focuses on the “Strong Sense of Ownership” held by each employee, no matter when we create a new business or change an existing one. We capture potential problems beyond the scope of one’s responsibility for current work by looking deeply into values from the standpoint of customers. Taking a leadership role, we execute the business plan while bringing others into the fold. We call this mindset “Strong Sense of Ownership”, and when we execute the business plan, we respect each other’s potential while striving for the better through friendly rivalry. Recruit provides opportunities suchlike. We call this “Empowered Individuals, Strong Teams”. The employees at Recruit temper “Entrepreneurs United”.



“Recruit-Entrepreneurs united”

Intellectual Capital for Developing Recruit Group's Corporate Culture and Businesses

Knowledge

Knowledge Sharing: Intellectual Capital of People and Organizations

Recruit Group's unique corporate culture is nurtured, sustained and reinforced by various mechanisms such as its organization structure, personnel assignments and evaluation systems.



New RING

In 1981, Recruit Innovation Group (RING) was initiated as a system for creating new businesses. In 1990, this system was updated and renamed as New RING. This is held as RECRUIT VENTURES across Recruit Group, and at each company as well.

[Business created by New RING]

Zexy

Lifestyle Information 360° (currently HOT PEPPER)

Jyukun Sapuri (now Study Sapuri)

FORUM

FORUM is a major event for sharing professional knowledge across the Group. By sharing initiatives that are highly novel and versatile, the event aims to create new value and play a role in accelerating the growth of each employee in the entire Recruit Group. We broadly share nominated cases selected in four expertise categories through nominees' TED-style presentations and panel discussions with external experts. (Photograph 1)



(Photograph 1)

Number of Participants in Each Category of FORUM

FY2016

	Growth Forum (business development and improvement)	Engine Forum (IT and other technologies)	Guardian Forum (business foundation)	Top Gun Forum (client relationships)
Number of event participants	798	529	426	1,079
Number of joint event participants	106	—	110	156
Number of live broadcast viewers	904	—	—	307
Number of presenters	13	16	8	14

Capability

Recruit Group has put in place various systems to support the development of capabilities for the purpose of providing opportunities for each employee to grow.

● Indeed—Indeed University

Indeed University (IU) brings together new college hires from around the world to teach them about data-driven decision making, by having them build and launch challenging products within Indeed. IU is now in its third year.

● Optional training programs

Recruit Group has optional training programs to help employees achieve growth by themselves. For example, employees can apply to take courses on logical thinking, marketing, accounting, leadership and other topics, based on their own interests and career plans.

● GLOBA

GLOBA is a short in-house seminar. We invite professors from renowned business schools overseas, Silicon Valley investors, and other global players to share insights that employees can incorporate into their work at Recruit Group. Employees can learn about international trends, knowledge from overseas, and the skills and stances of internationally successful individuals. About 800 people attended the seminars in fiscal year 2016. (Photograph 2)



(Photograph 2)

● Recruit Management Solutions—RMS Academy

Recruit Management Solutions has an educational curriculum for employees who aim to develop their own abilities and shape their careers by increasing their specialization, as well as RMS Academy, in-house classes where employees have opportunities to share their knowledge.

● Recruit Management Solutions—Knowledge Grand Prix

Knowledge Grand Prix is a major event held once a year to share knowledge. Any employee can enter the contest. The contestants are screened based on their application materials and judged based on their presentations, and eventually, the Golden Grand Prix winner is selected.

● Media School

The Media School is a course for employees who engage in media production and IT engineering for planning and editing various products including websites and magazines. The school covers a broad range of topics, from the basic knowledge needed for media production to new techniques and ways of expanding the imagination. It has also become a platform for sharing successful in-house experiences of creating new trends in society. About 1,350 people attended the school in fiscal year 2016.

Who we are

● Staffmark—Learning and development

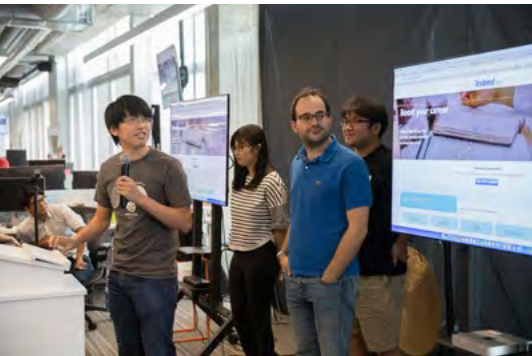
Staffmark provides opportunities for employees to learn and develop skills including leadership, compliance, software, and more. They also have a tuition reimbursement program for eligible employees who want to advance their education.

● Peoplebank—Programs for training staff

Peoplebank has its own in-house training programs to support establishment of career paths, coaching, sales training, and leadership development.

● Chandler Macleod—Pre-employment training

Chandler Macleod developed 30 courses as a joint operation with a training organization. The courses were designed to upskill and prepare unemployed job seekers for work.



(Photograph 3)

Topics

● Indeed—Indeed University

Job Spotter, a mobile app that allows users to submit photos of help wanted signs and their location through GPS coordinates was created at Indeed University. Since its release, the app has been used to upload over 800,000 jobs and has become the No. 2 source of mobile clicks among US job seekers. (Photograph 3)

Technology

■ Technology is a Source of Recruit Group's Competitive Edge

Advances in technology, the foundation for business development, have facilitated the transition from paper-based media, such as magazines and free publications, to digital media on PCs and smartphones, while enabling the acquisition of big data. Recruit Group aims to advance technology to the next stage where new opportunities are discovered and exploited through the use of AI trained on this data to formulate predictions.

■ Harnessing Advances in Technology

Business: Sophisticated Data Analysis and Advanced Matching Technologies

Recruit Group is concentrating efforts on improving matching precision with IT, including big data analysis centered on Recruit Technologies and the deployment of AI technologies. Meanwhile, Recruit Communications is also engaged in a joint research directed toward the practical application of quantum computers. Specifically, Recruit Communications is engaged in multiple research projects that include optimizing matching efficiency between advertisements and users in the web advertising business, and improving accuracy in machine learning, a field symbolized by tailoring.

Basic Research: AI, Aggregation Systems and Research Centers

RIT has a development base in Silicon Valley and on a global scale is pursuing the creation of a disruptive business model using its world-class technological capabilities. RIT produced BigGorilla at June 2017, an open source data integration and data preparation ecosystem in Python that will help reduce the time data scientists spend preparing their data for analysis.

Technology Creates New Possibilities for the Future in Recruit Group's Business

Interview with Recruit Institute of Technology, Inc. CEO

■ Two Approaches of Our Research

In our Recruit Institute of Technology, Inc. (RIT), we always advance our research by asking ourselves what will our products look like 5 years from now. Viewing the technological trends, the way Recruit affects people, and the changes of our services to our clients, our research needs not only to be practical but also very innovative.

We have two approaches. The first approach is that AI becomes an intelligent agent. Using AI to anticipate people's wishes and future behavior based on data from past user behavior helps people make better decisions, which lead to well-being and happiness.

The second approach is data management. By compiling data in one place and utilizing them. We can predict and infer solutions to various questions by AI. We can certainly make people happier with data and

technology, can't we? I believe these are great asset. Effectively using data dispersed across organizations will provide users and clients new options and expand the possibilities to offer. These two approaches are going to be big directions and are crucial for our research.

■ Technology for Making People's Lives Better

BigGorilla, which we released in 2017, is an open source system to lighten the workload of preparing data before analyzing AI. A year ago, we were just talking about BigGorilla, but by now it has already been used in several successful projects. We envision creating technological innovation for industry by building ecosystems with more companies on this open platform. In RIT, we choose projects based on whether this project is meaningful to make people's life better in the long term. I really believe that technology is for making people's life better.

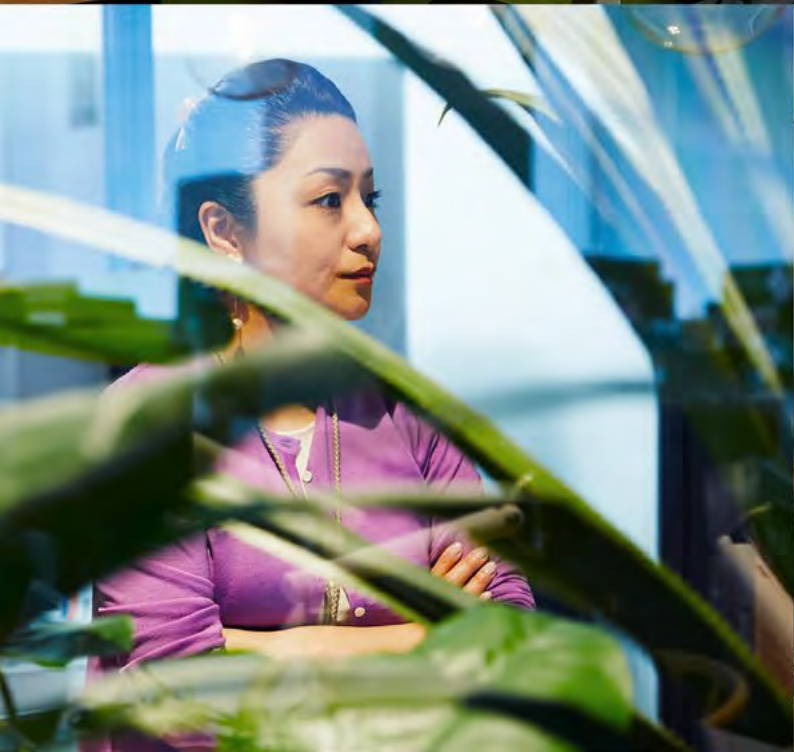


Recruit Institute of Technology, Inc. CEO

Alon Halevy



RIT is a research team composed of multinational members. In RIT, they emphasize a teamwork that is created by pursuit of members' diversity and mutual respect.







What we do

Strategic Business Units

“HR Technology” (Global Online HR SBU)

“Media & Solutions” (Media & Solutions SBU)

“Staffing” (Global Staffing SBU)

Founded in 1960, Recruit Group commenced operations in the job advertisement business for college students, and then diversified into the marketing media business field for life events and lifestyles while expanding into other human resource-related services. For a long while, business development centered on the three business segments comprising Marketing Media, HR Media and Staffing. Beginning in the 2010s, Recruit accelerated global business development with an emphasis on M&A while aiming to enhance the value of acquired companies by transferring expertise accumulated in Japan.

In April 2016, Recruit formed three new Strategic Business Units (SBUs) called Global Online HR, Media & Solutions and Global Staffing. Having transitioned to a structure designed to accelerate business momentum on an SBU basis, Recruit began from the fiscal year ended March 31, 2017, to disclose information using HR Technology, Media & Solutions, and Staffing as segments based on the SBU structure.

* For details about the businesses in each reportable segment, please turn to pages 83–111 in the data section.

■ HR Technology (Global Online HR SBU)

With Indeed at the core, this unit is expanding the global online HR business in recruitment-related fields.

■ Media & Solutions (Media & Solutions SBU)

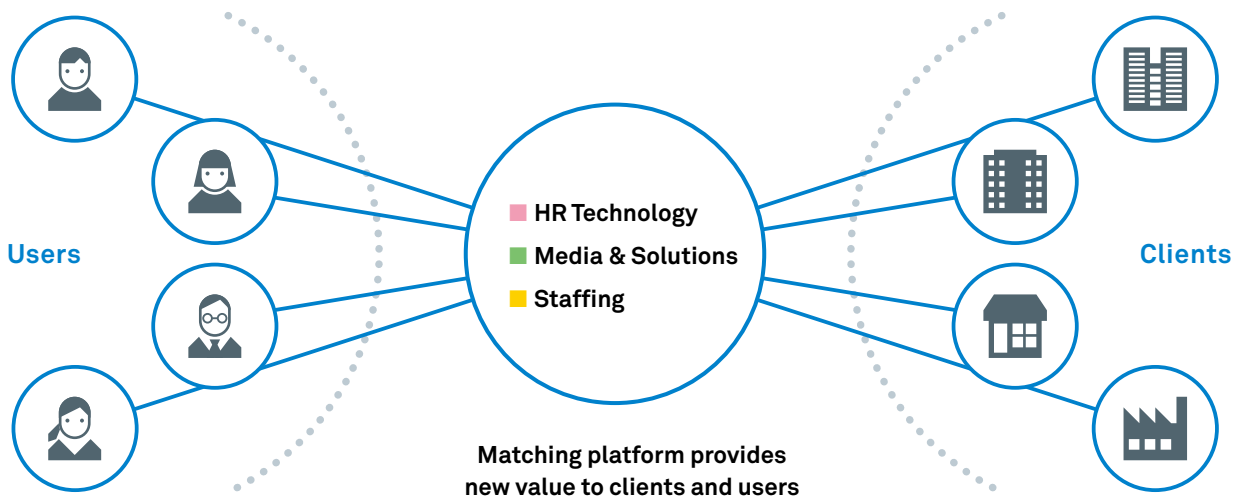
This unit integrates the Marketing Media business and HR business, except HR Technology.

■ Staffing (Global Staffing SBU)

This unit integrates the temporary staffing businesses of all the countries in which we operate.

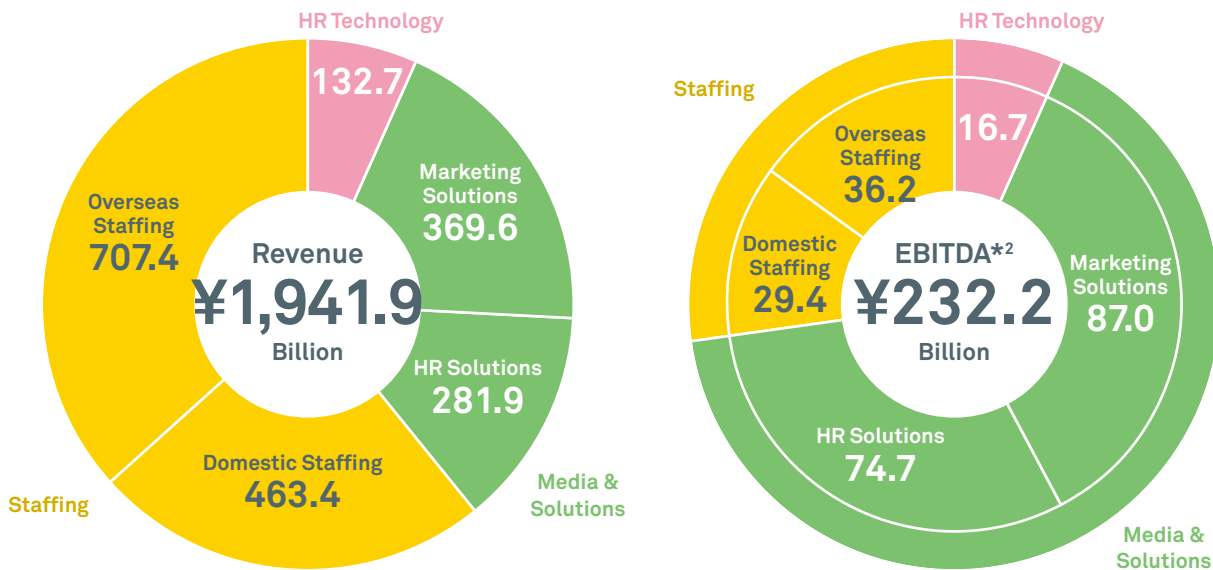
■ Business Model

Recruit Group provides platforms for the optimal matching of both clients and users, in other words businesses and consumers (B to C), businesses and businesses (B to B), and consumers and consumers (C to C).



* Note the segment change. For details, see page 85 about the segment change. In fiscal year 2015, Recruit disclosed information using four reportable segments, Marketing Media, HR Media, Staffing and Other. Since fiscal year 2016, Recruit has used the three reportable segments of HR Technology, Media & Solutions, and Staffing.

■ Revenue and EBITDA*1 by Business Segments



*1 From fiscal year 2017, Recruit Holdings adopted International Financial Reporting Standards (IFRS) for its financial statements instead of Japanese GAAP. In conjunction, IFRS figures are used for fiscal year 2016.

*2 EBITDA = Operating income + Depreciation and amortization + Other operating income, expenses

(Note) Net sales and EBITDA are calculated without corporate/elimination and Other segment figures, and net sales and EBITDA includes intersegment sales or transfers. Therefore, totals of percentages may exceed 100%.

■ HR Technology

Segment Introduction

By accelerating the business development of Indeed, the No.1 online recruitment site in the world, the segment is realizing Indeed's mission: "We help people get jobs".

Main Services

Indeed

Performance Snapshot

In fiscal year 2016, this segment recorded revenues of ¥132.7 billion and EBITDA of ¥16.7 billion.

