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Securities code: 6098
May 29, 2017

To All Shareholders:

Masumi Minegishi
President and
Representative Director
Recruit Holdings Co., Ltd.
8-4-17 Ginza, Chuo-ku,
Tokyo Japan

CONVOCATION NOTICE OF THE 57TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 57th Ordinary General Meeting of Shareholders (hereinafter referred to as the “Meeting”) of Recruit Holdings Co., Ltd. (hereinafter referred to as the “Company”) to be held as indicated below.

If you are unable to attend the Meeting, you can exercise your voting rights either in writing or via the Internet. Please review the “Reference Documents for the General Meeting of Shareholders” described later and exercise your voting rights by 5:30 p.m., June 19, 2017 (Monday).

Thank you very much for your cooperation.

1. **Date and Time:** June 20, 2017 (Tuesday) at 10:00 a.m.
(Reception for attendees opens at 9:00 a.m.)
2. **Place:** Nihonbashi Mitsui Hall, COREDO Muromachi 1 (Reception: 4th floor)
2-2-1 Nihonbashi Muromachi, Chuo-ku, Tokyo, Japan
(Please note that this year’s venue has changed from last year, so please be sure to attend the correct venue.)
3. **Meeting Agenda:**
Report matters:
 1. The Business Report, the Consolidated Financial Statements and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 57th Fiscal Year (April 1, 2016 to March 31, 2017)
 2. The Non-consolidated Financial Statements for the 57th Fiscal Year (April 1, 2016 to March 31, 2017)

Resolution matters:

First proposal: Election of Five (5) Board Directors

Second proposal: Election of One (1) Substitute Audit & Supervisory Board Member

Third proposal: Revision of Remuneration Amount for Audit & Supervisory Board Members

4. **Instructions for Exercising Voting Rights**
 - (1) To vote in writing, please indicate your approval or disapproval of the proposals on the enclosed Voting Form and return the Form to the Company by post to reach us by 5:30 p.m. on June 19, 2017 (Monday).
 - (2) To vote via the Internet, please review the “Exercise of Voting Rights via the Internet” (Japanese only) and register your approval or disapproval of the proposals by 5:30 p.m. on June 19, 2017 (Monday).
 - (3) If you vote more than once via the Internet, we will treat only the most recent vote as valid.
 - (4) If you vote both in writing and via the Internet, we will treat only the vote submitted via the Internet as valid.

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- ⊙ When attending on the day, please present the enclosed Voting Form to the reception.
 - ⊙ In the case of attendance by proxy, a power of attorney is required in addition to the Voting Form. Please note the proxy must be one other shareholder having voting rights in the Company.
 - ⊙ Of the documents provided by the Convocation Notice of the Ordinary General Meeting of Shareholders, two documents: “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements and “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements that are made available on the Company’s website (<http://www.recruit.jp/ir/>) under laws and regulations and Article 15 of the Company’s Articles of Incorporation; are not available in this Convocation Notice.
Consolidated and Non-consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor are comprised of the statements specified in this Convocation Notice and the “Notes to Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements” posted on the Company’s above-mentioned website.
 - ⊙ Any amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements will be posted on the Company’s website (<http://www.recruit.jp/ir/>).
 - ⊙ We have provided graphs in the Business Report for your reference.
 - ⊙ **Please note that no gift will be provided for attendees at the Meeting.**

Notice on Dividends of Surplus

Based on a resolution at the General Meeting of Shareholders on June 26, 2014, the Company's Articles of Incorporation provides that the Board of Directors decides on the dividends of surplus, etc.

Under the provisions in the Articles of Incorporation, the Board of Directors at its meeting on May 12, 2017, resolved on the payment of year-end dividends for the 57th Fiscal Year (April 1, 2016 to March 31, 2017) as follows.

1. Year-end dividend: 65 yen per share
2. Effective date and date of commencing payment: June 21, 2017 (Wednesday)

For shareholders who have chosen to have dividends sent to bank accounts via direct deposit, or to have dividends allocated to securities company accounts in proportion to the number of shares held in respective accounts, we plan to send "Statements of Payments of Dividends" and "Confirmation of Designated Account for the Payment of Dividends" on June 20, 2017. We request that shareholders check these details at that time.

For any other shareholders not mentioned above, we plan to send "Dividend Receipts" and "Statements of Payments of Dividends" on June 20, 2017. Please receive the dividends at savings counters of nearby Japan Post Bank or post offices within the term for payment (June 21, 2017 to July 31, 2017).

Reference Documents for the General Meeting of Shareholders

First proposal: Election of Five (5) Board Directors

The terms of office will expire for all six (6) Board Directors at the conclusion of the Meeting. Accordingly, the election of five (5) Board Directors including two (2) External Board Directors is proposed on this occasion. The candidates for Board Directors are as follows:

Candidate No.	Name	Position	Attributes of candidate	Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2017
1	Masumi Minegishi	President and Representative Director	Reappointment	Participated in all 17 meetings
2	Shogo Ikeuchi	Board Director	Reappointment	Participated in all 17 meetings
3	Keiichi Sagawa	Board Director	Reappointment	Participated in all 17 meetings
4	Shigeo Ohyagi	External Board Director	Reappointment, External, Independent	Participated in all 17 meetings
5	Yasushi Shingai	External Board Director	Reappointment, External, Independent	Participated in all 17 meetings

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company (significant concurrent positions)		Number of shares of the Company held
1	Masumi Minegishi (January 24, 1964) <u>Reappointment</u>	April 1987	Joined the Company	325,649 shares
		April 2003	Corporate Executive Officer in charge of Information and Editing Department, IMC Division Company	
		April 2004	Managing Corporate Executive Officer in charge of Important Strategy Control at G-IMC Strategic Business Unit, Housing Division Company and IMC Division Company	
		June 2009	Board Director and Managing Corporate Executive Officer in charge of Business Development, Corporate Planning and Housing	
		April 2010	Board Director and Managing Corporate Executive Officer in charge of Customer Action Platform Strategic Business Unit, Business Development, Corporate Planning and Housing	
		April 2011	Board Director and Senior Managing Corporate Executive Officer in charge of Corporate Strategy Office, IMC, Business Development, Corporate Planning and Human Resources	
		April 2012	President, CEO, and Representative Director (at present)	
Reasons for being selected as a candidate for Board Director: Mr. Masumi Minegishi was appointed as CEO of the Recruit Group (the "Group") 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 corporate value of the Group, and thus believes that he is the right person for the post of Board Director.				
2	Shogo Ikeuchi (June 6, 1962) <u>Reappointment</u>	April 1988	Joined the Company	329,999 shares
		April 2005	Corporate Executive Officer in charge of Corporate Planning Office and Corporate Strategy Office	
		June 2012	Board Director and Corporate Executive Officer in charge of Asia at Global Headquarters, Corporate Planning and Human Resources Support	
		October 2012	Board Director and Corporate Executive Officer in charge of Global Headquarters, Corporate Planning, R&D and Human Resources	
		April 2013	Board Director and Managing Corporate Executive Officer in charge of Medium- to Long-Term Strategy, International Business, R&D, Corporate Planning and Human Resources	
		April 2014	Board Director and Managing Corporate Executive Officer in charge of International Business and R&D	
		April 2015	Board Director and Managing Corporate Executive Officer in charge of R&D, Corporate Planning and Human Resources	
		April 2016	Board Director and Senior Managing Corporate Executive Officer in charge of Corporate Planning, Human Resources and R&D	
		April 2017	Board Director and Senior Managing Corporate Executive Officer in charge of Corporate Planning and Human Resources	
		May 2017	Board Director and Senior Managing Corporate Executive Officer in charge of Corporate Planning (CSO) and Human Resources (CHRO) (at present)	
Reasons for being selected as a candidate for Board Director: Mr. Shogo Ikeuchi was appointed as Board Director of the Company in 2012 and amassed a wealth of experience and knowledge through his diverse duties, primarily in the areas of corporate planning, human resources, international business strategy, and R&D. Therefore, the Company has judged that he would be an appropriate person to aim for ongoing improvement of the corporate value of the Group, and thus believes that he is the right person for the post of Board Director.				

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company (significant concurrent positions)		Number of shares of the Company held
3	Keiichi Sagawa (March 7, 1966) <u>Reappointment</u>	April 1988	Joined the Company	245,943 shares
		April 2006	Corporate Executive Officer in charge of Corporate Strategy Office	
June 2011	Board Director and Corporate Executive Officer in charge of Accounting, Finance, Legal Affairs, General Affairs, Investment Management, Corporate Communication and Compliance			
April 2013	Board Director and Managing Corporate Executive Officer in charge of Administration			
April 2016	Board Director and Senior Managing Corporate Executive Officer in charge of Finance			
April 2017	Board Director and Senior Managing Corporate Executive Officer in charge of Finance and Administration			
May 2017	Board Director and Senior Managing Corporate Executive Officer in charge of Finance (CFO) and Administration (CRO) (at present)			
Reasons for being selected as a candidate for Board Director: Mr. Keiichi Sagawa was appointed as Board Director of the Company in 2011 and amassed a wealth of experience and knowledge through his diverse duties, primarily in the areas of accounting, finance, legal affairs, corporate communication, and corporate strategy. Therefore, the Company has judged that he would be an appropriate person to aim for ongoing improvement of the corporate value of the Group, and thus believes that he is the right person for the post of Board Director.				
4	Shigeo Ohyagi (May 17, 1947) <u>Reappointment</u> <u>External</u> <u>Independent</u>	March 1971	Joined TEIJIN LIMITED	2,393 shares
		February 1992	Director of Pharmaceutical Marketing & Planning Department, ditto	
June 1999	Corporate Officer, Tokyo Branch Chief, ditto			
June 2001	Executive Officer, Deputy General Manager of Pharmaceutical Marketing Division, ditto			
June 2002	Teijin Group Senior Executive Officer, General Manager of Pharmaceutical Business Unit, ditto			
June 2005	Managing Director, CIO and General Manager of Medical and Pharmaceutical Business Group, ditto, and President and Representative Director of Teijin Pharma Limited			
June 2006	Senior Managing Director, CIO and General Manager of Medical and Pharmaceutical Business Group, ditto, and President and Representative Director of Teijin Pharma Limited			
June 2008	President, Representative Director and CEO, ditto			
June 2010	President and CEO, Representative Director of the Board, ditto			
April 2014	Chairman of the Board, ditto (at present)			
June 2014	Outside Audit & Supervisory Board Member, JFE Holdings, Inc. (at present) External Board Director, Recruit Holdings Co., Ltd. (at present)			
April 2016	Vice Chairman, KEIZAI DOYUKAI (Japan Association of Corporate Executives) (at present)			
(Significant concurrent positions) Chairman of the Board, TEIJIN LIMITED Outside Audit & Supervisory Board Member, JFE Holdings, Inc. Vice Chairman, KEIZAI DOYUKAI (Japan Association of Corporate Executives)				
Reasons for being selected as a candidate for External Board Director: Mr. Shigeo Ohyagi makes statements from a practical perspective as an External Board Director, based on his deep insight cultivated through management of a global manufacturing company. Accordingly, the Company has judged that he is fulfilling an appropriate role by performing his duties such as providing advice about overall management and supervising the execution of business. Therefore, the Company believes that he is the right person for the post of External Board Director.				

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company (significant concurrent positions)	Number of shares of the Company held
5	Yasushi Shingai (January 11, 1956) Reappointment External Independent	<p>April 1980 Joined Japan Tobacco and Salt Public Corporation (current Japan Tobacco Inc.)</p> <p>July 2001 Vice President of Financial Planning Division, ditto</p> <p>June 2004 Senior Vice President, Head of Finance Group and Vice President of Financial Planning Division, ditto</p> <p>July 2004 Senior Vice President and Chief Financial Officer, ditto</p> <p>June 2005 Member of the Board, Senior Vice President and Chief Financial Officer, ditto</p> <p>June 2006 Member of the Board, ditto, and Executive Vice President of JT International S.A.</p> <p>June 2011 Member of the Board and Senior Vice President in charge of International Tobacco Business, ditto</p> <p>June 2011 Representative Director and Executive Deputy President, ditto (at present)</p> <p>June 2014 External Board Director, Recruit Holdings Co., Ltd. (at present)</p> <p>(Significant concurrent position) Representative Director and Executive Deputy President, Japan Tobacco Inc.</p>	0 shares
<p>Reasons for being selected as a candidate for External Board Director: Mr. Yasushi Shingai makes statements from a practical perspective as an External Board Director, based on his deep insight cultivated through the acquisition of foreign corporations, etc. Accordingly, the Company has judged that he is fulfilling an appropriate role by performing his duties such as providing advice about overall management and supervising the execution of business. Therefore, the Company believes that he is the right person for the post of External Board Director.</p>			

- (Notes)
1. Each candidate does not have any special interest in the Company.
 2. The above number of shares held by each candidate is as of March 31, 2017, including a stake in the Recruit Group Officer Stock Ownership Association.
 3. Messrs. Shigeo Ohyagi and Yasushi Shingai are candidates for External Board Directors.
 4. Messrs. Shigeo Ohyagi and Yasushi Shingai are currently External Board Directors of the Company but will end their third year as External Board Directors at the conclusion of the Meeting.
 5. The Company has entered into agreements with Messrs. Shigeo Ohyagi and Yasushi Shingai to limit their liability to compensate damages prescribed in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liabilities for damages under the agreements is the minimum liability amount provided by applicable laws and regulations. If their reappointments are approved, the Company will retain the agreements with them.
 6. The Company has reported to the Tokyo Stock Exchange that Messrs. Shigeo Ohyagi and Yasushi Shingai are independent directors as specified by the Tokyo Stock Exchange. If they are reappointed as proposed, the Company will retain them as independent directors.

Second proposal: Election of One (1) Substitute Audit & Supervisory Board Member

The Company proposes to elect a Substitute Audit & Supervisory Board Member in preparation for the case in which the number of Audit & Supervisory Board Members would slip below the statutory minimum. Up until the time the elected Substitute Audit & Supervisory Board Member assumes the post, the Board of Directors shall be allowed to resolve to cancel the validity of the Substitute Audit & Supervisory Board Member's election with the consent of the Audit & Supervisory Board.