■ Media & Solutions

Segment Introduction

The segment has established leading positions in many business domains within Japan through continuously expanding client industries and service offerings. This expansion is realized by leveraging the assets of the Media and Solutions businesses that have been cultivated since Recruit's foundation.

Main Services

SUUMO, Zexy, Study Sapuri SHINRO, Car Sensor, Jalan, Hot Pepper, Hot Pepper Beauty, Air REGI, Rikunabi, Rikunabi NEXT, RECRUIT AGENT, From A navi, and TOWNWORK

Performance Snapshot

This segment generated ¥658.2 billion in revenues and ¥151.5 billion in EBITDA in fiscal year 2016.

■ Staffing

Segment Introduction

The segment provides optimal matching services to benefit both job seekers and companies seeking employees in each country, and supports various ways of working in a changing global work environment by increasing employment opportunities.

Main Services

Recruit Staffing, STAFF SERVICE HOLDINGS, The CSI Companies, Staffmark, Advantage Resourcing, Peoplebank, Chandler Macleod and USG People

Performance Snapshot

In fiscal year 2016, this segment recorded revenues of ¥1,170.8 billion and EBITDA of ¥65.9 billion.

HR Technology (Global Online HR SBU)

INTERVIEW with the Head of the SBU



Hisayuki Idekoba

Managing Corporate Executive Officer, Recruit Holdings Co., Ltd.; Head of Global Online HR SBU; CEO, Indeed, Inc.

Biographical information

- April 1999 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- October 2009 Executive Manager, CAP* Promotion Office
*CAP: Customer Action Platform, referring to the travel, restaurant, beauty, learning, and other lifestyle business categories
- April 2011 Executive Manager, Web Strategy Promotion Office; Executive Manager, CAP Company Internet Business Promotion Office; Unit Executive of the R&D Unit
- April 2012 Corporate Executive Officer
- September 2012 Chairman, Indeed, Inc.
- October 2012 Corporate Executive Officer, Recruit Holdings Co., Ltd.
- October 2013 CEO & President, Indeed, Inc.
- October 2015 CEO, Indeed, Inc. (current position)
- April 2016 Managing Corporate Executive Officer, Recruit Holdings Co., Ltd. (current position); Head of Global Online HR SBU (current position)

■ We help people get jobs

Securing and working in a job is one of the most important aspects of anyone's life regardless of background, culture, or geographic region. However, the ability of job seekers to identify available employment opportunities varies throughout the world, and is particularly challenging in countries with underdeveloped economies. In addition, job seekers often need to search multiple locations both online and offline to find relevant jobs, while employers often have difficulty finding qualified talent.

This problem became obvious to me a number of years ago when I was in Jakarta, Indonesia to create a travel booking website. Since the traffic was bad in the city, the government had passed a law requiring three people in each car to drive into the city. As a result, a new job was created called "professional hitchhiker" for people who were paid to be passengers in cars. As I spoke with the hitchhikers, it became clear to me that they would prefer an alternative to their current jobs but had no idea how to achieve this goal. Through this experience, I became interested in building a global job site to make it easier for people to find jobs. Considering the significance of having a job, I felt it was a very important goal to pursue.

I had been evaluating the landscape of the job market and discovered that most companies focused on employers. However Indeed, an online US job search site launched in 2004, was different. It was the only company entirely focused on simplifying job searches for job seekers and its founders were passionate about their mission to help people get jobs. Indeed's entire reason for being was to take a long, frustrating, disjointed process and dramatically simplify it by aggregating jobs into one place and enabling job seekers to search for jobs relevant to them. I led the acquisition of Indeed in 2012.

Indeed's aggregation technology is both advanced in its use of algorithms and machine learning and accessible based on a simple interface with two search fields—one for keywords and the other for location. The combination is extremely powerful and relies on cutting-edge technology to sort through massive volumes of data in a single repository for all jobs and deliver search results that are the most relevant to job seekers. The technology supports Indeed's mission: "We help people get jobs". I consider the founding engineers to be geniuses for developing such an innovative system. I was deeply impressed with the technology when I first encountered Indeed. I decided to join Indeed to make it Recruit's global online HR solution.

Disrupting HR with Technology



■ Targeting Greater Efficiency with the Power of Data

Indeed's strength lies in its ability to use machine learning to deliver the best results for job seekers. This type of AI, machine learning takes the huge amount of data generated by Indeed's 200 million monthly unique visitors*², identifies behavioral patterns and uses this information to deliver more relevant search results over time. Roughly 25 terabytes of data are generated each day through the keywords that job seekers enter in the search box. The volumes

of data enable better search results, and better search results attract more users, which has enabled Indeed to become the most visited job site in the world*¹. This virtuous cycle or "flywheel effect", as we call it, gives us the unique ability to provide job seekers with an experience that cannot be replicated.

Indeed believes that it can use the volumes of data generated and analyzed through machine learning to help create efficiencies across the HR industry, beyond job advertising. Many aspects of the HR function are still being performed manually, and there

is a huge opportunity to add value through automation and innovation.

■ Delivering Value by Turning Ideas into Reality

Indeed's commitment to helping people find jobs extends to offline job searches as well. For example, Indeed has introduced an app called Job Spotter aimed at getting as many offline jobs online as possible. Anyone can use the app to take a picture of a help wanted sign, and Indeed includes any job online that isn't already on the site. Contributors of job

content are compensated for participating in the program. This is a perfect example of how Indeed continues to pursue comprehensive job content to benefit job seekers. We also believe that it's important to test new ideas and challenge common wisdom and perceptions.

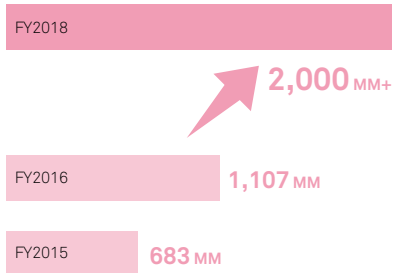
I believe that technology can help people achieve their goals and aspirations, and I hope to continue working with people who share in this belief. Our vision for Indeed is to use the power of technology to find global solutions to better serve job seekers and we strive to lead the industry in this area.



Mid-Term Strategy

Indeed's sales objective for the fiscal year ending December 31, 2018*

(Millions of US dollars)



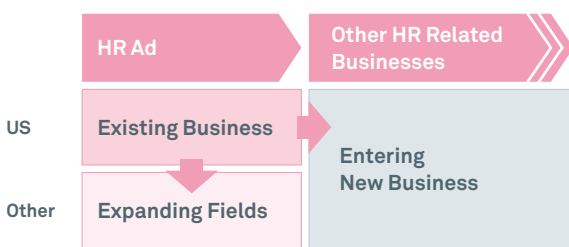
*Indeed's results are based on the fiscal year ending December and on USD, which differ from Recruit Holdings Co., Ltd.'s consolidated results, due to differences in consolidation methodologies.

Indeed's current objective for the fiscal year ending December 31, 2018, is to achieve over \$2 billion in revenue, which would represent a threefold increase in sales from the fiscal year ended December 31, 2015, on a US dollar basis. Indeed will look to increase efficiency in online recruiting and other processes in HR while expanding its presence in key markets globally.

A Leading Global Position

Indeed is currently available in 28 languages in more than 60 countries. Indeed has grown into one of the largest job search sites in the world with over 200 million unique visitors each month*² who have access to about 20 million job listings via Indeed. According to comScore, Indeed ranks No. 1 in terms of unique visitors in the US, Canada, the UK, France, Italy, Japan, the Netherlands and other countries*³, having established a leading position in key job markets around the world.

Expand business filed from HR ad business to other HR related businesses



#1 job site worldwide* ¹	200 million unique visitors per month* ²	Ranked #1 in 12 countries* ³
~100 million+ app downloads* ⁴	#1 external source of hires* ⁵	100 million resumes* ⁷
#1 job search application* ⁶ iPhone/Android in 30+ countries	18 million employer reviews* ⁷	60 countries, 28 languages* ⁷

*1 comScore, Total Visits, March 2017
 *2 Google Analytics, Unique Visitors, Sept 2016
 *3 comScore, August 2017
 *4 iTunes and Google Play, March 2017
 *5 SilkRoad Sources of Hire 2017
 *6 Business category, SimilarWeb
 *7 Indeed data, Sept 2017

Why employers love Indeed

Case studies

The Charles Schwab Corporation

\$245 CPH

on Indeed compared to \$2,000 on traditional job boards

Nokia Corporation

74% lower CPH

Lower cost per hire than the company average

McDonalds UK

2,660% increase

in traffic to Sponsored Jobs

General Dynamics Corporation

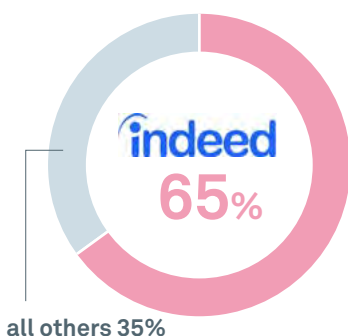
5 software engineer

positions filled

in first **3 months**

using Sponsored Jobs on Indeed

External Online Hires*



* SilkRoad Sources of Hire 2017

To achieve our goal of having all available jobs on Indeed, we allow employers to post jobs for free or with a paid sponsorship. Employers will choose to pay Indeed to significantly increase the visibility of a job posting or to reach a broader subset of potential candidates.

Indeed's pay-for-performance pricing model has innovated the job advertising industry. The traditional job posting model is a flat posting fee that is the same whether the ad gets hundreds of applies or no applies at all. The pay-for-performance pricing model leads to higher customer satisfaction, and helps build long-term relationships with employers. Employers only pay Indeed if a job seeker clicks on a job advertisement. Under this business model, our sales growth depends on successfully delivering value to clients, measured by cost per hire.

■ TOPICS: No. 1 in External Online Hires

At Indeed, we ultimately measure our success by helping job seekers get hired. According to market research conducted by SilkRoad, a US-based applicant tracking system, Indeed ranks No. 1 in the US in terms of external hires from online sources. The independent report stated that Indeed delivered 65% of all external online hires made in the US in 2016, almost twice as many hires as the combined total of rival companies. By bringing together the most jobs, job seekers, and employers, more people get hired on Indeed than on all of the major job boards and online competitors combined.

Media & Solutions (Media & Solutions SBU)

INTERVIEW with the Head of the SBU



Yoshihiro Kitamura

Managing Corporate Executive Officer, Recruit Holdings Co., Ltd.; Head of Media & Solutions SBU; President and Representative Director, Recruit Technologies Co., Ltd.

■ Biographical information

- April 1997 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- April 2009 Company Officer of the Bridal Company
- April 2010 Company Head of the Beauty Information Company
- October 2010 Company Head of the Beauty Information Company
Executive Manager of the Ponpare Promotion Office, CAP* Company
*CAP: Customer Action Platform, referring to the travel, restaurant, beauty, learning, and other lifestyle business categories
- April 2011 Division Head of the Beauty Information Division, CAP Company
- October 2012 Corporate Executive Officer, Recruit Lifestyle Co., Ltd.
- April 2013 Corporate Executive Officer, Recruit Holdings Co., Ltd.; President and Representative Director, Recruit Lifestyle Co., Ltd.
- April 2015 Managing Corporate Executive Officer, Recruit Holdings Co., Ltd. (current position)
- April 2016 Head of Media & Solutions SBU (current position); President and Representative Director, Recruit Technologies Co., Ltd. (current position)

■ Delivering New Value through Technology

There is strong public interest today in the implementation of robotics and autonomous driving, as well as AI and IoT. These technological advances are changing the world and being hailed as the Fourth Industrial Revolution. The Internet and web-based services are crucial business foundations, and they continue to evolve as the infrastructure for the transformation of society and business. The speed of this change is as irresistible as gravity. In fact, the Internet and web-based services are accelerating faster than the real world.

Previously, the real world presented issues and business needs to be addressed, and the Internet and web-based services were deployed to tackle them. Now, this order has been reversed. Today, technologies are the starting point, as they reshape existing industries and give birth to new ones.


Recently, the media has often reported the negative aspects of technology, such as people losing jobs to AI. However, this idea is questionable. Rather, technology will enable people to spend more time on their areas of strength as fields where machines excel become thoroughly automated. That is the true potential of these technologies. In essence, work will be divided between people and technology. I'd like to provide society with the value generated through this process. We are implementing what we refer to as a

Ribbon Model, for example where we identify the unease that users have not yet noticed and problems of clients that they have not yet seen, and combine these two negative factors to convert them into a positive, thereby creating various opportunities for society. I'm confident that this methodology will prove even more effective in the age of the Fourth Industrial Revolution.

■ Approaching Every Industry through Visualization and Optimization

The Japanese market is expected to experience a continuous decline in the labor force. This trend is inevitable. However, our response to the situation will be a key factor in enhancing Japan's competitiveness. To this end, as a business unit, we will strive to increase productivity in every industry by fully leveraging technology.

Recruit Group provides Air REGI, a POS cash register solution for industries such as dining and beauty-care. This solution applies digital technology to previously analogue tasks, thereby eliminating the bothersome task of closing the register at the end of the day and enabling accurate decision-making on purchasing the next day based on automatically tabulated sales data and sales trend data for each product. This allows businesses to maximize revenue and earnings by reducing opportunity losses and food losses. In addition, since the register close-out operation is unnecessary, users have more time for essential tasks such as using social



Enhancing Industrial Productivity through Innovation

media, leading to increased customer footfall and sales. In other words, the more tasks are rendered unnecessary, the greater the value that is created.

The first thing we did after our business unit was formed was pursue research into what would happen if we expanded the value proposition of eliminating more unnecessary tasks to markets outside the dining and beauty-care service sectors. For example, shift management of part-time workers is a challenging task in almost all the industries. Managers must often cut the shifts of willing part-time workers because their preferred shifts overlap with those of other workers.

Also, managers often face labor supply gaps where they can't find enough people to fill shifts. I believe that we can solve these problems through the use of digital technology.

The power of digital technology allows us to visualize things that had previously not been visible. Digital technology also makes it easier to optimize what has been visualized. Visualization and optimization are the key themes in our approach to all industries and business processes.

■ Building Competitive Advantages by Bringing Together the Strengths of Every Individual

The source of our competitiveness is a strong sense of ownership felt by every employee. However, nobody has this strong sense of ownership at the beginning. When people tackle a task with a strong desire to learn, they naturally tend to work very hard. This is when their sense of ownership only begins to emerge.

Even if new employees who have just joined Recruit were suddenly told to have a desire to learn about the markets and business, it would probably be impossible for them—the scale is too big. First, they should consider the needs of the customers, users, and clients they deal with on an individual level by asking themselves: “What kind of services would make him or her happy?” This approach will foster a desire to learn more about others and a passion to make a contribution, both of which will lead to a strong sense of ownership. Incidentally, I am convinced that my own energy comes from a stronger desire to learn than almost anyone else. I find it exciting to face difficult issues—it

is just like solving a puzzling riddle. I believe the desire to learn is so important because it is a powerful motivating force.

Whenever we start something new within Recruit, or try out a method that has never been attempted before, there are always critics who say “That cannot be done” or “That’s impossible”. These views are often expressed because ambitious goals have been set from the outset. Rather than focus on that, I encourage people to start with the smaller challenge of simply trying to surmount this “wall of opposition”. Previously, in the Human Resource Development Committee of our business unit, we used to discuss how to overcome the issues faced by each employee. Now we focus only on discussing how to grow the strengths of each employee. To bring out the best in people, we must identify each individual’s unique strengths by stimulating their desire to learn and encouraging them to tackle small challenges first. The competitive advantages of companies are built up by amassing the strengths of every employee in this way. Guided by this policy, we are working to hone our overall competitiveness even further.



Mid-Term Strategy

Recruit aims to expand in targeted client industries and increase the services it provides by focusing on the development of new businesses that support clients' operations. We also aim for continued stable revenue growth while maintaining high EBITDA margins, even after considering investments in new business development.

Client acquisition in new categories and service expansion



Number of Air REGI accounts (Thousands)



Number of seats reserved online through Hot Pepper Gourmet (Millions)



Number of online reservations made through Hot Pepper Beauty (Millions)



Number of paying users of app for high school students (Thousands)



■ Growth in Users

In fiscal year 2016, the number of registered accounts for Air REGI, which supports the operations of small- and medium-sized enterprises, increased 20% year on year to 297,000 accounts. We packaged together several services, including cash register functions, for clients mainly in the restaurant sector, and began charging a monthly fee. This new service got off to a good start.

In fiscal year 2016, the number of seats reserved online made through Hot Pepper Gourmet, a service for restaurants, rose 38% to about 51.5 million people. Likewise, the number of online reservations made through Hot Pepper Beauty, a service for beauty salons, expanded 36% to about 61.3 million.

In fiscal year 2016, the number of paid members for services aimed at high school students in Study Sapuri, an online learning service, climbed about 46% to 244,000 students. Recruit is focusing on significant expansion of users in both existing and new business fields.