The Audit & Supervisory Board has consented to the proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Attribute of candidate	Name (Date of birth)	Career summary and positions at the Company (significant concurrent positions)	Number of shares of the Company held
Candidate for Substitute External Audit & Supervisory Board Member	Asa Shinkawa (February 17, 1965)	April 1991 Registered at Dai-ichi Tokyo Bar Association Joined Nishimura & Sanada (current Nishimura & Asahi)	0 shares
		April 1997 Assigned to Arnold & Porter, Washington, D.C. January 1998 Registered as Attorney in New York State, USA January 2001 Partner, Nishimura & Partners (current Nishimura & Asahi) (at present) (Significant concurrent positions) Partner, Nishimura & Asahi	
	Reasons for being selected as a candidate for Substitute External Audit & Supervisory Board Member: Ms. Asa Shinkawa has developed expertise as a lawyer for many years and is very familiar with corporate management, and the Company anticipates that she will utilize her abundant experience for supervising the management of the Company, and so proposes to elect her as a Substitute Audit & Supervisory Board Member. For this reason, the Company has concluded that Ms. Shinkawa, though having never been involved in corporate management, would appropriately serve as External Audit & Supervisory Board Member.		

- (Notes)
- Ms. Asa Shinkawa does not have any special interest in the Company.
 - Ms. Asa Shinkawa is a candidate for Substitute External Audit & Supervisory Board Member.
 - If Ms. Asa Shinkawa is elected as External Audit & Supervisory Board Member, the Company plans to enter into an agreement with Ms. Asa Shinkawa to the effect that the liability to compensate damages under Article 423, Paragraph 1 of the Companies Act is limited. It is planned that the maximum amount of liability for damages under the agreement will be the minimum liability amount provided by applicable laws and regulations.

(Reference) The Independence of Directors/Auditors

When selecting independent directors/auditors, 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:

- If the candidate or the corporation for which the candidate executes business is a shareholder of the Company, the proportion of voting rights held by that person is no more than 10%.
- 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.

Third proposal: Revision of Remuneration Amount for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members of the Company in the amount of no more than 8 million yen monthly was approved at the 37th Ordinary General Meeting of Shareholders held on June 27, 1997 and has remained at that amount to the present. Considering various circumstances such as the enhancement of the system for audit due to the recent changes to the business environment, the Company proposes to revise the remuneration amount for Audit & Supervisory Board Members to no more than 10 million yen monthly. The current number of Audit & Supervisory Board Members is four (4).

Business Report

(April 1, 2016 - March 31, 2017)

1. Overview of the Group

(1) Business for the Year ended March 31, 2017

1) Business progress and results

During the year ended March 31, 2017, the Japanese economy was on a moderate recovery track, with the employment situation being stabilized at a high level. The economies in Europe and the United States continued to grow moderately centered on personal consumption, despite the prevailing uncertainty over the economic outlook due to Brexit and the new administration of the United States. The Australian economy also remained solid, supported by growth in personal consumption.

Under this environment, the Group continued to focus on strengthening operations in Japan as well as moving forward with further global expansion.

In the Marketing Media segment, we made efforts to improve convenience to our users through measures such as increasing our client base and expanding our reservation services through the utilization of information technologies, mainly in the dining and beauty businesses. In the HR Media segment, we focused on further strengthening the competitiveness of our Domestic Recruiting operations, where employment demand has stabilized at a favorable level. In our Overseas Recruiting operations, we undertook initiatives to increase the number of users and clients, mainly through efforts to promote brand awareness and develop our salesforce. In the Staffing segment, we focused on improving the efficiency of our business operations, and made efforts to expand our global operational footprint through measures such as mergers and acquisitions.

As a result of the above, net sales were ¥1,839.9 billion, an increase of 15.8% year on year. Operating income was ¥127.2 billion, an increase of 11.6% year on year, and ordinary income was ¥131.7 billion, an increase of 10.4% year on year. Net income attributable to owners of the parent was ¥85.4 billion, an increase of 32.4% year on year, due primarily to recording ¥21.8 billion as gain on sales of shares of subsidiaries and associates under extraordinary income.

EBITDA (operating income + depreciation and amortization + amortization of goodwill) increased by 14.1% year on year to ¥230.8 billion. Net income before amortization of goodwill (net income attributable to owners of the parent + amortization of goodwill) was ¥138.9 billion, a 23.5% increase year on year, and adjusted EPS (*1) was ¥241.27, a 15.1% increase year on year.

Net sales and EBITDA of existing businesses, excluding financial results of subsidiaries newly included in the scope of consolidation due to mergers and acquisitions, etc., amounted to ¥1,676.2 billion, an increase of 5.5% year on year, and ¥221.2 billion, an increase of 9.4% year on year, respectively.

The Group aggressively seeks to strengthen and expand its business foundation by utilizing mergers and acquisitions, etc. In this context, the Group has adopted EBITDA as a performance index, as it enables comparison of the Group and other companies without it being affected by the differences in accounting standards.

The Company will voluntarily adopt the International Financial Reporting Standards (“IFRS”) in place of the current Japanese GAAP for the Group’s consolidated financial statements from the year ending March 31, 2018 and will make disclosures in accordance with IFRS starting from the first quarter ending June 30, 2017.

*1 Adjusted EPS (adjusted net income per share): 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) (excluding non-controlling interests) ± tax reconciliation related to adjustment items

*3 Adjustment items: amortization of goodwill and other intangible assets arising due to business combinations ± extraordinary income/losses

The above indices are based on Japanese GAAP. For indices based on IFRS, see “(4) Issues to be Addressed.”

Overview of major segments is as follows.

i. Marketing Media segment

Net sales in our Marketing Media segment were ¥376.3 billion, a 7.7% increase year on year, and segment income (segment EBITDA) was ¥102.0 billion, a 9.4% increase year on year, for the year ended March 31, 2017.

Overview of main operations is as follows.

a. Life Event operations

In the housing and real estate business, net sales were favorable because of growth in all of our key divisions, namely the condominium apartment, independent housing and leasing divisions, supported by factors such as the increased clients' demand for attracting users, in addition to our efforts to promote user attractiveness.

In the bridal business, despite a declining number of marrying couples in Japan due to the lowering birth rate, net sales were solid mainly due to improved service convenience and increased demand for major wedding venue operator clients to attract users.

As a result of the above, net sales in our Life Event operations were ¥197.4 billion, an increase of 10.2% year on year. Sales by business were ¥99.5 billion for the housing and real estate business, an increase of 13.1% year on year, and ¥54.6 billion for the bridal business, an increase of 1.8% year on year.

b. Lifestyle operations

In the travel business, net sales declined year on year due to the impact of the transfer of a subsidiary during the second quarter ended September 30, 2016. Net sales from "Jalan," its core operation, were favorable driven by an increase in the total number of hotel guests.

In the dining business, net sales were solid as a result of strengthening client development efforts through *Air Series*, as well as continued solid growth in online seat reservation numbers.

In the beauty business, net sales were favorable due to expanded transactions with existing clients and the acquisition of new clients as a result of factors including efforts to improve the usability of *SALON BOARD* and the further increase of online reservations.