■ TOPICS:

Taking on the Challenge of Diverse Work Styles in Japan

Japan’s working population is projected to decline amid low birthrates and an aging population. Women taking their place in society are a potential workforce. In 2015, Recruit launched iction! as a project that spans across operating companies in the recruiting and staffing domains in Japan, with the goal of “joining together in creating a world where it is easy to work while raising children”. As of March 31, 2017, Recruit has created 145,000 short-hour jobs in line with our aim of creating jobs that can be completed in short times for people working shortened hours while raising their children.

Moreover, ZIPWORK is for skilled people able to produce results in a limited amount of time. This provides work opportunities to people with restraints on their time due to not only child-rearing, but also caring for elderly parents or performing other side jobs. We continue to promote diverse ways of working.

Staffing (Global Staffing SBU)

INTERVIEW with the Head of the SBU



Hitoshi Motohara

Managing Corporate Executive Officer, Recruit Holdings Co., Ltd.; Head of Global Staffing Business, Chairman, The CSI Companies, Inc.; Chairman, Staffmark Holdings, Inc.; Chairman, Advantage Resourcing America, Inc.; Chairman, Advantage Resourcing Europe B.V.; Chairman, Peoplebank Australia Ltd; Chairman, Chandler Macleod Group Limited; Chairman, USG People B.V.; Chairman, Recruit Staffing Co., Ltd.; Chairman, STAFF SERVICE HOLDINGS CO., LTD.

Biographical information

- November 1983 Joined Japan Recruit Center Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- April 1998 Executive Manager, Marketing Office; Executive Planner, Corporate Planning Office
- April 1999 Executive Manager, Business Control Office, Staffing
- April 2001 Corporate Executive Officer, Recruit Co., Ltd.
- June 2003 President and Representative Director, Recruit Staffing Co., Ltd.
- April 2006 Managing Corporate Executive Officer, Recruit Co., Ltd.
- December 2007 President and Representative Director, STAFF SERVICE HOLDINGS CO., LTD.
- June 2009 Managing Corporate Executive Officer and Board Director, Recruit Co., Ltd.
- October 2010 Chairman (current position) & CEO, The CSI Companies, Inc.
- October 2011 Chairman, Staffmark Holdings, Inc. (current position)
- December 2011 Chairman (current position) & CEO, Advantage Resourcing America, Inc.; Chairman (current position) & CEO, Advantage Resourcing Europe B.V.
- June 2012 Managing Corporate Executive Officer, Recruit Co., Ltd.
- October 2012 Managing Corporate Executive Officer, Recruit Holdings Co., Ltd. (current position)
- February 2015 Chairman, Peoplebank Australia Ltd (current position)
- April 2015 Chairman, Chandler Macleod Group Limited (current position)
- April 2016 Head of Global Staffing Business (current position); Chairman, Recruit Staffing Co., Ltd. (current position); Chairman, STAFF SERVICE HOLDINGS CO., LTD. (current position)
- June 2016 Chairman, USG People B.V. (current position)

■ Delivering Value in Staffing, a Global Need

Our will is to contribute to society by providing job opportunities to as many people as possible. Driven by this ambition, Recruit has seen remarkable progress in Japan with Staffing. Believing that the management method established in this business and the social value it provides are universal in this market, Recruit has stepped up M&A targeting overseas staffing companies since 2010.

The social value we provide is best described as increasing employment opportunities through the optimal matching of job seekers in each country (users) with companies looking to hire (clients). One problem seen around the world, for example, is high unemployment rates among young people. From the standpoint of users, Staffing serves as a stepping stone for young people and people with little work experience to find their first jobs. Staffing is an important employment system for people who prefer flexible work hours and locations for a variety of reasons, and for people who wish to apply their extensive experience and advanced skills in specific kinds of work without belonging to a single company. From the client's perspective, having a flexible workforce, where the necessary people can be assembled at the necessary time and place, is essential for improving productivity. Clients also need highly trained personnel to boost their competitiveness. As the intermediary between the user and the client, we bring

greater efficiency and suitable pricing in the hiring process, a major burden on companies. By providing this value, we support diverse working styles in constantly changing labor markets around the world.

■ Deploying a Management Method Established in Japan

When conducting M&A overseas, our basic approach is to acquire a local company with insight on local markets, and transfer to them the business management knowledge we have accumulated in Japan. All the staffing companies we acquire have a high profile in their market and are trusted by people as a local brand. Respecting the value of their brands, we typically keep the original management team for running the business. The only change we make at the acquired company is a method called Unit management system. This method draws out the abilities of the local company and motivates employees to provide better services, which leads to profits at the company.

Unit management system entails dividing the organization of a company into small-scale units, each of which has a unit leader delegated with authority. Improving the EBITDA margin is clearly designated as the most important management benchmark, and the unit is managed by having all employees keep this in mind when engaging in service-related work processes. With both management and employees committed to producing results based on a shared



Unit Management System Across the World

benchmark, the business awareness of employees increases a notch and decision-making accelerates. To make sure these efforts are pulled off seamlessly, management must respect the autonomy of local leaders and team members, and we must create a corporate culture of openness and high information transparency. In other words, Unit management system is a system that fires up the ambitions of both management and employees. Why do other companies stay away from this method? There are several reasons. But briefly put, “They cannot believe it, and do not like it”. Firstly, managers become nervous when they are not required to grow sales or raise market share. Even if they agree with the “unit” base structure, it does not

really work unless, top management who has deep understanding of Gemba (the real place) participates in unit meetings, and he/she provides practical guidance to operations. There are some companies which hesitate to allocate those indirect costs to each unit, but that means they will miss the opportunity to install a checking mechanism on the indirect costs from the Gemba (the real place) perspective. Ultimately, a common justification is that no one will believe in it and no one can implement it because there is not yet a successful case in the company.

■ Governance for Successful M&A

Recruit has acquired The CSI Companies,

Staffmark and Advantage Resourcing in the US, as well as Peoplebank and Chandler Macleod in Australia and USG People in Europe. According to the “Largest Global Staffing Firms 2016”, published by Staffing Industry Analysts (SIA), Recruit ranks fifth in the industry in terms of its share of the global staffing market. We will continue to engage in M&A with the aim of spurring further growth in the Staffing Business.

We have two conditions for conducting M&A. One is an agreement with adopting our approach. Another is a deep understanding of the methodology itself. We also have to take a hard look at whether our presence would truly lead to an improvement in management at the target company. After acquisition, we intensively work with the management teams so that Unit management system takes root in the organization. We often start to receive many suggestions to improve operations from division leaders and members immediately. After an acquisition, I become the Chairman of the acquired company and in principle, we

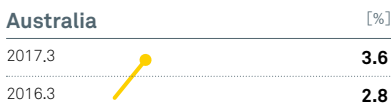
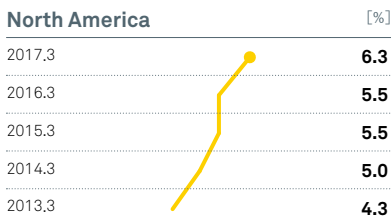
stay with the original management team to run the operation. We dispatch a minimum number of personnel to the acquired company, who are assigned to roles under local management instead of being put in a supervisory role. I also keep that line structure, I will not do something through directly communicating with Japanese expats alone. Also, it is critical to minimize interventions by HQ’s function. What I mean is that I make every effort to allow acquired companies to simply focus on business, not being bothered with reporting to HQs. Under such an environment, I fully trust the local managers. When they fail to meet expectations, I request them to leave. Thus, by making management quality better and better, we can motivate employees and temporary staff and to grow the business accordingly.

Through Unit management system, I am confident in growing our Staffing into a world-leading operation not only in delivering financial performance but in creating value to society.



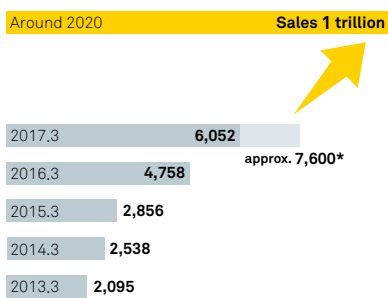
Mid-Term Strategy

Improving EBITDA margin at subsidiaries of each region



*Figures of North America, Europe, and Australia were calculated by simply combining individual subsidiaries

Aiming for ¥1 trillion in overseas sales around 2020



*Estimated amount assuming there was a USG People full-year contribution

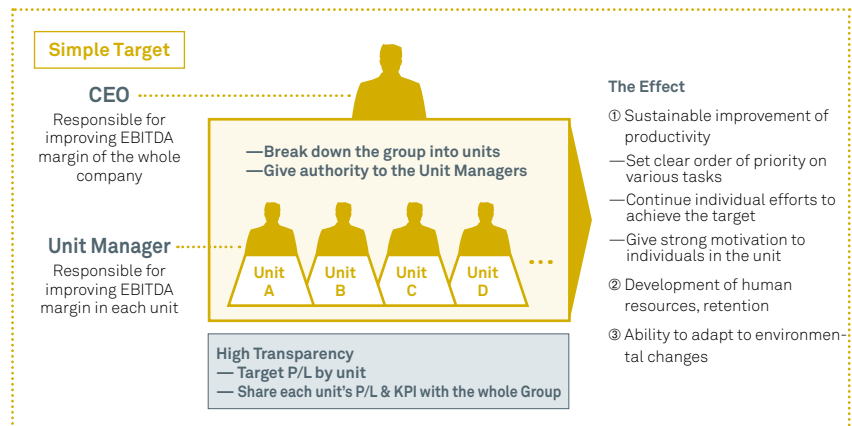
From fiscal year 2015 to fiscal year 2016, the EBITDA margin improved steadily at subsidiaries in North America, Europe and Australia. Recruit aims to continue strengthening the EBITDA margin on a global scale.

Moreover, Recruit aims to achieve overseas sales of ¥1 trillion around 2020.

Proliferation of Unit Management System

We do Unit management system to divide the organization based on the difference of the market. Each unit is regarded as a company, and the Unit Manager is given authority to make decisions with the ultimate aim of maximizing profits in their unit. Strategies are optimized for each market and then implemented. There are a few reasons that application of normal productivity improvement method is difficult for Staffing Business. Firstly, the “Product” of a Staffing service is the WORKFORCE of temporary workers, therefore it is difficult to differentiate the service. Secondly, a majority of COGS are salaries paid to workers, therefore it would be difficult to reduce them. Thirdly, Staffing is a local business, where workers want to find a job close to their homes, which means the concept of pursuing efficiency with “massive scale and standardized service for a large area” does not work. In order to

Unit Management System

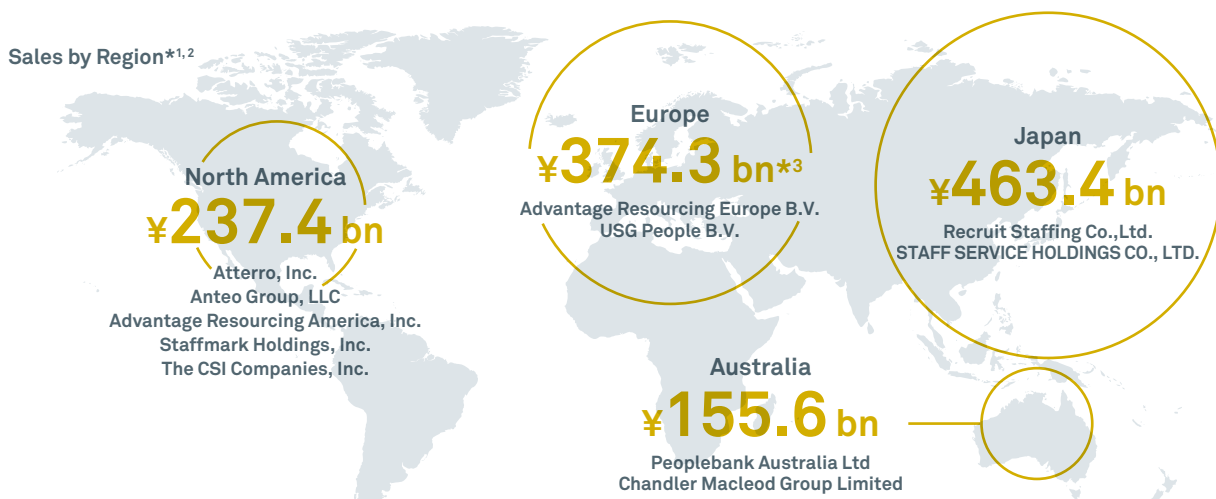


increase productivity and profitability with these particular circumstances, we need to continue bottoming-up small improvements and introducing an autonomous management system for each unit, which is a smaller division of the organization. This is the optimal approach. With Unit management system, it becomes possible to encourage the autonomy of each employee belonging to the unit, enhance their business awareness and aim to accelerate decision-making.

TOPICS:
History of Portfolio Expansion in Staffing Business

When it began developing Staffing overseas, Recruit targeted the advanced economies that make up over 70% of the ¥40 trillion staffing market, namely North America, Australia and Europe, in addition to Japan.

Recruit has made a number of acquisitions overseas, beginning with The CSI Companies in 2011. As a result, Recruit has built a portfolio that covers a broad swath of targeted overseas markets, with revenues reaching ¥463.4 billion in Japan, ¥374.3 billion in Europe, ¥237.4 billion in North America and ¥155.6 billion in Australia.



*1 Sum of sales in FY2016
 *2 Figures of North America, Europe, and Australia were calculated combining individual subsidiaries
 *3 Estimated amount assuming there was a USG People full-year contribution

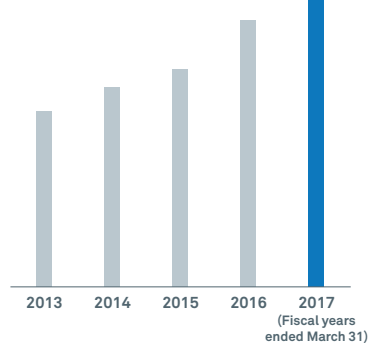


Data section

Five-Year Financial Summary*1

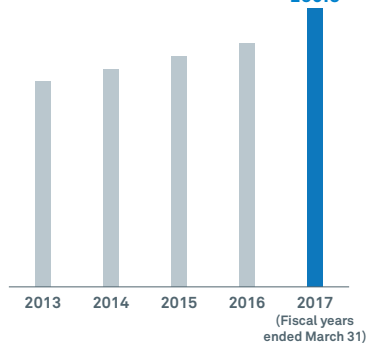
Net Sales

(Billions of Yen)



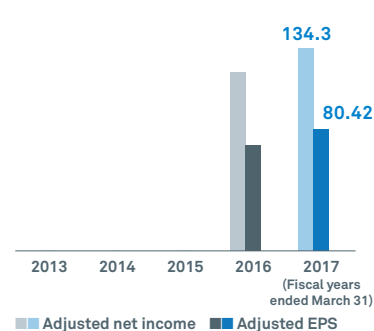
EBITDA

(Billions of Yen)



Adjusted net income / Adjusted EPS*2,3

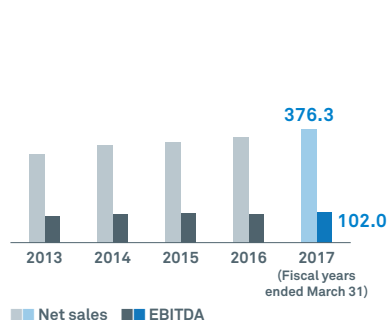
(Billions of Yen/Yen)



Net sales by segment/EBITDA

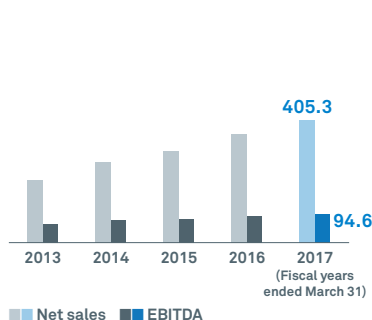
Marketing Media

(Billions of Yen)



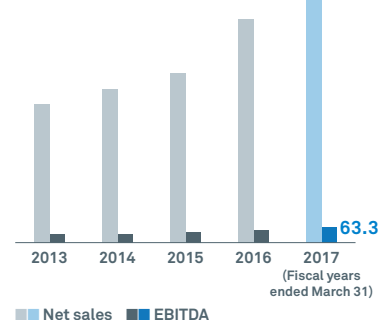
HR Media

(Billions of Yen)



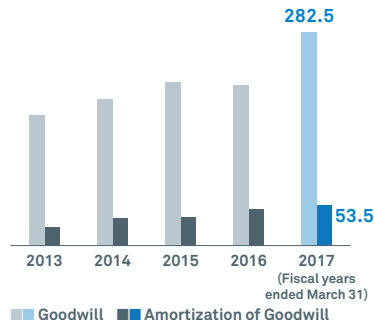
Staffing

(Billions of Yen)



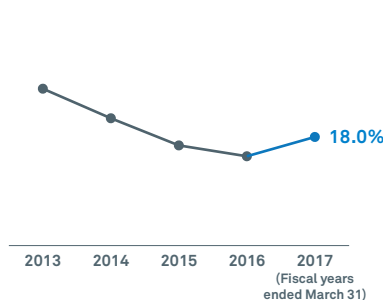
Goodwill/Amortization of Goodwill

(Billions of Yen)



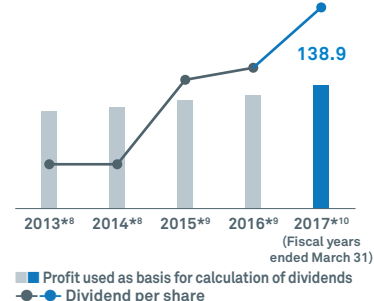
Adjusted ROE*7

(%)



Profit used as basis for calculation of dividends/Dividend per share*5

(Billions of Yen/Yen)



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

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

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

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

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

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

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

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

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

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

Change of Our Reporting Segments

Change of Our Reporting Segments

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

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

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

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

HR Technology

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

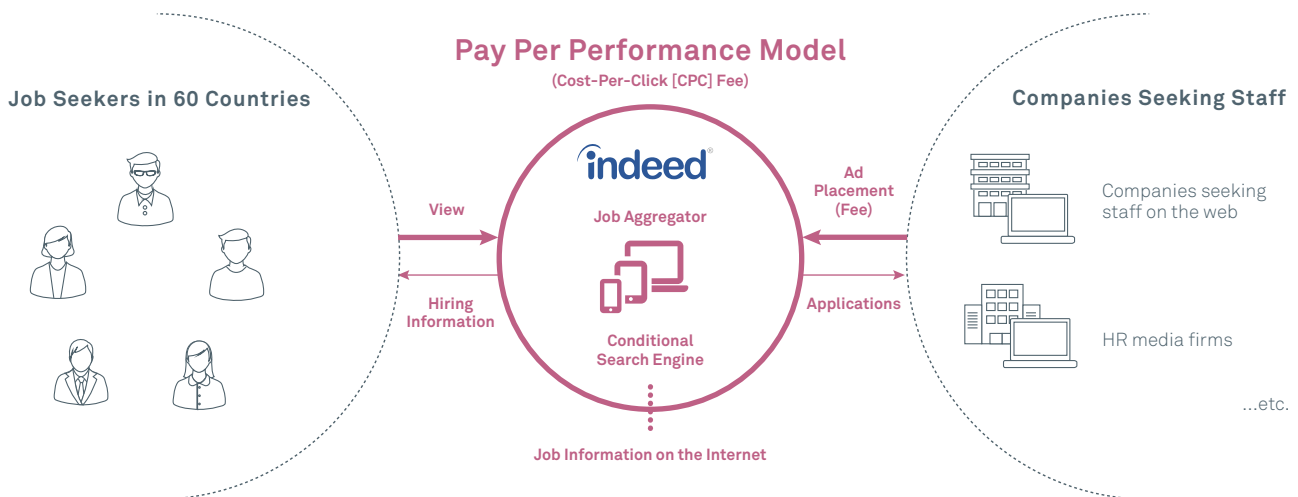
Service Description

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

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

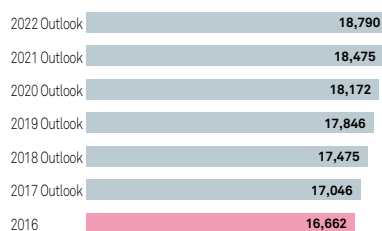
Business Model

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



US GDP (Real) Growth Results and Forecast

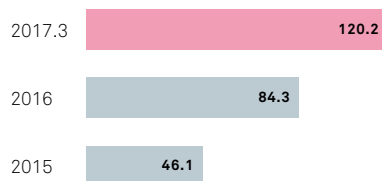
[Billions of USD]



Source: International Monetary Fund, World Economic Outlook Database

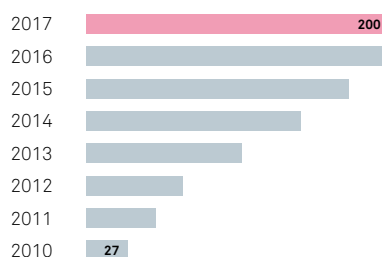
Annual Net Sales

[Billions of Yen]



Monthly Unique Visitors

[Millions]



Source: Google Analytics

Market Environment

US Market for Online Recruitment Has Been Growing

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

Business Overview

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

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

Strategy Going Forward

Increase Efficiencies in the Recruitment Process while Expanding Globally

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

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

Media & Solutions (Marketing Solutions) Housing and Real Estate

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

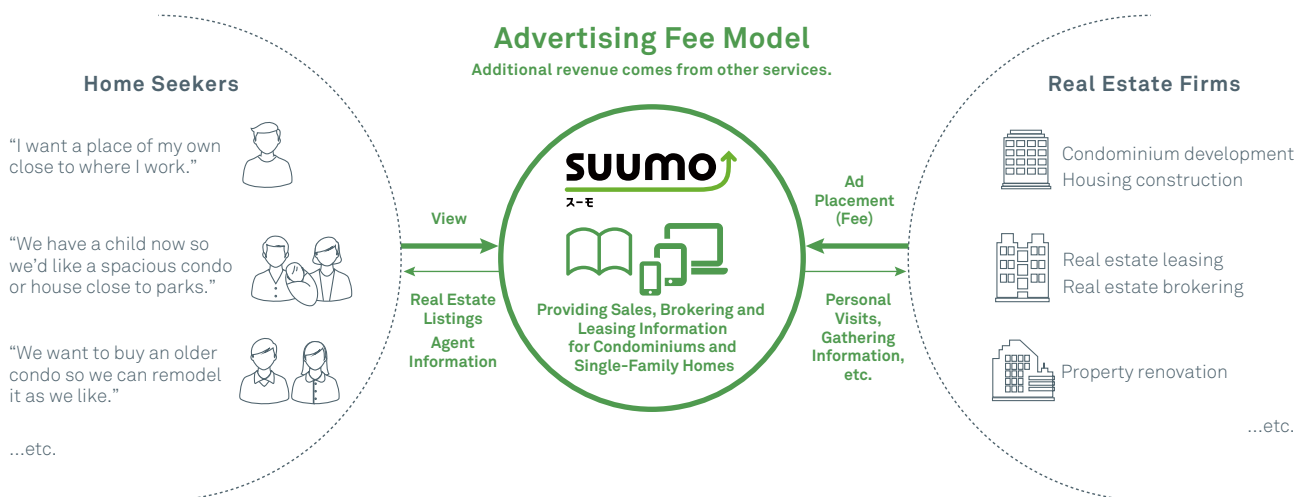
■ Service Explanation

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

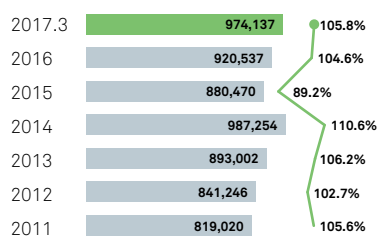
In the Housing and Real Estate business, we provide information on our website, apps, and magazines under the SUUMO brand that meets the wide range of needs for housing to lease, purchase, build and renovate. In addition to property and agent information, these media cover a variety of housing information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

■ Business Model

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

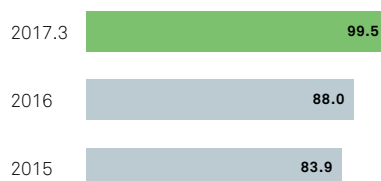


New Housing Construction Starts in Japan/ Year-on-Year Growth Rate [Number of Houses, %]

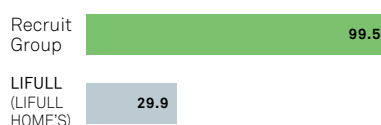


■ Number of Houses ● Year-on-Year Growth Rate
Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Starts

Annual Net Sales [Billions of Yen]



FY2016 Net Sales Comparison [Billions of Yen]



Market Environment

New Housing Construction on Track for Recovery

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

Business Overview

Having Kept Top Position in Japan and Achieved Sales Increase

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

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

Strategy Going Forward

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

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

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

Media & Solutions (Marketing Solutions) Bridal

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

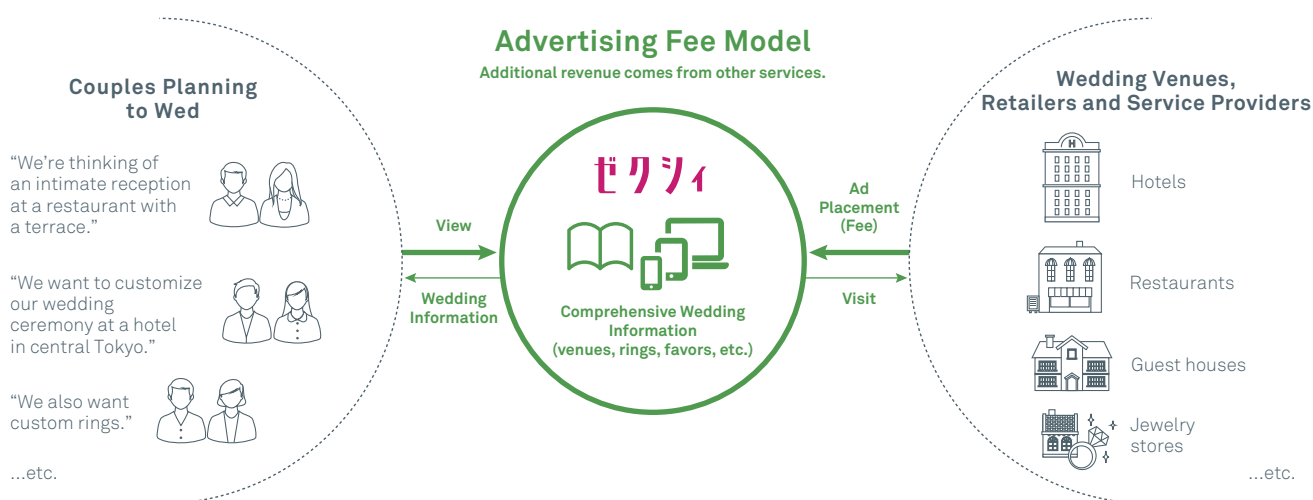
■ Service Explanation

Zexy Brand Meets Diverse Bridal Requirements

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

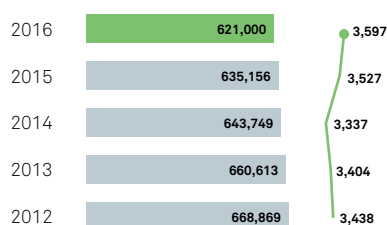
■ Business Model

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



Bridal Industry Trends in Japan

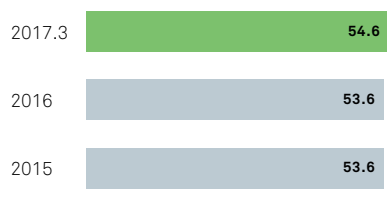
[Number of Couples/Thousands of Yen]



■ Number of Marriages
● Average Amount of Spending for Wedding Parties
Source: Ministry of Health, Labour and Welfare, Vital Statistics and Zexy Wedding Trend Research (2016)

Annual Net Sales

[Billions of Yen]



FY2016 Net Sales Comparison

[Billions of Yen]



* FYE Sep 2016

Market Environment

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

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

Business Overview

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

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

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

Strategy Going Forward

Further Enhancing User Satisfaction and Energizing the Industry

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

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

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

Media & Solutions (Marketing Solutions) Travel

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

■ Service Explanation

Pursue User-Friendliness through Our Website and Paper Magazine

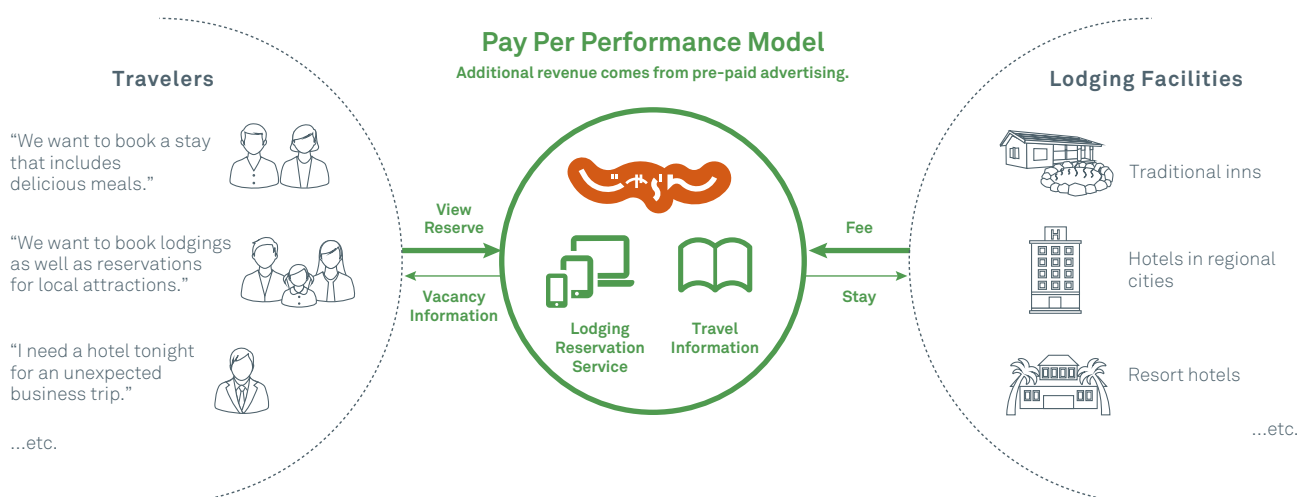
In the Travel business, we provide information through our website and magazines under the brand name of Jalan. Through the Jalan site and apps, users can search and book their preferred plans from accommodations in Japan. Jalan covers special-featured seasonal articles and lodging rankings by user ratings.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

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

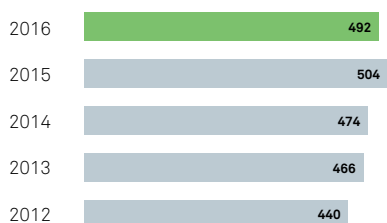
■ Business Model

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

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

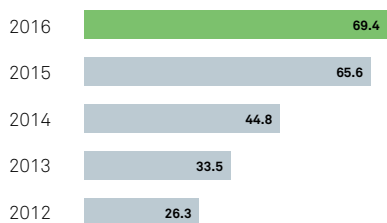


Total Guest Nights in Japan [Millions]



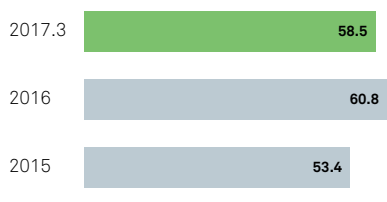
Source: Japan Tourism Agency, Statistical Survey on Overnight Travel

Total Guest Nights of Foreign Visitors [Millions]



Source: Japan Tourism Agency, Statistical Survey on Overnight Travel

Annual Net Sales [Billions of Yen]