As a result of the above, net sales in our Lifestyle operations were ¥171.7 billion, an increase of 2.7% year on year. This includes ¥58.5 billion in the travel business, a decrease of 3.8% year on year, ¥37.5 billion in the dining business, an increase of 3.2% year on year, and ¥57.3 billion in the beauty business, an increase of 24.4% year on year.

ii. HR Media segment

Net sales in our HR Media segment were ¥405.3 billion, an increase of 12.8% year on year, and segment income (segment EBITDA) was ¥94.6 billion, an increase of 7.6% year on year, for the year ended March 31, 2017.

Overview of main operations is as follows.

a. Domestic Recruiting operations

In the Domestic Recruiting operations, a solid employment condition continued as evidenced by the high ratio of job-offers to job-seekers, as well as by the increased number of recruitment advertisements.

Under this environment, net sales were solid mainly in recruitment of full-time workers as well as part-time and temporary workers. In addition, during the six months ended September 30, 2016 in particular, the Company focused on strengthening user attractiveness and developing its salesforce with an aim to further strengthen its competitiveness.

As a result, net sales in our Domestic Recruiting operations were ¥266.6 billion, an increase of 4.2% year on year.

b. Overseas Recruiting operations

In the Overseas Recruiting operations, as a result of measures such as the promotion of Indeed.com's brand awareness in the United States, the current focus of our business, as well as in other countries through advertising activities and the development of our salesforce, net sales were favorable due to the continuous growth in the usage of our services.

As a result, net sales in our Overseas Recruiting operations were ¥120.2 billion, an increase of 42.5% year on year.

iii Staffing segment

Net sales in our Staffing segment were ¥1,068.7 billion, an increase of 20.1% year on year, and segment income (segment EBITDA) was ¥63.3 billion, an increase of 27.6% year on year, for the year ended March 31, 2017.

Overview of main operations is as follows.

a. Domestic Staffing operations

In the Domestic Staffing operations, the market continues to expand moderately as evidenced by the continued increase in the number of active agency workers.

Under this environment, net sales were favorable mainly in the administrative, engineering and IT divisions due to the improvement of our sales know-how as well as our efforts in extending existing staffing contracts and increasing the number of new staffing contracts.

As a result, net sales in our Domestic Staffing operations were ¥463.4 billion, an increase of 11.9% year on year.

b. Overseas Staffing operations

In the Overseas Staffing operations, Chandler Macleod Group Limited and Atterro, Inc., etc., whose shares we acquired in the previous fiscal year, have been contributors since the beginning of the year ended March 31, 2017. Earnings from USG People B.V. (renamed from USG People N.V. in July 2016), whose shares we acquired in the first quarter ended June 30, 2016, have also contributed to the segment earnings from the third quarter ended December 31, 2016.

As a result, net sales in our Overseas Staffing operations were ¥605.2 billion, an increase of 27.2% year on year.

iv. Other segment

Net sales in our Other segment were ¥5.3 billion, an increase of 4.4% year on year, and segment income (segment EBITDA) was negative ¥12.8 billion (negative ¥11.8 billion in the previous fiscal year), for the year ended March 31, 2017.

2) Capital investments

The total amount of capital investment for the year ended March 31, 2017 was ¥59.7 billion, (not including consumption tax, etc. of which ¥18.0 billion was for property, plant and equipment and ¥41.7 billion was for intangible assets). This was used primarily for assets (software) associated with the development and renewal of products.

i. Marketing Media segment

For the year ended March 31, 2017, capital investments of ¥24.2 billion were made primarily for the expansion and upgrade of products and operation systems.

There were no significant disposals or sales of facilities.

ii. HR Media segment

For the year ended March 31, 2017, capital investments of ¥18.7 billion were made primarily for the expansion and upgrade of products and operation systems.

There were no significant disposals or sales of facilities.

iii. Staffing segment

For the year ended March 31, 2017, capital investments of ¥4.8 billion were made primarily for the expansion and upgrade of operation systems.

There were no significant disposals or sales of facilities.

iv. Other segment

For the year ended March 31, 2017, capital investments of ¥3.4 billion were made primarily for the expansion and upgrade of products and operation systems.

There were no significant disposals or sales of facilities.

v. Corporate

For the year ended March 31, 2017, capital investments of ¥8.4 billion were made primarily for the expansion and upgrade of operation systems.

There were no significant disposals or sales of facilities.

3) Financing

The Company issued the 1st unsecured bond (5-year bond) of ¥30.0 billion and the 2nd unsecured bond (7-year bond) of ¥20.0 billion on March 9, 2017.

4) Significant business combination, etc.

The Group acquired 98.68% of the shares of USG People B.V. (renamed from USG People N.V. in July 2016) on June 1, 2016. In addition, the Group sold all shares of Yuko Yuko Corporation on July 27, 2016.

(2) Trends in Assets and Income

Item	54th Fiscal Year Year ended March 31, 2014	55th Fiscal Year Year ended March 31, 2015	56th Fiscal Year Year ended March 31, 2016	57th Fiscal Year Year ended March 31, 2017 (current consolidated fiscal year)
Net sales (Millions of yen)	1,191,567	1,299,930	1,588,623	1,839,987
Ordinary income (Millions of yen)	122,050	125,617	119,336	131,718
Net income attributable to owners of the parent (Millions of yen)	65,421	69,702	64,535	85,422
Net income per share (Yen)	126.64	127.79	114.28	152.51
Total assets (Millions of yen)	860,381	1,100,782	1,150,681	1,449,614
Equity (Millions of yen)	546,621	754,157	777,000	778,540
Equity per share (Yen)	1,025.59	1,327.49	1,363.96	1,384.16

(Notes) 1. Net income per share has been calculated based on the average number of shares during the period less the number of treasury stock, and equity per share has been calculated based on the number of shares issued at the end of each period less the number of treasury stock.

2. The Company implemented a 10-for-1 stock split on July 31, 2014. Net income per share and equity per share are computed assuming the stock split was implemented at the beginning of the 54th Fiscal Year.

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

(3) Significant Subsidiaries

Segment	Company	Common stock	Ratio of voting rights held by the Company	Major business
Marketing Media segment				
	Recruit Sumai Company Ltd.	¥150 million	100.0%	Publishes information magazines and operates information sites in the housing business
	Recruit Marketing Partners Co., Ltd.	¥150 million	100.0%	Publishes information magazines and operates information sites in the bridal, education and automobile businesses, etc.
	Recruit Lifestyle Co., Ltd.	¥150 million	100.0%	Publishes information magazines and operates information sites in the travel, dining and beauty businesses, etc.
HR Media segment				
	Recruit Career Co., Ltd.	¥643 million	100.0%	Provide services for recruitment advertisement and employment placement for professionals
	Recruit Jobs Co., Ltd.	¥150 million	100.0%	Provide mainly part-time and temporary job advertisement service
	Indeed, Inc.	US\$10	100.0%	Operates job information search site overseas
Staffing segment				
	Recruit Staffing Co., Ltd.	¥939 million	100.0%	Provide staffing services mainly for administrative jobs in Japan
	STAFF SERVICE HOLDINGS CO., LTD.	¥500 million	100.0%	Provides staffing services mainly for administrative and manufacturing jobs in Japan
	STAFFMARK HOLDINGS, INC.	US\$13 thousand	100.0%	Provides staffing services mainly for light works in the U.S.
	USG People B.V.	€40,559 thousand	98.6%	Provides comprehensive staffing services in Europe
	Chandler Macleod Group Limited	AU\$191,490 thousand	100.0%	Provides comprehensive staffing services in Australia
Administrative function				
	Recruit Administration Co., Ltd.	¥100 million	100.0%	Provides services including accounting, human resources, general affairs, legal affairs and information security to the Group
Production, advertising and distribution function				
	Recruit Communications Co., Ltd.	¥100 million	100.0%	Provides services including user-attracting solutions, web marketing, media production, distribution, advertising, and user support to the Group
IT and marketing technology development function				
	Recruit Technologies Co., Ltd.	¥100 million	100.0%	Provides services including IT and Internet marketing technologies to the Group