Market Environment

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

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

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

Business Overview

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

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

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

Strategy Going Forward

High Degree of Customer Satisfaction Among Both Advertising Clients and Users

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

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

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

Media & Solutions (Marketing Solutions) Dining

Supporting Clients' Operations and Improving User Convenience

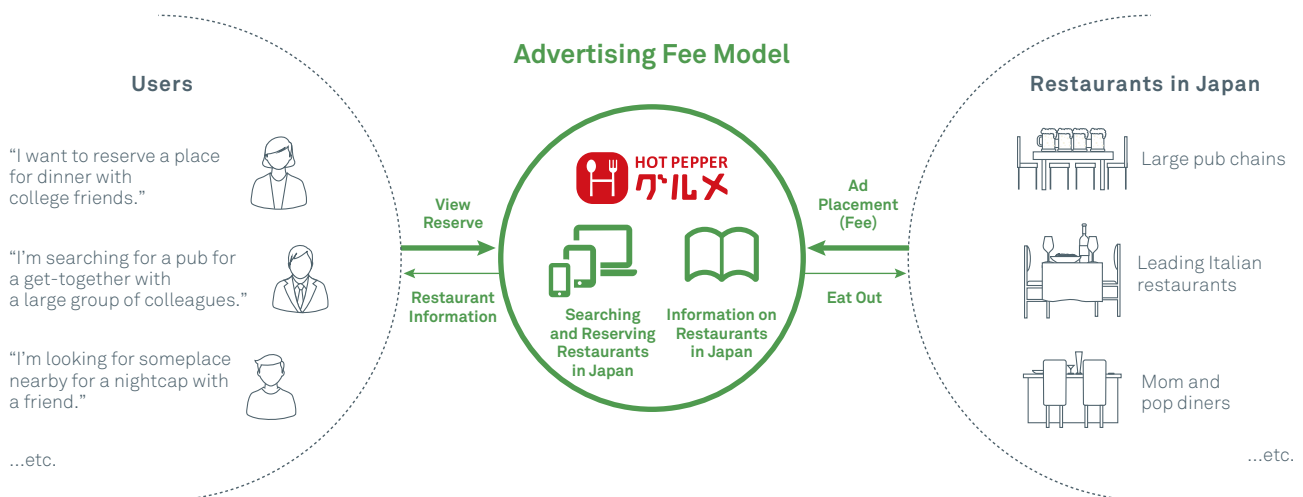
■ Service Explanation

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

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

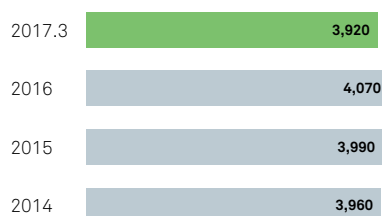
■ Business Model

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



Trends in the Dining Out Market in Japan*

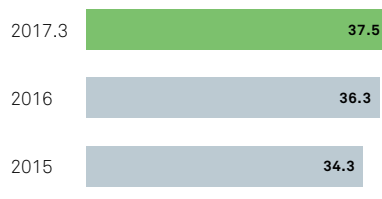
[Billions of Yen]



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

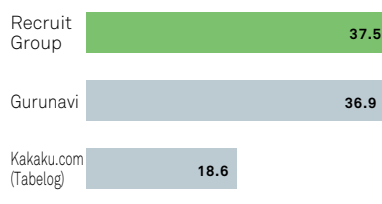
Annual Net Sales

[Billions of Yen]



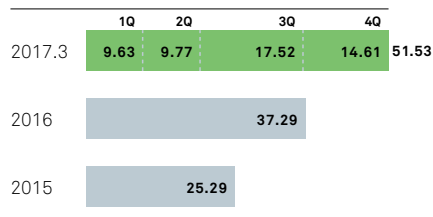
FY2016 Net Sales Comparison

[Billions of Yen]



Cumulative total of Hot Pepper Gourmet online reservations

[Millions]



* Pre-cancellation reservation acceptance basis

Market Environment

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

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

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

Business Overview

Performance Was Sound Due to an Increasing Number of Advertising Clients

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

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

Strategy Going Forward

Providing Operational Support Services Makes Client Relations Even Stronger

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

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

Media & Solutions (Marketing Solutions) Beauty

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

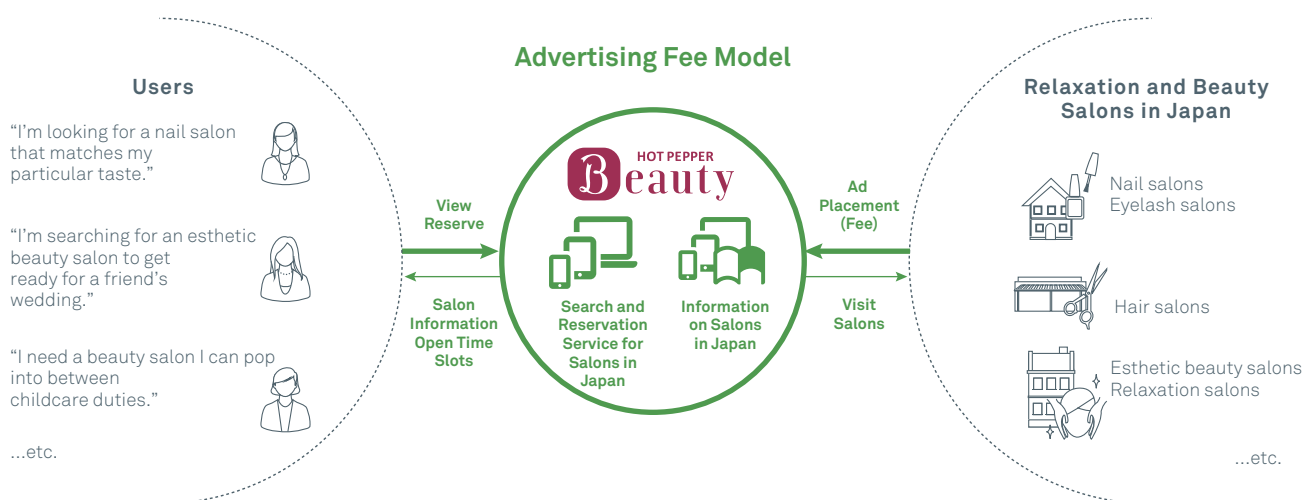
■ Service Explanation

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

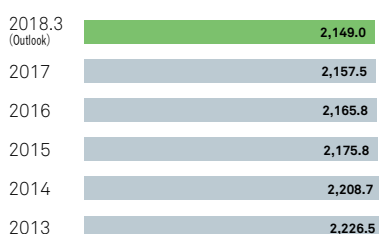
Under the Hot Pepper Beauty brand, we provide the largest search and reservation beauty website in Japan, offering services to users of hair dressing, relaxation, and beauty salons together with free magazines. Users can search for salons based on various criteria, types of feature articles or the date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

■ Business Model

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

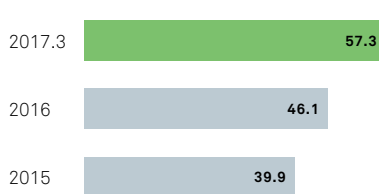


Hairdressing Market [Billions of Yen]

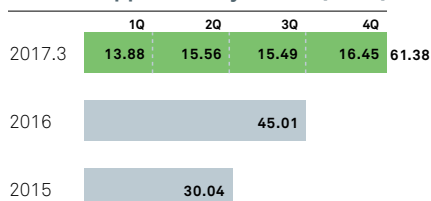


Source: Yano Research Institute Ltd., Hairdressing Market in Japan: Key Findings 2017

Annual Net Sales [Billions of Yen]



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



* Pre-cancellation reservation acceptance basis

Market Environment

The Online Beauty Reservation Market Is Expected to Expand

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

Business Overview

Expanding Client Transactions through the Industry-Leading Effective Customer Attraction

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

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

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

Strategy Going Forward

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

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

Media & Solutions (HR Solutions) Domestic Recruiting

Leading High Brand Value in the Japanese Hiring Market

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

■ Service Explanation

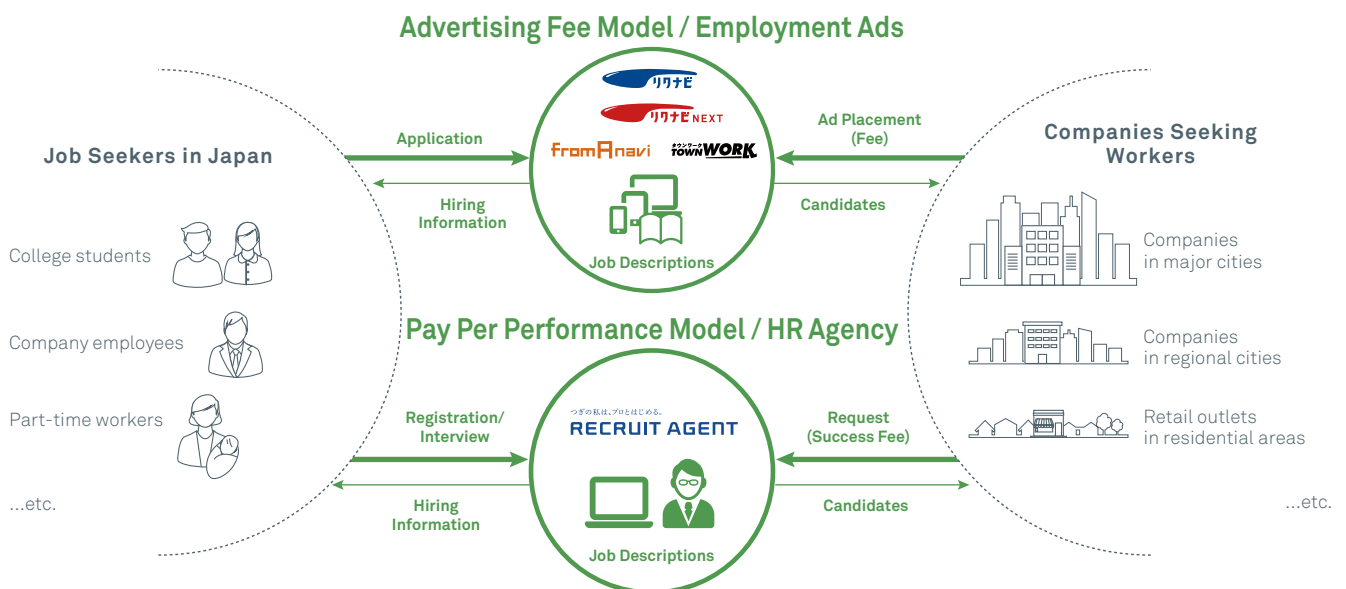
A Leading Brand that Responds to a Wide Range of Needs in the Hiring Market

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

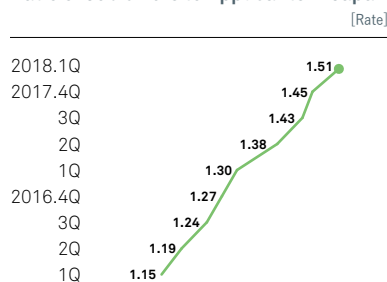
■ Business Model

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

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



Ratio of Job Offers to Applicants in Japan



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

Market Environment

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

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

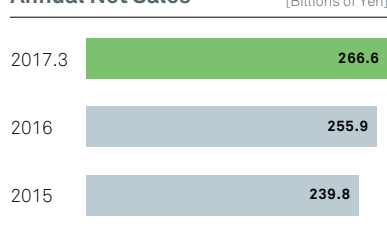
Business Overview

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

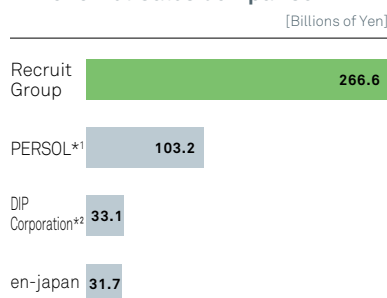
As a pioneer of recruitment advertising business in Japan, we provide a full range of services related to hiring, and the size of our net sales is at the top position in the Japanese market.

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

Annual Net Sales



FY2016 Net Sales Comparison



*1. Sales of recruiting segment including Intelligence
*2. FYE Feb 2016

Strategy Going Forward

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

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

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

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

Staffing Domestic Staffing

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

Product Description

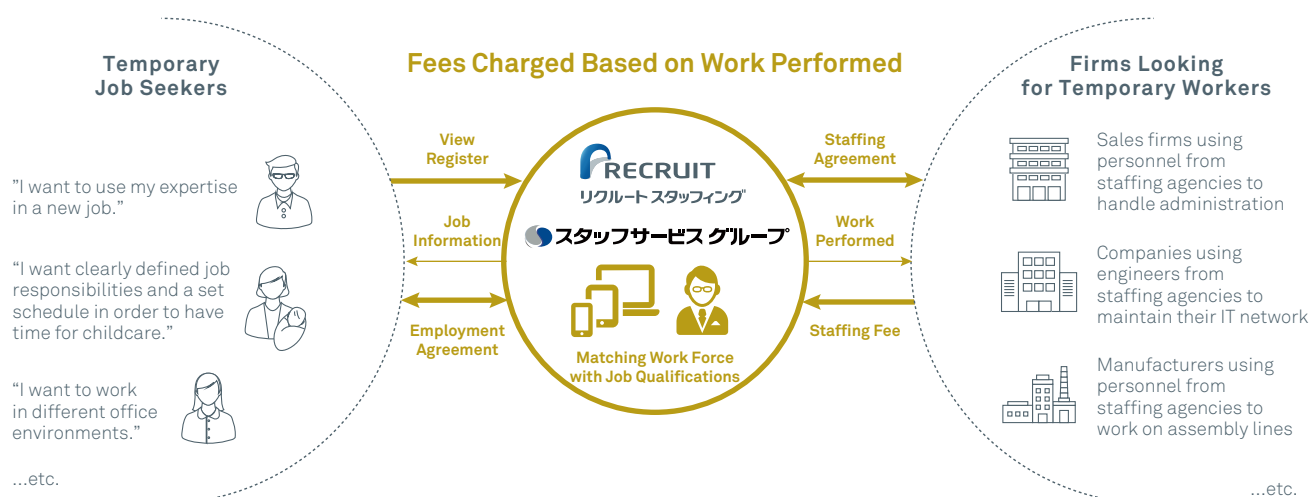
Broad Client Base Covering All Over Japan from SMEs to Large Companies

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

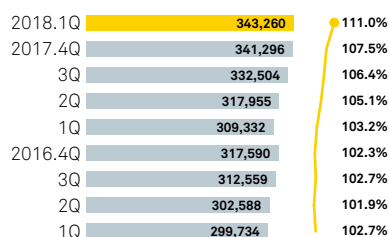
Both RS and SS are comprehensive staffing companies. RS has a relatively strong presence in large companies in urban areas, characterized by its careful assessment of registered staff who can satisfy clients' needs and requirements. SS has a strong presence in SMEs all over Japan, characterized by quick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

Business Model

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

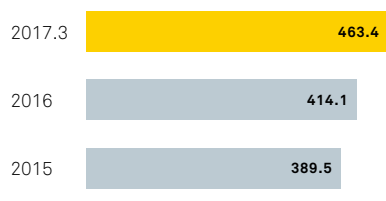


Average Number of Active Agency Workers in Japan/Year-on-Year Growth Rate [People/%]

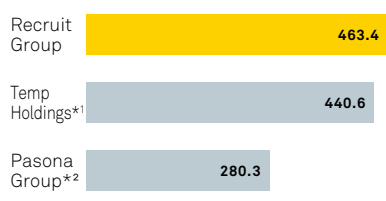


■ Active Agency Workers — Year-on-Year Growth Rate
Source: Japan Staffing Services Association, Staffing Service Survey

Annual Net Sales [Billions of Yen]



FY2016 Net Sales Comparison [Billions of Yen]



*1. Sales of Staffing and BPO segments

*2. May 2017

■ Market Environment

The Domestic Staffing Market Continues Its Mild Upward Trend

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

■ Business Overview

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

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

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

■ Strategy Going Forward

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

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

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

Staffing Overseas Staffing

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

Product Description

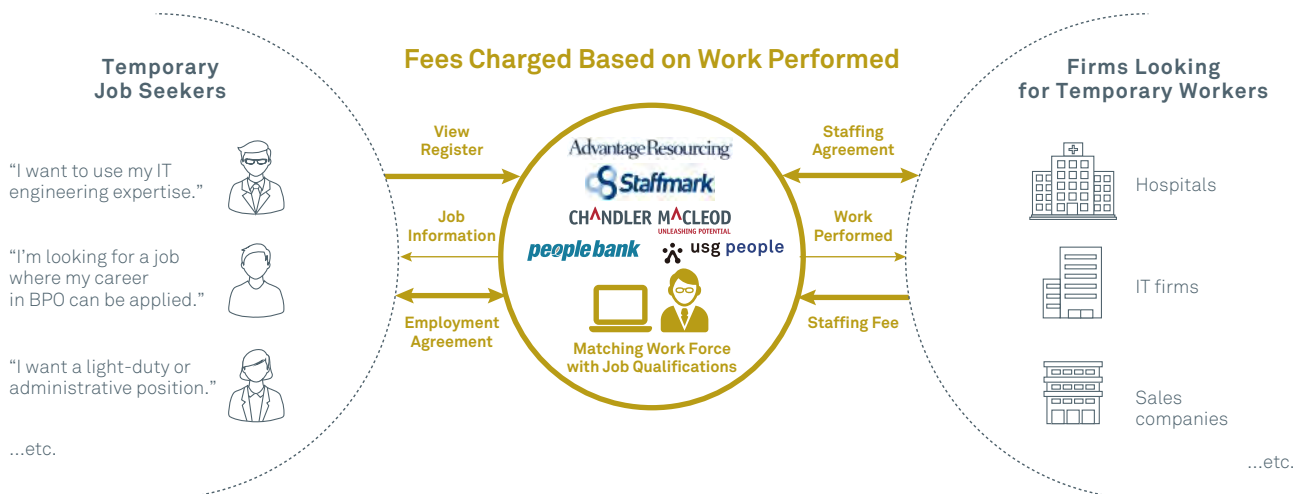
Developing Business through Local Brands Mainly in North America, Europe and Australia

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

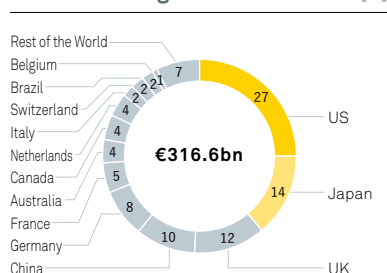
Our operations consist of The CSI Companies, Staffmark, Advantage Resourcing and Attërro in North America; USG People and Advantage Resourcing in Europe; and Peoplebank and Chandler Macleod in Australia.

Business Model

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

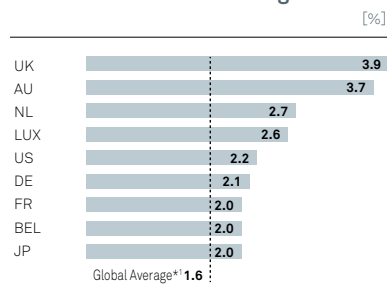


Global Staffing Markets



Source: Ciett Economic Report 2016

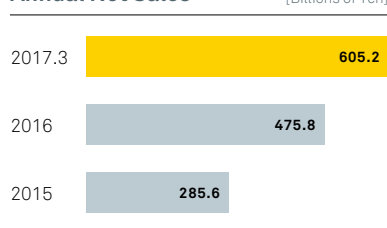
Penetration Rate of Staffing Services



Source: Ciett Economic Report 2016

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

Annual Net Sales



Market Environment

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

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

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

Business Overview

Introducing and Improving Unit Management System to Improve EBITDA Margins

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

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

* Six months under JGAAP, but ten months under IFRS

Strategy Going Forward

Efficient Operation of Subsidiaries and Business Base Expansion through Acquisitions

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

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

FAQ

HR Technology

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

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

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

Q: What is driving revenue growth at Indeed?

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

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

Q: How is monetization progressing outside the US?

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

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

FAQ

Media & Solutions

(Marketing Solutions)

■ Housing and Real Estate

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

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

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

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

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

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

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

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

■ Bridal

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

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

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

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

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

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

■ Travel

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

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

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

■ Dining

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

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

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

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

■ Beauty

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

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

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

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

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

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

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

■ **Other**

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

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

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

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

Q: What is Air Platform?

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

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

(HR Solutions)

■ Domestic Recruiting

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

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

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

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

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

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

■ Other

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

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

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

FAQ

Staffing

■ Domestic Staffing

Q: Can you describe “Unit management system”?

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

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

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

■ Overseas Staffing

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

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

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

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

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

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

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

Consolidated Balance Sheets

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

(Millions of yen)

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

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

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

Consolidated Statements of Income

(Millions of yen)

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

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

Consolidated Statements of Changes in Equity

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

(Millions of yen)

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

(Millions of yen)

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

Consolidated Statements of Changes in Equity

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

(Millions of yen)

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

(Millions of yen)

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

Consolidated Statements of Cash Flows

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

(Millions of yen)

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

Corporate Governance

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

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

The Company and its subsidiaries (the “Group”) has defined its Mission: “We are focused on responding to the needs of society by creating new value, thereby contributing to a brighter and more fulfilling world in which all individuals can live life to the fullest” and “Creation of new value”, “Contribution to society”, and “Respect for all individuals” as The Recruit Way in the Recruit Group Management Philosophy.

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

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

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

1. Securing the Rights and Equal Treatment of Shareholders

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

2. Appropriate Cooperation with Stakeholders other than Shareholders

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

3. Ensuring Appropriate Information Disclosure and Transparency

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

4. Responsibilities of the Board of Directors

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

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

5. Dialogue with Shareholders

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

Audit & Supervisory Board Members

Establishment of the Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

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

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

Execution of Business

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

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

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

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

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

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

Audit and Oversight

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

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

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

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

Regarding the internal audit system, steps have been taken to strengthen the system of internal checks. Among these are the establishment of the Internal Audit Office, as an auditing unit independent of executive units, and a department responsible for promoting internal controls, as a unit with overall responsibility for compliance.

Accounting audits are performed by Certified Public Accountants affiliated with Ernst & Young ShinNihon LLC.

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

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

Nomination

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

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

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

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

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

Masumi Minegishi President, CEO, and Representative Director

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

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

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

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

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

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

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

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

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

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

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

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

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

Policies on the Selection of Independent Officers

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

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

Policy on Training for Directors and Audit & Supervisory Board Members

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

Policy on Strategic Shareholdings

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

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

Policy on Dealings with Related Parties

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

IR Activities

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

Formulation and Disclosure of Business Strategies and Business Plans

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

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

*2 Adjusted net income = Net income attributable to owners of the parent ± adjustment items*³

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

Implementation of Regular Investor Briefings for Analysts and Institutional Investors

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

Holding Regular Investor Briefings for Overseas Investors

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

Posting of IR Materials on the Website

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

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

Status of Efforts to Ensure Respect for Stakeholders' Perspectives

Rules on Respecting Stakeholders' Perspectives

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

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

Implementation of Environmental Preservation, CSR and Other Activities

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

"Five core themes of our CSR policy"

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

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

Establishment of Rules for Providing Information to Stakeholders

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

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

Employee Diversity

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

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

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

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

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

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

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

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

Basic Concepts and Status of the Internal Control System

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

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

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

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

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

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

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

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

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

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

(5) Systems to Ensure the Reliability of Financial Reporting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Basic Stance on Antisocial Forces

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

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

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

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

System for Making Timely Disclosures

(1) Basic Policy on Timely Disclosures

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

(2) System for Timely Disclosure

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

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

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

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

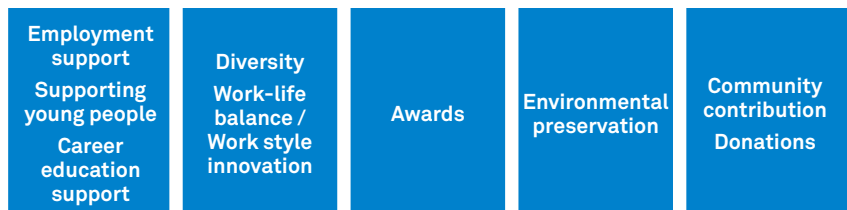


Sustainability

Sustainability

CSR Activities of Recruit Group

Recruit Group engages in various CSR activities at the individual company level to meet the expectations of society and to fulfill its responsibility as a corporate citizen, with the ultimate aim of a sustainable world. The following is an introduction of our CSR activities, divided into five categories.



Employment support
Supporting young people
Career education support

Employment Support

We aim for a society where everyone is motivated to work, as we believe work connects people to their communities and enriches their lives.

● Recruit Holdings—iction! Kamuba! (Comeback!)

This free service helps women prepare for their return to work with the aim of balancing work with childcare. It offers advice based on their week of pregnancy, stories about working mothers, and a list of tasks to consider, among other content. A total of 200,000 people have used the service as of March 31, 2017. In December 2016, Recruit launched a management support service for managers who have soon-to-be-mothers under their supervision.

● Recruit Holdings / RGF—Honki no Shushoku / WORKFIT program

This is a free employment support program for young people started in 2011 that relies on the knowledge of the HR business. It entails two programs: “4-Day Group Work”, which focuses on practical skills for working in groups, and “1-Day Seminar”, which is a 1-day intensive course on self-promotion and interviewing skills. (Photograph 1)

● Recruit Career—HELPMAN JAPAN

The objective of this project is to increase the number of workers in the nursing care industry through (1) branding (disseminate information to improve the position of nursing care staff), (2) hiring support (hiring know-how seminars, staff introductions, etc.), and (3) improving job retention (develop staff training, support acquisition of qualifications, etc.).



(Photograph 1)



(Photograph 2)



(Photograph 3)



(Photograph 4)



(Photograph 5)

● **Recruit Office Support (Recruit Holdings) / Recruit Staffing Crafts (Recruit Staffing) / Staffing services and business support (STAFF SERVICE HOLDINGS)—Employment of People with Disabilities**

These are special subsidiaries that provide a place for people with disabilities to use their skills. The people working here are a mix of ages, have different social experiences, and various types of disabilities. For example, at Recruit Staffing Crafts Co., Ltd., we created a workplace where people who have severe cognitive impairment can utilize their strengths in the area of operation-type work by creating original stationery. This product is made by reusing paper from alcohol containers and so forth, which is difficult to recycle because of its aluminum backing. The workers turn this into handmade paper, which they then use to make a desktop calendar and other items used as sales promotion tools by Group companies. (Photographs 2, 3)

● **Recruit Staffing—Ability Staffing**

This program helps people with disabilities find work (staff placement and introductions). Psychiatric social workers support the physical and mental well-being of the people for a certain period in order to enable them to have stable, long-term employment.

● **Recruit Staffing / STAFF SERVICE HOLDINGS—WORKFIT for Moms**

This program helps mothers find work for free. At the seminars, they discover tips for identifying their strengths, work styles that fit their circumstances, and alleviate concerns and worries about working while raising children. Coordinators guide the counseling there as well.

● **Advantage Resourcing—Employment Support**

Advantage Resourcing team members conduct volunteer activities at shelters for homeless people in Chicago. They hold workshops to help people write resumes, prepare for interviews, and search job sites. They also provide information to homeless people on which websites to use. (Photographs 4, 5)

● **Chandler Macleod—Helping disadvantaged women re-enter the workforce**

Chandler Macleod supports women to return to the workforce by providing training to improve interview skills and CV-writing. The company also provides financial support through donations.

● **USG People—Restart**

USG People provides employment opportunities for people with mental or physical disabilities. The company has created positions for 1,000 people with disabilities in the Netherlands and 850 in France.

—Refugees

USG People distributed pamphlets and held events to provide information about finding a job to refugees from Iraq, Syria, and Eritrea to help them find safe and stable lives.



(Photograph 6)



(Photograph 7)



(Photograph 8)

Topics

● Recruit Holdings / RGF—Recruit WORKFIT Program

Recruit Holdings held the free job search support program, Honki no Shushoku / WORKFIT at the University of Economics and Finance in Vietnam in February 2016 and at the King Mongkut's Institute of Technology in Thailand in October 2016. Students seeking jobs participated in these free programs (47 persons in Vietnam, 180 in Thailand), which focus on preparing for interviews. In Japan, the program is provided to about 4,000 people annually, as well as being provided for free to young people leaving juvenile correctional facilities with the aim of helping them to achieve autonomy. These programs are both capable of boosting participants' self-confidence and matching people with human resource needs at companies. Around 23,000 people have participated in the programs since they started in 2011. We will continue to help young people find work by nurturing self-confidence in their ability to find jobs around the world. (Photographs 6, 7 and 8)

		FY2014	FY2015	FY2016
Number of program participants	Total persons	4,173	4,696	3,994
	School events	1,371	1,371	1,893
	NPO events	865	1,194	1,541
	Recruit events	1,927	2,131	560
Number of partner organizations	University	52	61	82
	NPO	54	70	74

Topics

● Percentage of Employees with Disabilities

	June 2015	June 2016	June 2017
Recruit Holdings Co., Ltd.*	2.19%	2.19%	2.32%
Recruit Staffing Co., Ltd.	2.08%	2.06%	2.10%
STAFF SERVICE HOLDINGS CO., LTD.	2.03%	2.02%	2.00%

* Consolidated companies in Japan (as of June 2017)

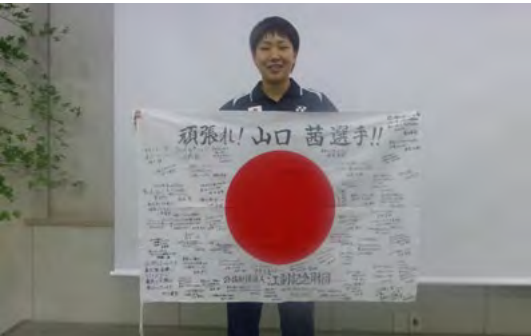
Recruit Career Co., Ltd.	Recruit Jobs Co., Ltd.
Recruit Technologies Co., Ltd.	Recruit Zexy Navi Co., Ltd.
Recruit Management Solutions Co., Ltd.	Recruit Office Support Co., Ltd.
Recruit Communications Co., Ltd.	Recruit Lifestyle Co., Ltd.
RECRUIT FORRENT INSURE Co., Ltd.	Recruit Carsensor Co., Ltd.
Recruit Sumai Company Ltd.	Recruit Kitakanto Marketing Co., Ltd.
Recruit Administration Co., Ltd.	Yumex Inc.
Recruit Career Consulting Co., Ltd.	CDS K.K. (CDSi K.K.)
Recruit Marketing Partners Co., Ltd.	Nijibox Co., Ltd.
Recruit Medical Career Co., Ltd.	Indeed Japan, K.K.

■ Supporting Young People

A growing number of young people are struggling to find work even after benefiting from educational opportunities. It is also important for them to discover and develop their own strength and possibility through various experiences. Recruit Group provides programs and services that help young people become more independent and pursue their dreams in society.

● Recruit Holdings—The Ezoie Memorial Foundation

The Ezoie Memorial Foundation was established in 1971 on the 10th founding anniversary of the Company, as an initiative for contributing to society by supporting people who demonstrate leadership, who are highly motivated with curiosity, and who show strong potential for the future. Since then, the foundation has conducted activities including provision of scholarships for 622 people in total. Recently, the activities have focused on supporting young people globally active in the fields of music, arts, and sports. In fiscal year 2016, the foundation sponsored 13 scholarship students in the field of music, 15 in the field of sports, 3 in the field of contemporary art, and 13 in the field of academia. At the same time, to mark our 45th founding anniversary, we held the Ezoie Memorial Foundation 45th Anniversary Concert at Suntory Hall on September 8. Five graduates in the instrument and singing field and four current scholarship students gave performances. (Photograph 9)



(Photograph 9)



(Photograph 10)



(Photograph 11)



(Photograph 12)

● Recruit Career—Shushoku Shop

Shushoku Shop is a job placement service that helps young job seekers find job openings for full-time positions that do not require prior experience. The service 1) does not select based on documents, 2) conducts interviews of all job seekers to ascertain their character, 3) gathers information on companies that believe in the potential of young people through direct interviews with each company and provides information and 4) supports job seekers' general job search activities through model interviews and so forth, while nurturing their readiness to work, thereby encouraging them to recover confidence and take the first step to discover their potential in society. Currently, the service operates at nine locations in the Greater Tokyo Area and Kansai. Today, approximately 95,000 young people have used the service. (Photograph 10)

● Recruit Lifestyle—Maji☆bu

Maji☆bu is a platform that supports youth activities. For example, Snow Magic 19 offers 19-year-old youth free ski lift tickets as a way of inviting young people to rural areas. With the Maji☆bu app, various inspiring experiences are provided for free with age restrictions, including skiing and snowboarding, J.league, golf, hot springs, and so forth. While providing opportunities for youth to gain valuable experiences, the Maji☆bu platform helps revitalize regional economies. (Photograph 11)

● Peoplebank—RMIT Scholarship

Peoplebank launched a scholarship program to provide financial support for the first year of study to women aiming to attend RMIT University in Melbourne Australia. (Photograph 12)

● USG People—100 Opportunities 100 Jobs

This program was created to help young people from 18 to 30 years of age to find a sustainable job. The program offers career advice and recruitment interview simulations, as well as connecting them with a network of companies.

■ Career Education Support

Thinking about the meaning of working and what one wants to do in life is an important step toward having a fruitful life. Recruit Group engages in activities to draw out the potential of children by helping them to foster a broad perspective on work.



(Photograph 13)

● Recruit Holdings—TOWNWORK Try! Work

In this program, streamed online for free, teachers give two lessons to junior high school students before and one after their workplace experience activity, which is conducted as part of their general study course. Students use Recruit Jobs' job-posting media TOWNWORK as a text and learn about interviewing and preparing copy before their workplace experience and then compile student-edited versions of Recruit's TOWNWORK magazine, using copy centered on their feelings of what it was like to have worked. Copies of the TOWNWORK Junior High School Edition are distributed locally. (Photograph 13)



(Photograph 14)

● Recruit Career / Recruit Marketing Partners—KidZania Sponsor

KidZania is a place where children can try doing a job of their choice to experience work while playing. Recruit Group has a "Work Consultation Center" pavilion operated by Recruit Career and a "Wedding Ceremony" where children can experience being a wedding planner and acting as a new bride and groom operated by Recruit Marketing Partners. At the Work Consultation Center, an adult supervisor consults with children who are not sure what work they would like to try in KidZania town, and gives them guidance. At the Wedding Ceremony, children enjoy the occasion for congratulating one another through the processes of performing a wedding ceremony. (Photograph 14)

● Recruit Jobs—TOWNWORK Workbook

Using the knowledge they gained in the job advertisement business, employees teach elementary school pupils the benefits of working and offer them opportunities to think about their own career paths. The children interview working adults, write reports and publish their own version of TOWNWORK, edited by elementary school students.