(4) Issues to be Addressed

The Group defines 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 our group management philosophy.

Under this management philosophy, we endeavor to become a company that supports positive actions of each individual by producing as many “No. 1 Matching Services” as possible that connects the industry and people, and conduct business operations to this end.

We will work on maximizing shareholder and corporate value through these business activities.

The Group will carry out various growth investments, including mergers and acquisitions, flexibly and aggressively to realize profit growth over the long-term. In line with this, we will also focus on increasing shareholder value, and have therefore set a management target—a high single-digit compound annual growth rate for “adjusted EPS” (*1) over the three years from year ended March 31, 2017 to year ending March 31, 2019.

In addition, in seeking to achieve our management target, we emphasize and will set a single-year growth rate of EBITDA (*2) for each fiscal year, taking into account an appropriate balance of investments and earnings growth.

- *1 Adjusted EPS (adjusted profit per share): $\text{adjusted profit} / (\text{number of shares issued at the end of the period} - \text{number of treasury stock at the end of the period})$
- Adjusted profit: $\text{profit attributable to owners of the parent} \pm \text{adjustment items (excluding non-controlling interests)} \pm \text{tax reconciliation related to adjustment items}$
- Adjustment items: $\text{amortization of intangible assets arising due to business combinations} \pm \text{extraordinary income/losses}$
- *2 EBITDA: $\text{Operating income} + \text{depreciation and amortization} \pm \text{other operating income/expenses}$

As the Group will voluntarily adopt the International Financial Reporting Standards (“IFRS”) from the first quarter ending June 30, 2017, the above indices are based on IFRS.

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

In order to further enhance these initiatives, effective from the first quarter ending June 30, 2017, the previous reportable segments of “Marketing Media,” “HR Media,” “Staffing” and “Other” will be changed to the “HR Technology,” “Media & Solutions” and “Staffing” segments.

In terms of management strategies by business, the HR Technology segment will promote further expansion in the United States and other countries in the field of job advertisements, which is Indeed, Inc.’s existing business. The segment will expect a three-fold sales increase in the year ending March 31, 2019 (*1) from the year ended March 31, 2016 (*2) on a US dollar-basis, assuming the current economic conditions. We will also leverage assets, such as Indeed, Inc.’s advanced technology and user data accumulated through its existing businesses, and make effective use of mergers and acquisitions to create and expand new businesses in the HR-related business field.

In the Media & Solutions segment, not only is it important to pursue existing businesses, but we believe it is also critical to support the operation of small- to medium-sized company clients and provide various services and expand target client industries for the sustained growth of the business as a whole. By accelerating these initiatives, we will enhance the client base, build a multifaceted business portfolio, and aim for stable growth unaffected by the external environment.

In the Staffing segment, we will make efforts for the continuous improvement of the EBITDA margin, while adopting business management know-how from the overseas subsidiaries we have acquired. Through mergers and acquisitions overseas, we will develop the overseas staffing business into a business capable of generating sales of approximately ¥1 trillion by around 2020.

- *1 Refers to the financial results of Indeed, Inc. for the year ending December 31, 2018, which are separate from the financial results of the Company.
- *2 Refers to the financial results of Indeed, Inc. for the year ended December 31, 2015, which are separate from the financial results of the Company.

We would like to ask our shareholders to provide the continued support and guidance.

(5) **Description of Main Business** (as of March 31, 2017)

The descriptions of the Group’s main business, the position of the Company or major subsidiaries and associates in the relevant businesses, and the relationship with the segments are as follows.

Name of segment	Operation	Major companies	Major business	Major service
Marketing Media segment	Life Event	The Company Recruit Sumai Company Ltd. Recruit Marketing Partners Co., Ltd.	Provide information related to housing rentals, purchases, construction, and renovation services etc. that meet various housing needs	“SUUMO” Magazine and Website providing information on buying, selling, renting, and renovation of homes; and service counter providing in-person consultation on purchasing newly build condominiums and custom homes
			Provide bridal information services, education information services, automobile-related information services, and online advertising services, etc.	“Zexy” Magazine, website, and consultation service counter providing comprehensive information on bridal from preparation to marriage life
				“Study Sapuri SHINRO Shingaku Jiten” “Study Sapuri SHINRO” Free magazine and website providing information that support high school students in choosing their future educational path
				“Car Sensor” Magazine and website providing information on purchasing or replacing pre-owned automobiles
	Lifestyle	The Company Recruit Lifestyle Co., Ltd.	Provide services to support the activities of users in everyday consumption, such as travel, dining, and beauty	“Jalan” Information magazine and website for searching and booking that provide information on travel accommodations, tours and tourism mainly for domestic travel
				“Hot Pepper Gourmet” Magazine and website for searching and booking that provide information on restaurants and discount coupons
“Hot Pepper Beauty” Magazine and website for searching and booking that provide information on hair salons as well as relaxation and beauty salons				

Name of segment	Operation	Major companies	Major business	Major service
HR Media segment	Domestic Recruiting	The Company Recruit Career Co., Ltd. Recruit Jobs Co., Ltd.	Provide recruitment advertisement, employment placement and assessment services in the regular employee recruitment	“Rikunabi” Job search websites for new graduates
				“Rikunabi NEXT” Job portal site for mid-career jobseekers
				“RECRUIT AGENT” Employment placement service for jobseekers
	Overseas Recruiting	Indeed, Inc.	Operates job information search site overseas	“From A navi” Temporary job information website
“TOWNWORK” Magazine and website providing job information on temporary jobs and full-time jobs				
Staffing segment	Domestic Staffing	Recruit Staffing Co., Ltd. STAFF SERVICE HOLDINGS CO., LTD.	Provide staffing services in Japan	-
	Overseas Staffing	STAFFMARK HOLDINGS, INC. USG People B.V. Chandler Macleod Group Limited	Provide staffing services in North America, Europe and Australia, etc.	-
Other segment		NIJIBOX Co., Ltd.	Conducts planning, operation, outsourcing, etc. of digital content services	-

(6) Main Offices (as of March 31, 2017)

1) The Company

Company name	Location
Recruit Holdings Co., Ltd.	Chiyoda-ku, Tokyo

2) Subsidiaries

Segment	Company name	Location
Marketing Media segment		
	Recruit Sumai Company Ltd.	Chiyoda-ku, Tokyo
	Recruit Marketing Partners Co., Ltd.	Chiyoda-ku, Tokyo
	Recruit Lifestyle Co., Ltd.	Chiyoda-ku, Tokyo
HR Media segment		
	Recruit Career Co., Ltd.	Chiyoda-ku, Tokyo
	Recruit Jobs Co., Ltd.	Chuo-ku, Tokyo
	Indeed, Inc.	Texas, U.S.
Staffing segment		
	Recruit Staffing Co., Ltd.	Chuo-ku, Tokyo
	STAFF SERVICE HOLDINGS CO., LTD.	Chiyoda-ku, Tokyo
	STAFFMARK HOLDINGS, INC.	Ohio, U.S.
	USG People B.V.	Almere, Netherlands
	Chandler Macleod Group Limited	New South Wales, Australia
Administrative function		
	Recruit Administration Co., Ltd.	Chiyoda-ku, Tokyo
Production, advertising and distribution function		
	Recruit Communications Co., Ltd.	Chuo-ku, Tokyo
IT and marketing technology development function		
	Recruit Technologies Co., Ltd.	Chiyoda-ku, Tokyo

(7) Employees (as of March 31, 2017)

Number of employees	Year-on-year change
45,688	+7,237

(8) Main Lenders (as of March 31, 2017)

Lenders	Amount borrowed
Mizuho Bank, Ltd.	¥36,864 million
Sumitomo Mitsui Banking Corporation	¥36,864 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥36,864 million
Sumitomo Mitsui Trust Bank, Limited	¥12,071 million
Mitsubishi UFJ Trust and Banking Corporation	¥12,071 million
Resona Bank, Limited.	¥12,071 million
Mizuho Trust & Banking Co., Ltd.	¥5,571 million
The Bank of Yokohama, Ltd.	¥5,571 million
THE HOKURIKU BANK, LTD.	¥4,273 million

2. Status of Shares (as of March 31, 2017)

(1) Total Number of Shares Authorized to be Issued	2,000,000,000
(2) Total Number of Shares Issued	565,320,010
(3) Number of Shareholders	36,480
(4) Major Shareholders	

Shareholder name	Contribution to the Company	
	Number of shares	Shareholding ratio (Note)
TOPPAN PRINTING CO., LTD.	37,700,000	6.76%
Dai Nippon Printing Co., Ltd.	23,700,000	4.25%
DENTSU INC.	21,000,000	3.76%
The Recruit Group Employees Shareholding Association	18,220,360	3.27%
JP MORGAN CHASE BANK 380055	17,746,173	3.18%
Japan Trustee Services Bank, Ltd. (Trust Account)	17,735,000	3.18%
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,417,700	3.12%
Tokyo Broadcasting System Television, Inc.	11,110,000	1.99%
Nippon Television Network Corporation	11,110,000	1.99%
NTT DATA Corporation	10,500,000	1.88%

(Note) The Company's treasury stock (8,185,901 shares) is excluded in the calculation of the shareholding ratio. Treasury stock does not include the Company's stock held by the Board Incentive Plan (272,659 shares).

3. Status of Stock Acquisition Rights

(1) Status of Stock Acquisition Rights as of March 31, 2017

Stock acquisition rights issued based on the resolutions of the Ordinary General Meeting of Shareholders held on June 20, 2013 and of the Meeting of the Board of Directors held on July 31, 2013

- Number of stock acquisition rights: 302
- Type and number of shares subject to stock acquisition rights
Common stock: 302,000 shares (1,000 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.
- Amount to be paid upon exercise of the stock acquisition rights: ¥1
- Period during which stock acquisition rights may be exercised
September 1, 2013 to August 31, 2033
- Terms for exercising stock acquisition rights
Persons allotted with stock acquisition rights can only exercise these rights within 10 days from the date on which they lose their positions as a Board Director, Corporate Executive Officer, or Corporate Officer of the Company.
- Status of stock acquisition rights held by the Board Directors and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type and number of shares subject to stock acquisition rights	Number of holders
Board Director (excluding External Board Director)	100	Common stock: 100,000 shares	4
Corporate Executive Officer	202	Common stock: 202,000 shares	11

Stock acquisition rights issued based on the resolutions of the Ordinary General Meeting of Shareholders held on June 26, 2014 and of the Meeting of the Board of Directors held on November 13, 2014

- Number of stock acquisition rights: 266
- Type and number of shares subject to stock acquisition rights
Common stock: 266,000 shares (1,000 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.
- Amount to be paid upon exercise of the stock acquisition rights: ¥1
- Period during which stock acquisition rights may be exercised
December 27, 2014 to December 26, 2034
- Terms for exercising stock acquisition rights
Persons allotted with stock acquisition rights can only exercise these rights within 10 days from the date on which they lose their positions as a Board Director, Corporate Executive Officer, or Corporate Officer of the Company.
In the event of the death of the Board Director, Corporate Executive Officer or Corporate Officer, their heir may exercise the stock acquisition rights within one year from the time of death or by the final date of the exercise period, whichever comes first.
- Status of stock acquisition rights held by the Board Directors and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type and number of shares subject to stock acquisition rights	Number of holders
Board Director (excluding External Board Director)	113	Common stock: 113,000 shares	4
Corporate Executive Officer	153	Common stock: 153,000 shares	11

Stock acquisition rights issued based on the resolutions of the Meeting of the Board of Directors held on August 10, 2015

- Number of stock acquisition rights: 2,970
- Type and number of shares subject to stock acquisition rights
Common stock: 297,000 shares (100 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.
- Amount to be paid upon exercise of the stock acquisition rights: ¥1
- Period during which stock acquisition rights may be exercised
September 26, 2015 to September 25, 2035
- Terms for exercising stock acquisition rights
Persons allotted with stock acquisition rights can only exercise these rights within 10 days from the date on which they lose their positions as a Board Director, Corporate Executive Officer, or Corporate Officer of the Company (if the person allotted with stock acquisition rights had already lost all of the positions on the date of the allotment of stock acquisition rights, said person can exercise these rights within one year from the day following the date of allotment of stock acquisition rights).
In the event of the death of the Board Director, Corporate Executive Officer or Corporate Officer, their heir may exercise the stock acquisition rights within one year from the time of death or by the final date of the exercise period, whichever comes first.
- Status of stock acquisition rights held by the Board Directors and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type and number of shares subject to stock acquisition rights	Number of holders
Board Director (excluding External Board Director)	1,230	Common stock: 123,000 shares	4
Corporate Executive Officer	1,740	Common stock: 174,000 shares	15

(2) Status of Stock Acquisition Rights Granted in the Current Fiscal Year

Not applicable.