(Photograph 15)

Topics

● Recruit Holdings—WORKFIT for KIDS

The WORKFIT for KIDS program was started in 2016 to help children living in orphanages to cultivate their perspective on work. Working with NPO, employees visit the facilities with guests (camera operators, nursing care facility staff, and various other professionals) to give on-site lessons. They share the joy of working, as well as their experiences of growing and facing difficulties. Through the program, they share information with the children about the many and diverse types of work available in society, what kind of preparation is required for certain jobs, and so forth. (Photograph 15)

Diversity

Work-life balance / Work style innovation

■ Diversity

Recruit Group aims to create work environments where anyone can work to the best of their abilities, regardless of gender or other characteristics. To this end, we promote the formation of organizations that take advantage of individual diversity, and have put in place career support programs and systems to enable employees to apply their abilities to the fullest.

● Major Recruit Group Companies in Japan—Promoting Diversity

Recruit Group sets female success promotion, a big issue in Japanese society, as a central theme and takes a variety of measures to promote work-life balance and empower employees. Since 2016, Recruit Group has introduced remote working systems and other innovations to work styles, promoting individual growth regardless of gender.

● Major Recruit Group Companies in Japan —Recruit Group: Diversity for ALL Project Be a DIVER!

In 2016, Recruit Group launched the Diversity for ALL Project “Be a DIVER!” with the aim of drawing out the abilities of each employee by emphasizing diversity. Through this project, we have invited guests from inside and outside the Company to give lectures and lead discussions with employees about empowering female employees and a diverse range of other topics, such as balancing work for men raising children, LGBT issues, and working while providing nursing care, in order to promote an enlightenment among employees. These discussions are generally held each month or every other month, and are open to all employees. An email magazine offering a detailed report of the content of the discussions is distributed to around 30,000 Group employees in Japan, to provide a structure for continuing to share the latest information about the significance and specific initiatives of diversity. The insights gained through these initiatives are disseminated both internally and externally through the website and seminars for outside the Company. For example, we invited guest speakers to seminars from advanced companies and international human rights NGOs, as well as relevant parties from inside and outside Recruit Group, to discuss the theme of creating corporate cultures that make it easy for people of sexual minorities to work. In addition to imparting basic knowledge, the seminars also encouraged participants to think independently and discuss together about how to reflect this awareness in system revisions as well as products and services. In this way, the seminars provided a place for noticing new things and coming up with new proposals. (Photographs 16, 17)

● Major Recruit Group Companies in Japan —Recruit Group: the female management training program Women's Leadership Program

A Group survey conducted in 2012 revealed that about 70% of male employees wanted a promotion at work, whereas only 40% of female employees expressed the same goal. In light of the outcome of this survey, Recruit Group launched the Women's Leadership Program in fiscal year 2013, for female employees who are candidates for management positions. In this program, management-class people accompany and foster them in one-on-one training for a half-year period. (Photograph 18)



(Photograph 16)



(Photograph 17)



(Photograph 18)



(Photograph 19)

● Recruit Group—Career Cafe 28

Recruit Group has offered a program that supports career development of female employees, who are going to have life events, in response to their request. The program holds educational events with external instructors and senior colleagues to explore ways of increasing one's own options whenever major life events occur. Career Cafe 28 BOSS is a management training program for supervisors of female employees to learn practical management which accelerates the growth of their female coworkers. (Photograph 19)

● Recruit Holdings—And's On-Site Daycare Center

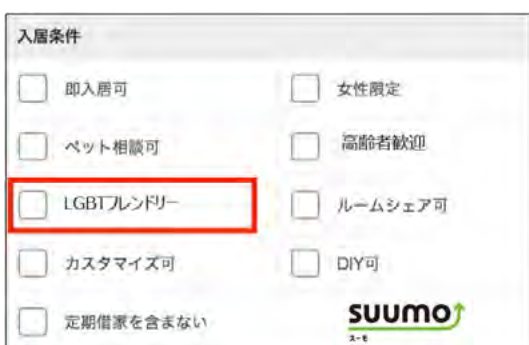
We set up the on-site daycare center And's in January 2008 in the same building as Recruit's headquarters to enable the workers who want to develop their career after maternity leave to return to work, following the issue of a shortage of daycare centers especially in the Greater Tokyo Area. Since the center opened, the proportion of women returning to work and the ratio of working mothers among female employees have increased. As of April 2017, 22.7% of female employees (about one in five) are working mothers. Recruit has also concluded corporate contracts with childcare providers to meet needs for flexible approaches to childcare support. Support is provided to employees through such ways as waiving membership fees.

● Recruit Sumai Company—SUUMO LGBT Friendly Initiatives

Apartments for rent listed on the SUUMO service can now be searched using a special filter called "LGBT Friendly". LGBT Friendly properties are ones whose owners have decided to proactively show that they will not refuse a potential tenant because they are LGBT. Providing this information makes it easier for LGBT people to search for housing. The Company has also set up a special website called SUUMO for LGBT. (Photograph 20)

● Peoplebank—Programs for Diversity Initiatives

Peoplebank is actively promoting initiatives for diversity, such as actively appointing female managers and executive leaders and conducting training programs designed to uncover the potential of female employees. (Photograph 21)



(Photograph 20)



(Photograph 21)

Topics

● Major Recruit Companies in Japan—Initiatives for LGBT People

At Recruit Staffing, we received the Gold award in the PRIDE Index, an evaluation index set up by the voluntary organization "work with Pride" that measures corporate initiatives taken for sexual minorities such as LGBT people. By conducting in-house training for management and recruiting officers as well as distributing information in our email magazine to employees, we have been working to create a supportive system for all people to "be themselves" in their work. In April 2017, we started applying certain personnel systems, such as benefits for spouses and their families, to partners of the same sex at nine Group companies.



(Photograph 22)



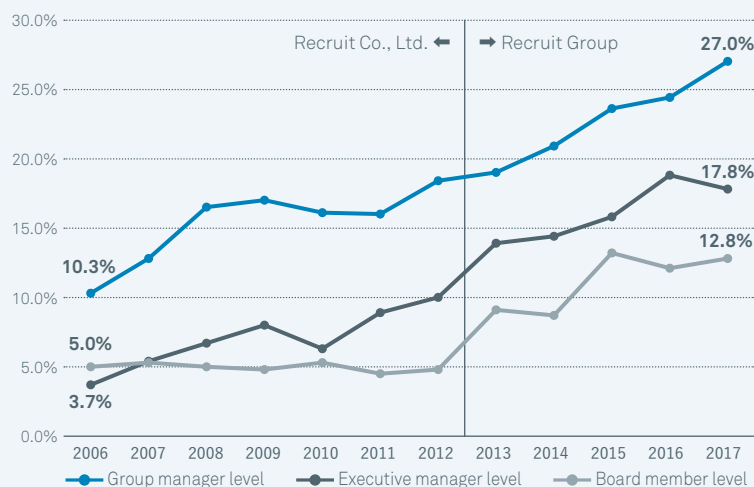
(Photograph 23)

Topics

● Major Recruit Group Companies in Japan
—Setting of Voluntary Targets for Women in Management Positions

Recruit Group has established the medium-term goal of increasing the number of female group managers to at least 30% of the total by April 2018, and discloses its progress yearly. That figure stood at 24.4% in April 2016 and 27.0% in April 2017. (Photographs 22, 23)

Women as a percentage of management



* Actual data as of April for 11 main Group companies in Japan from fiscal year 2013 onward.

Topics

● Recruit Holdings—Employee Diversity Penetration Survey

Recruit Holdings conducts annual surveys of 11 Group companies in Japan to monitor the penetration of diversity. The survey for employees has approximately 12,000 respondents, with a response rate of 83%. This enables us to achieve an appropriate understanding of the issues and helps to implement initiatives across multiple companies. The survey has given rise to various initiatives, such as support for male employees balancing childcare with work.

Topics

● Peoplebank—Flexibility

Besides women’s success, Peoplebank promotes flexible working arrangements to be able to balance work and personal life, taking into consideration all the various circumstances that people are in. Peoplebank offers various options such as 3 or 4 working days a week, short working hours, and working from home, so that employees can choose according to individual circumstances.

■ Work-Life Balance / Work Style Innovation

Increasing productivity and creating environments where diverse employees can play an active role are currently the important themes, as the public and private sectors in Japan have been promoting various work styles. Here, we introduce some initiatives that Group companies are taking in response.

● Major Recruit Group Companies in Japan—Work Style Innovation Project

With this project, we are taking on the challenge of creating innovative work styles with the aim of rediscovering ways to work and spurring changes in work styles across society, through our challenge of work style innovation to solve issues in Japan, such as a declining working population, weak productivity and declining birthrates. For example, in January 2016, Recruit Holdings introduced a full-fledged remote work system for all employees, freeing them from a specific office. We established satellite offices in 40 locations around Tokyo to enable employees to work near their homes or places they are visiting. Some of the satellite offices have full-time childcare staff and kids' rooms where employees can leave their children while they work. Through these and other initiatives, we are strengthening our measures to put into practice flexible work styles for employees.

Furthermore, as we gain experience through trialing various ideas, we are publishing both our successes and our failures outside the Company.

(Photographs 24, 25)

● Major Recruit Group Companies in Japan—Remote Work

The remote work system has been introduced at five Group companies, and is used by approximately 4,000 employees. At certain Group companies, the remote work system has been introduced for all classes of employee, even temporary workers, with no limit on the number of days that it can be used.

● Recruit Group Companies—Family Day

Recruit Group Companies hold a Family Day for the families of employees based on the idea that employees will be more motivated when their families gain a better understanding of their jobs and support them in their endeavors. This initiative provides opportunities to promote children's understanding for their parents at work and strengthen family bonds, as well as the Company has an opportunity to say thank you to the families of its employees. (Photograph 26)

● Recruit Communications / Recruit Marketing Partners—Support for Employees Raising Children

In 2016, Recruit Communications and Recruit Marketing Partners introduced mandatory childcare leave for male employees (at least five days leave must be taken). The system enables male employees to concentrate on childcare while taking paid leave, and smoothly balance childcare and work after that. It reflects our consideration that having male employees also participate in childcare and housework, rather than only female employees, will help to encourage women to return to work and take on active roles.



(Photograph 24)



(Photograph 25)



(Photograph 26)

Awards

Awards

Recruit Group has received various awards from external organizations in recognition of its business activities and workplace environment. Below is an introduction to some of these awards.

● Indeed—Great Place to Work

Since initial participation in location-based surveys in 2016, Indeed has been named a “Great Place to Work” in founding cities Stamford, CT and Austin, TX.

● Recruit Holdings—Japan Partnership Award

The Japan Partnership Award recognizes distinctive collaborative projects between unique companies and NPOs that have made an impact on society. Our free job finding support program for young people, Honki no Shushoku, received the Young People’s Support Prize in March 2017. We received the award in recognition of our collaboration with the NPO Support Station, which is a gathering point for young people searching for jobs. Recruit Holdings provided the station with support materials. (Photograph 27)

● Recruit Holdings—J-Win Diversity Award

The J-Win Diversity Award seeks to accelerate diversity and inclusion in companies by recognizing the efforts of companies that are leading the way in this field. Recruit Holdings was awarded the “Corporate Award Advanced Division Grand Prize” for the third time in March 2017, to acknowledge its measures for diversity that included initiatives for promoting active participation of women and work style innovation, as well as efforts that look beyond gender issues. (Photograph 28)

● Recruit Lifestyle / Recruit Communications—Cannes Lions 2017

Seem, a smartphone app that lets men check the health of their own sperm, won four awards in two divisions, in addition to the Mobile Grand Prix award, at the Cannes Lions 2017 festival, one of the world’s largest awards recognizing excellence in advertising and communications. (Photograph 29)

● The CSI Companies—Best of Staffing® Client Award and Talent Award for Five Consecutive Years

The CSI Companies has received the Client Award and the Talent Award in the Best of Staffing® Ranking for five consecutive years. The award recognizes agencies that provide outstanding client services in the staffing industry in North America.

● Staffmark—Best in Staffing-Client Diamond Award

Staffmark has been awarded the Best of Staffing® Client Award for six years in a row, and has recently been awarded the Best of Staffing® Talent Award. The award recognizes companies who provide outstanding client services to their clients and temporary/contract employees. Fewer than 2% of all staffing firms in North America receive this prestigious award. To recognize six years of success, Staffmark also received the Client Diamond Award.



(Photograph 27)



(Photograph 28)



(Photograph 29)



(Photograph 30)



(Photograph 31)



(Photograph 32)

● **Peoplebank**

— **Best Employer of Choice for Gender Equality**

Peoplebank has been awarded for a fifth consecutive year (2012–2016) for championing gender equality by the Australian Government’s Workplace Gender Equality Agency (WGEA). (Photograph 30)

— **Best Recruitment Company to Work For (Large Organization)**

In 2017, Peoplebank received the award for “Best Recruitment Company to Work For” at the Recruitment International Awards. The Company was recognized for its investment in staff development, including its online learning platform available to all staff and its training program for developing leadership skills. (Photograph 31)

● **Chandler Macleod—atWork Australia**

Chandler Macleod was selected as Champion Employer of 2017 at the “atWork Australia” event for awarding employers who are supporting Australians’ lifestyles through long-term sustainable employment. (Photograph 32)

● **USG People—Best Multinational Workplace in Europe 2017**

USG People achieved 14th place in the ranking of multinational companies in Europe. It is Europe’s largest survey ranking with over 1.5 million employees participating from a total of 2,340 companies in four sectors.

Topics

● **Indeed—Great Place to Work**

Indeed has been named a “Best Workplace for Millennials 2017” and a “Best Workplace in Consulting & Professional Services 2017” by Great Place to Work, the global authority that conducts surveys on building, sustaining, and recognizing high-trust, high-performing workplace cultures. These awards are based on organization accomplishments and employee survey responses on leadership, workplace satisfaction, and work-life balance, among other factors.

Environmental preservation



(Photograph 33)

■ Environmental Preservation

Recruit Group undertakes environmental conservation activities through its business, products and services by paying due consideration to the impact of its business, activities to sustain the environment and protecting the global environment.

● Major Recruit Group Companies in Japan—Environmental Preservation

Recruit Group has established its environmental vision, “more eco more smile”, and set up an environmental management system. We also monitors its CO₂ emissions and environmental efficiency indicators. We are promoting this vision through four themes: 1) Eco-action through our business activities, 2) Steps to prevent climate change, 3) Recycling, pollution prevention, and biodiversity preservation, and 4) Fostering employee eco-awareness and support for their actions. (Photograph 33)

● Recruit Sumai Company—Environmental Education via SUUMO

The SUUMO website has web pages hosting editorial articles and introductions to real estate companies and properties for consumers choosing a home or thinking about remodeling. Through these pages, it promotes environmentally friendly housing and lifestyles, as well as introduces the efforts of real estate companies to conserve energy.

● Recruit Communications—Eco Information Magazine Publication

Recruit Group takes various measures publishing its free magazines, such as using the thinnest paper possible, reducing deliveries by trucks to cut CO₂ emissions, and recycling leftover waste into cardboard boxes. (Photograph 34)

● Recruit Technologies—Making Servers More Efficient

For the servers and other infrastructure behind the services offered by Recruit Group, Recruit Technologies promotes drastic consolidation to using less equipment, reduction of the number of servers, and replacement of servers with the latest energy-saving models.

● Recruit Holdings / Recruit Communications—Planting Trees in Australia

Recruit Group established a local subsidiary in Australia to plant trees, thinking of contributing by growing trees ourselves rather than simply using paper, as a company that consumes paper. (Photograph 35)

● The CSI Companies—Reducing Paper Use

The CSI Companies have eliminated the use of most paper documents in their back-office operations and adopted electronic documentation wherever possible. This enables all employees to access documents, saving around ¥9 million each year in paper costs.

● USG People—Reducing CO₂ Emissions from Mobility

USG People aims to reduce its CO₂ emissions by focusing on mobility, which accounts for around 85% of the Company's emissions. The Company is aiming to reduce the use of cars for transport and provides electric scooters and bicycles at its branches.



(Photograph 34)



(Photograph 35)

Topics

● Major Recruit Group Companies in Japan—Environmental Preservation

Environmental Vision: more eco more smile

Recruit Group has made four promises to (1) protect the environment through business services, (2) prevent global warming, (3) recycle, prevent pollution and preserve biodiversity, and (4) foster a greater awareness of the environment among employees while supporting their actions.

Acquisition of ISO 14001 Environmental Management System Certification

In March 2011, Recruit Group adopted the International Organization for Standardization's international management system, conducting annual internal audits and periodically checking on its progress through evaluations by external organizations when it comes time to renew the certification.

CO₂ Emissions Reduction Targets and Monitoring

We aim to reduce emissions of CO₂ from our office buildings by measuring the total amount of CO₂ emitted throughout the life cycle of business activities. In Japan, our objective is to cut total emissions by 25% by fiscal year 2020 compared with fiscal year 2008 levels in Japan.

Environmental Efficiency Index Monitoring

We have measures to conserve paper resources, such as by reducing unread free magazines in distribution. We created our own environmental efficiency index in 2008 (¥100,000 in net sales / tons of paper used) to monitor on an ongoing basis. (Photographs 36, 37)

Raising Employees' Awareness

Internal posters encourage employees to make a thorough effort to save energy and resources, and environment-related questions are incorporated into the challenging annual compliance test to provide learning opportunities.



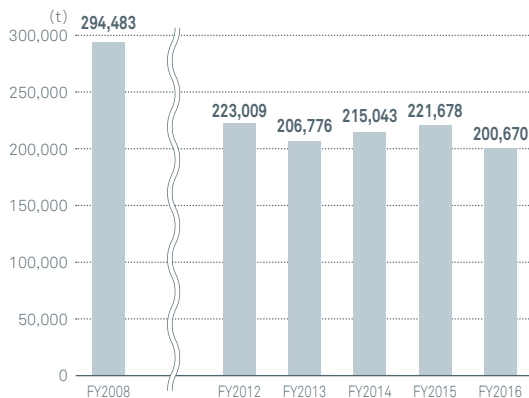
(Photograph 36)



(Photograph 37)

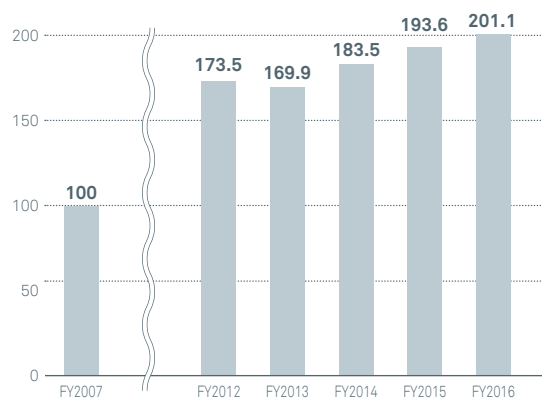
Initiatives to Counter Global Warming

CO₂ Emissions



* Certain base units for CO₂ emissions intensity have been selected with assistance from JMA Consultants Inc.

Environmental Efficiency Index



* Fiscal year 2007 established as base year (100).

Community Contribution Donations

■ Community Contribution/Donations

As a part of its social responsibility initiatives, and as a member of local communities, Recruit Group supports its employees' activities including their proactive contribution to regional economics, various volunteering, and donations.

● Indeed—CSR Efforts

Indeed partners with a number of organizations in the communities in which employees live and work to help bring Indeed's mission—We help people get jobs—to life. Through local service-oriented programs, Indeed employees interact directly with job seekers to provide them information on Indeed products to help improve their job search experience.

● Major Recruit Group Companies in Japan—Volunteer Activities

In August 2011, Recruit Holdings created a leave system for volunteers (paid vacation up to five days a year). We also have a system for paying a portion of the expenses incurred by employees volunteering to help, as a way of supporting the continuation of volunteer activities.

● Recruit Holdings / Recruit Sumai Company —Dispatch of Volunteers to Disaster-Affected Regions

Recruit holds volunteer activity tours to assist with the reconstruction of disaster-affected regions. We also talk with local businesses and reconstruction assistance NPOs about ongoing support and creating new business that leads to reconstruction. (Photograph 38)

● Major Recruit Group Companies in Japan—Matching Gift Program

We set up the Matching Gift Program to support the social contribution activities carried out voluntarily by individual executives and employees. Under the system, when executives or employees donate to a certain organization, we provide a matching donation.

● Recruit Holdings—Regional Revitalization Project

Recruit Holdings grapples with regional issues in Japan such as rapid depopulation and an advancing super-aged society. In fiscal year 2016, we concluded a business collaboration agreement with Kochi Prefecture, and conducted a new business development program, Recruit Ventures, on the theme of regional revitalization. All Group employees can apply for the program, aiming to create businesses that can resolve regional issues through considerations in the fieldwork and workshops in Kochi Prefecture. (Photograph 39)

● Recruit Holdings—Gallery Operation

To help revitalize local communities and support young artists, Recruit Holdings operates two art galleries primarily focused on graphic design and photography in Ginza, Tokyo, where Recruit was founded. We hold the charity exhibitions every year. (Photograph 40)

● Recruit Sumai Company—Green Curtain

Recruit Sumai Company has been conducting an initiative since 2011 to spread “green curtains”, which are walls of green plants, to prevent a temperature rise. In 2017, along with the NPO Green Curtain, we installed green curtains at 270 temporary housing units in Mashiki Town, Kumamoto Prefecture, an area that had been damaged by earthquakes. (Photograph 41)



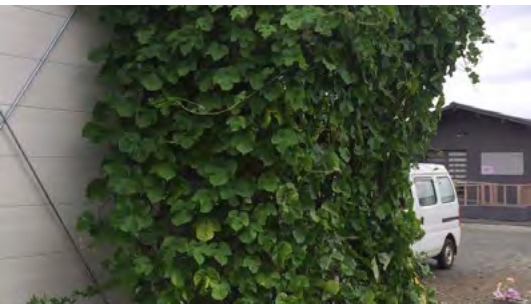
(Photograph 38)



(Photograph 39)



(Photograph 40)



(Photograph 41)



(Photograph 42)



(Photograph 43)



(Photograph 44)

● Recruit Management Solutions—Pro Bono Activities

Aiming to realize a society where individuals and organizations synergistically increase value, Recruit Management Solutions supports the pro bono activities of employees as a measure of proactively giving back to society through the skills and knowledge they accumulated at work.

● Advantage Resourcing—Volunteer for Local Community

In the Flint, Michigan community, employees conducted volunteer activities by distributing safe water and nutritious foods to the community for the purpose of securing the safety of local resident's health.

● The CSI Companies—CSI Gives Back

The CSI Companies conducts social contribution programs in the communities where it has business operations. The various programs include event sponsorship, volunteer activities, and fundraising. (Photograph 42)

● Staffmark—Employees' Volunteering Opportunities

As a way to give back to the communities the Company serves, Staffmark created a volunteer program where full-time employees are given paid time off to use in volunteering activities. Staffmark team members have worked at community food banks, helped with home builds, cleaned community gardens, helped rebuild schools, and much more. (Photograph 43)

Topics

● Recruit Management Solutions—Pro Bono Activities

Recruit Management Solutions supports pro bono activities undertaken by its management solution professional employees in cooperation with the NPO Service Grant. In fiscal year 2017, six volunteer employees worked to create sales materials for the NPO Kids' Door. Through these activities, they help to strengthen the operating base for the target organization while raising our own awareness of social issues. (Photograph 44)

	FY2014	FY2015	FY2016
Volunteer activities (Major Recruit Group Companies in Japan)			
Number of employees who used volunteer paid leave	3	21	45
Number of employees who received compensation for volunteer costs	40	45	25
Donations (Major Recruit Group Companies in Japan)			
Number of donations	23	28	21
Total amount	¥23.3 million	¥319.4 million	¥8.27 million
Matching Gift Program (Major Recruit Group Companies in Japan)			
Number of users	61	62	65
Total amount	¥1.75 million	¥2.05 million	¥1.86 million
Gallery			
Number of participating artists in year-end charity event	187	177	169
Year-end charity event donations	Approx. ¥1.20 million	Approx. ¥1.03 million	¥1.58 million

■ Returning Knowledge to Society

Recruit Group companies have dedicated survey and research institutions that specialize in particular fields of businesses. The institutions conduct wide-ranged research in fields related to life stages such as job seeking, wedding, and housing to fields related to everyday consumption, such as travel, dining, and beauty. The results of their research are made public for the benefit of society.

[Major Survey and Research Organizations]

- Indeed
Hiring Lab
- Recruit Holdings
Recruit Works Institute
Recruit Institute of Technology
- Recruit Career
Shushoku Mirai Institute
- Recruit Jobs
JOBS Research Center
- Recruit Sumai Company
Recruit Sumai Institute
- Recruit Marketing Partners
Bridal Soken
Recruit Shingaku Soken
Recruit Jidosha Soken
Recruit Institute for Next Generation Education
- Recruit Lifestyle
Jalan Research Center
Hot Pepper Beauty Academy
Hot Pepper Gourmet Research Center
AB-Road Research Center
- Recruit Management Solutions
Institute for Organizational Behavior Research
- Recruit Technologies
Advanced Technology Lab

■ CSR Policy

Aiming for a Brighter and More Fulfilling World in which All Individuals Can Live Life to the Fullest

Recruit Group has developed businesses with the idea of creating a world where everyone can live life to the fullest. As our business has grown, so to has our client and customer base - each with high expectations of what we can offer them. By striving to meet and exceed these expectations, we have expanded our capabilities into new areas and matured as a business. To clarify how we should fulfill our responsibility to society, in 2014 we established three guiding principles and five core themes as our CSR policy. The three guiding principles are as follows. The Group will put “contributing to society through our business” at the heart of its CSR activities, and work to help resolve society’s needs. In addition, we aim to meet the growing expectations of society, as well as to gain insight into social issues and strive to solve them. Furthermore, we will “fulfill our responsibilities as a corporate citizen”, acknowledging our role as a leading company and responding to requests on a global level.

Next, we established five core themes to guide our activities: “Enabling more people to flourish by creating opportunities to work”, “Supporting diverse ways of living”, “Empowering tomorrow’s talents”, “Practicing and promoting innovative work styles”, and “Respecting human rights and protecting the environment”.

■ Helping Solve Social Issues for a Sustainable World

The history of Recruit Group can be described as one of continuously taking on challenges to solve social issues. Since our foundation, having constantly asked ourselves and each other such questions as “Why are you here?”, we have engaged in creating business value. What are society’s needs? How can we make the world a better place? What action can we take for that?

With this spirit, and an even greater recognition of the importance of ESG perspectives, we will make sincere efforts to address social issues around the world as indicated by the United Nation’s Sustainable Development Goals (SDGs), determined by international society.

With an eye on long-term value creation, we will make efforts to collaborate with diverse stakeholders. Then, remembering to listen closely to the expectations and demands of society, we will do what we can and what we should to help realize a sustainable world.

Recruit Group CSR Policy

Seeking a sustainable world of plenty, we contribute to society through all of our corporate activities. To do this, we take a long-term view in addressing social issues.

Three Guiding Principles

Meeting Society's Expectations

We aim not only to meet society's expectations but also to gain insight into social issues and contribute to their solution.



Fulfilling our responsibilities as a corporate citizen

Acknowledging our role as a leading company, we are responsive to requests on a global level.

Five Core Themes

In order to realize our corporate mission of creating a prosperous society in which each individual flourishes, we have established the following five core themes for our CSR activities. In collaboration with our stakeholders, we implement actions reflecting what we can and should do while continuing to challenge ourselves.

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



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

Remaining Mindful of Common Issues

Such as the SDGs, while Promoting Sustainable Business Activities

We will determine the direction of our own initiatives, acknowledging the development targets provided by the SDGs along with the five core themes of our CSR policy, and engaging in specific activities while listening to society's expectations. Specifically, we conduct stakeholder dialogues and utilize the Sustainability Committee with external members.



COMPANY PROFILE

Company Name:

Recruit Holdings Co., Ltd.

Founded:

March 31, 1960 (incorporated August 26, 1963)

Headquarters:

1-9-2 Marunouchi, Chiyoda-ku, Tokyo 100-6640 Japan

URL:

<http://www.recruit-rgf.com>

Number of Employees:

512 as of March 31, 2017

Number of Group Employees:

45,688 as of March 31, 2017

Number of Consolidated Subsidiaries:

357 as of March 31, 2017

Capital:

¥10 billion (since October 15, 2014)

STOCK INFORMATION

Stock Code:

6098

Stock Exchange Registration:

Tokyo Stock Exchange 1st Section

Business Year:

From April 1 to March 31 of the next year

Base Date:

Dividend Payout: Interim dividend record date: September 30

Year-end dividend record date: March 31

Note: With regard to dividend payout, the Company will distribute an interim dividend from fiscal year 2017, and has a policy of distributing a dividend twice a year, based on interim and year-end dividend record dates.

Number of Shares Constituting One Trading Unit:

100 shares

Annual Shareholders' Meeting:

Every year in June

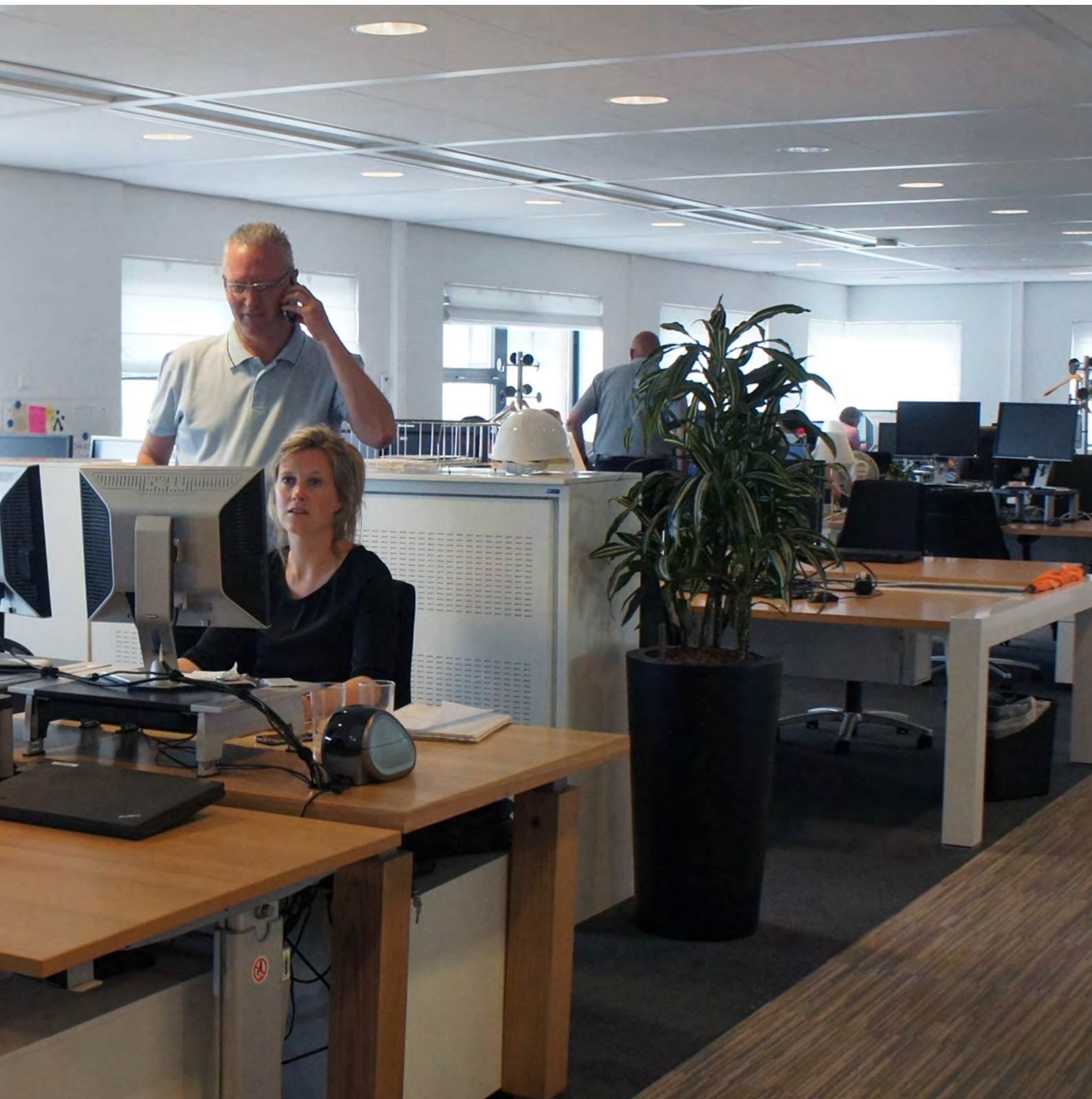
Administrator of Shareholder Registry:

Mitsubishi UFJ Trust and Banking Corporation

Reporting Method:

Electronic public notice (Japanese only)

However, in the event we are unable to issue an electronic public notice due to an accident or other unavoidable reasons, such notices will be published in the Nihon Keizai Shimbun (Nikkei).





Why are you here?







[Inquiries about Recruit Group's activities]

<http://www.recruit-rgf.com/contact>

[Publisher]

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