4. Company Officers

(1) Board Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Position	Name	Responsibilities and significant concurrent positions
President and Representative Director	Masumi Minegishi	CEO
Board Director	Shogo Ikeuchi	Corporate Planning, Human Resources, R&D
Board Director	Shigeru Kusahara	Administration
Board Director	Keiichi Sagawa	Finance
Board Director	Shigeo Ohyagi	Chairman of the Board of TEIJIN LIMITED, Outside Audit & Supervisory Board Member of JFE Holdings, Inc., Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives)
Board Director	Yasushi Shingai	Executive Vice President and Representative Director of JAPAN TOBACCO INC.
Audit & Supervisory Board Member (standing)	Yukiko Nagashima (Name in the family register: Yukiko Watanabe)	
Audit & Supervisory Board Member (standing)	Akihito Fujiwara	
Audit & Supervisory Board Member	Hiroki Inoue	Managing Partner of Nagashima Ohno & Tsunematsu
Audit & Supervisory Board Member	Yasuaki Nishiura	

- (Notes)
1. Mr. Shigeo Ohyagi and Mr. Yasushi Shingai are External Board Directors.
 2. Mr. Hiroki Inoue and Mr. Yasuaki Nishiura are External Audit & Supervisory Board Members.
 3. The Company designated External Board Directors Mr. Shigeo Ohyagi and Mr. Yasushi Shingai as well as External Audit & Supervisory Board Member Mr. Yasuaki Nishiura as Independent Directors/Audit & Supervisory Board Member specified by the Tokyo Stock Exchange and notified that to the said Exchange.
 4. Audit & Supervisory Board Member Mr. Yasuaki Nishiura has extensive knowledge of finance and accounting based on his experience as Partner of Deloitte & Touche LLP, as well as Western U.S. Region Leader of Japanese Corporate Service Group of Deloitte & Touche LLP.
 5. Audit & Supervisory Board Members Mr. Koichi Shima and Mr. Hideshi Takeuchi retired from office due to resignation at the conclusion of the 56th Ordinary General Meeting of Shareholders held on June 21, 2016. At the same meeting, Ms. Yukiko Nagashima and Mr. Yasuaki Nishiura were newly appointed as Audit & Supervisory Board Members and they subsequently assumed office.
 6. 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.
 7. Changes in the responsibilities of the Board Directors after March 31, 2017 are as follows.

Name	New	Old	Date of change
Shogo Ikeuchi	Corporate Planning, Human Resources	Corporate Planning, Human Resources, R&D	April 1, 2017
	Corporate Planning (CSO), Human Resources (CHRO)	Corporate Planning, Human Resources	May 1, 2017
Shigeru Kusahara	-	Administration	April 1, 2017
Keiichi Sagawa	Finance, Administration	Finance	April 1, 2017
	Finance (CFO), Administration (CRO)	Finance, Administration	May 1, 2017

(2) Remuneration of Board Directors and Audit & Supervisory Board Members

1) Policies for the determination of the amount of remuneration and its calculation method

i. Basic policies for officer remuneration

The officer remuneration system of the Company is operated under the basic policies below.

- (i) Maintain a sufficient remuneration standard that can attract and retain superior management talents on a global scale
- (ii) Establish a highly performance-based remuneration system that motivates officers to attain performance targets
- (iii) Set remuneration linked to medium to long-term corporate value
- (iv) Enhance objectivity and transparency in the remuneration determining process

ii. Framework of the remuneration standard

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

iii. Composition of remuneration

The remuneration for Board Directors (excluding External Board Directors) and Corporate Executive Officers, etc. consists of fixed remuneration (cash remuneration), the short-term incentive plan (cash remuneration) based on individual assessments for each fiscal year, and the long-term incentive plan (stock remuneration) based on attainment of the consolidated performance targets for each fiscal year. EBITDA for the existing segments (*1) shall be adopted as a performance target indicator for the long-term incentive plan in the period up to the year ending March 31, 2019. For the year ending March 31, 2019, the level of attainment of the adjusted EPS (*2) performance target set during the year ended March 31, 2017 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%. Composition ratios of performance-based remuneration and stock-based remuneration that constitute the remuneration are designed to provide sound incentives in order to achieve sustainable growth. Specifically, the approximate ratio of the short-term incentive plan against fixed remuneration is set at around 50% and that of the long-term incentive plan against fixed remuneration is set within the range of 50% to 200%. Meanwhile, remuneration for External Board Directors and Audit & Supervisory Board Members shall solely consist of fixed remuneration.

As a performance target indicator for the long-term incentive plan, the Company will use figures which reflect the increase or decrease of EBITDA caused by sales of businesses carried out during the period. Furthermore, in such a case, the Company will not change the levels for adjusted EPS established in the year ended March 31, 2017.

(*1) EBITDA for the existing segments:

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

(*2) Adjusted EPS: adjusted profit (*3) / (number of shares issued at the end of the period - number of treasury stock at the end of the period)

(*3) Adjusted profit: profit attributable to owners of the parent \pm adjustment items (*4) (excluding non-controlling interests) \pm tax reconciliation related to adjustment items

(*4) Adjustment items: amortization of intangible assets arising due to business combinations \pm non-recurring income/losses

iv. Governance

The Company has established the Evaluation Committee and the Remuneration Committee chaired by an External Board Director as advisory bodies to the Board of Directors for the purpose of enhancing objectivity and transparency of remunerations for officers. In terms of the amount of officer remuneration, remuneration for Board Directors is determined by the Board of Directors taking into account the reports by the Evaluation Committee and the Remuneration Committee; while remuneration for Audit & Supervisory Board members is determined on the basis of consultation among the Audit & Supervisory Board Members, within the remuneration range approved by the General Meeting of Shareholders.

External Board Directors are selected based on the independence criteria prescribed by the Tokyo Stock Exchange, as well as individual insight and capabilities in fulfilling duties and responsibilities as an External Board Director, regardless of gender, age and nationality.

In addition, the Company appoints external compensation consultants with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With their support, the Company reviews its remuneration standard and remuneration systems in light of external data, the economic environment, industry trend and business conditions, among others.

2) Remuneration of Board of Directors and Audit & Supervisory Board Members

Six Board Directors ¥855 million (including two External Board Directors: ¥29 million)

Six Audit & Supervisory Board Members ¥89 million (including three External Audit & Supervisory Board Members: ¥23 million)

- (Notes)
1. The above remuneration amounts include the amount recorded as expenses during the current fiscal year of the Board Incentive Plan.
 2. The above remuneration amounts include provision for officers' retirement benefits recognized in the current fiscal year.
 3. In addition to the above remuneration amounts, ¥10 million was paid as officers' retirement benefits to one retiring Audit & Supervisory Board Member, pursuant to the resolution of the 56th Ordinary General Meeting of Shareholders held on June 21, 2016.
 4. As part of the revision of the officer remuneration system, the Company has resolved to abolish the Retirement Benefit Plan for Officers upon the conclusion of the 56th Ordinary General Meeting of Shareholders held in 2016, and to make final payment of retirement benefits to Directors and Audit & Supervisory Board Members who continue to serve after the conclusion of the said General Meeting of Shareholders.

(3) External Officers

1) Shigeo Ohyagi, Board Director

i. Relationship between the Company and companies in which External Officers hold concurrent positions

There are business relationships involving the Staffing segment, etc. between the Company and TEIJIN LIMITED, of which Shigeo Ohyagi serves as Chairman of the Board; however, the value of transactions is low, and there are no matters of significance.

There are no business relationships between the Company and JFE Holdings, Inc., of which Shigeo Ohyagi serves as Outside Audit & Supervisory Board Member.

There are business relationships between the Company and KEIZAI DOYUKAI (Japan Association of Corporate Executives), of which Shigeo Ohyagi serves as Vice Chairman; however, the value of transactions is low, and there are no matters of significance.

ii. Relationship with special interest entities including major customers and suppliers

Not applicable.

iii. Major activities during the current fiscal year

Status of attendance and status of remarks made at the Meetings of the Board of Directors

Participated in all 17 Meetings of the Board of Directors held during the current fiscal year. With his experience as Representative Director and President as well as Chairman of the Board of TEIJIN LIMITED, he makes statements from a practical perspective as an External Board Director, based on his deep insight cultivated through management of the global manufacturing company.

2) Yasushi Shingai, Board Director

i. Relationship between the Company and companies in which External Officers hold concurrent positions

There are business relationships involving the HR Media segment between the Company and JAPAN TOBACCO INC., of which Yasushi Shingai serves as Executive Deputy President, Representative Director, Assistant to CEO; however, the value of transactions is low, and there are no matters of significance.

ii. Relationship with special interest entities including major customers and suppliers

Not applicable.

iii. Major activities during the current fiscal year

Status of attendance and status of remarks made at the Meetings of the Board of Directors

Participated in all 17 Meetings of the Board of Directors held during the current fiscal year. With his experience as Executive Deputy President, Representative Director, Assistant to CEO of JAPAN TOBACCO INC., he makes statements from a practical perspective as an External Board Director, based on his deep insight cultivated through the acquisition of foreign corporations, etc.

- 3) Hiroki Inoue, Audit & Supervisory Board Member
- i. Relationship between the Company and companies in which External Officers hold concurrent positions
There are no business relationships between the Company and Nagashima Ohno & Tsunematsu, of which Hiroki Inoue serves as Managing Partner.
 - ii. Relationship with special interest entities including major customers and suppliers
Not applicable.
 - iii. Major activities during the current fiscal year
 - a. Status of attendance and status of remarks made at the Meetings of the Board of Directors
Participated in all 17 Meetings of the Board of Directors held during the current fiscal year. He makes statements from a neutral and objective perspective as an External Audit & Supervisory Board Member, based on his deep insight into corporate legal affairs cultivated through experience as a lawyer.
 - b. Status of attendance and status of remarks made at the Meetings of the Audit & Supervisory Board
Participated in all 17 Meetings of the Audit & Supervisory Board during the current fiscal year. He makes statements from a neutral and objective perspective as an External Audit & Supervisory Board Member, based on his deep insight into corporate legal affairs cultivated through experience as a lawyer.
- 4) Yasuaki Nishiura, Audit & Supervisory Board Member
- i. Relationship between the Company and companies in which External Officers hold concurrent positions
Not applicable.
 - ii. Relationship with special interest entities including major customers and suppliers
Not applicable.
 - iii. Major activities during the current fiscal year
 - a. Status of attendance and status of remarks made at the Meetings of the Board of Directors
Participated in all 14 of the Meetings of the Board of Directors held during the current fiscal year after he assumed office in June 2016. He makes statements from a neutral and objective perspective as an External Audit & Supervisory Board Member, based on his accounting knowledge and his deep insight cultivated as a certified public accountant in the U.S., as well as his wealth of international experience he has amassed as a business advisor.
 - b. Status of attendance and status of remarks made at the Meetings of the Audit & Supervisory Board
Participated in all 13 Meetings of the Audit & Supervisory Board held during the current fiscal year after he assumed office in June 2016. He makes statements from a neutral and objective perspective as an External Audit & Supervisory Board Member, based on his accounting knowledge and his deep insight cultivated as a certified public accountant in the U.S., as well as his wealth of international experience he has amassed as a business advisor.

5. Independent Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Amount of Remuneration to the Independent Auditor for the Year Ended March 31, 2017

- 1) Amount of remuneration to the Independent Auditor for the current fiscal year
¥349 million
- 2) Total amount of monetary and other financial benefits payable by the Company and its subsidiaries
¥516 million

- (Notes)
1. The audit engagement entered into by the Company and the Independent Auditor does not clearly distinguish the amount of remuneration, etc. for audits prescribed in the Companies Act and those prescribed in the Financial Instruments and Exchange Act. Therefore, 1) above shows the total amount of such remuneration.
 2. The Audit & Supervisory Board verified the contents of the audit plan which included the auditing time, change in the amount of audit remuneration, as well as the audit plan and its performance results in previous years, and as a result of careful review on the adequacy of the amount of remuneration, has approved the amount of remuneration, etc. to be paid to the Independent Auditor, pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act.
 3. STAFFMARK HOLDINGS, INC., USG People B.V., and Chandler Macleod Group Limited, all of which are significant subsidiaries of the Company, undergoes audit (restricted to audit pursuant to the provisions of the Companies Act and Financial Instruments and Exchange Act (including the equivalent laws and regulations in the respective country)) by certified public accountants or audit corporations (including those with equivalent qualifications in the respective country) other than the Independent Auditor of the Company.

(3) Description of Non-audit Business

Non-audit services for which the Company pays remuneration to the Independent Auditor mainly comprise advisory services related to International Financial Reporting Standards (IFRS).

(4) Policy regarding Determination of Dismissal or Non-reappointment of Independent Auditor

In the case that the Independent Auditor falls under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board of the Company shall dismiss the Independent Auditor upon consent of all Audit & Supervisory Board Members.

In cases other than above, where the conduct of a proper audit is deemed difficult due to factors such as the occurrence of an event damaging the eligibility and independence of the Independent Auditor, the Audit & Supervisory Board of the Company shall propose the dismissal or non-reappointment of the Independent Auditor to the General Meeting of Shareholders.

(5) Disposition of Business Suspension Imposed on the Independent Auditor in the Past Two Years

Summary of disposition, etc. issued by the Financial Services Agency on December 22, 2015

1) Party subject to the disposition

Ernst & Young ShinNihon LLC

2) Description of the disposition

- Suspension of business concerning the conclusion of new engagement contracts: three months (from January 1, 2016 to March 31, 2016)
- Order for business improvement (improvement of the business management system)

3) Reasons of the disposition

- Since the seven certified public accountants of the audit firm had, in negligence of due care, attested the financial statements of TOSHIBA CORPORATION for the years ended March 31, 2010, 2012 and 2013 containing material misstatements as if they contained no material misstatements.
- The audit firm's operations were found to be significantly inappropriate.

6. The Systems and Policies of the Group

(1) Overview of the Corporate Governance System, etc.

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 corporate value as a business that is viewed as a positive force by users of Recruit products and services, clients, shareholders, employees, business partners, society, community and all other principal stakeholders of the Company.

The Company stipulates in its Articles of Incorporation that the number of Board Directors shall be not more than 11 and that their term of office shall be one year. The Board of Directors of the Company consists of six members (including two External Board Directors). The Meetings of the Board of Directors, in principle, shall be convened at least once a month to decide on important matters concerning the Group as a whole. The term of office of Audit & Supervisory Board Members is stipulated as four years by laws and regulations and the Articles of Incorporation of the Company. The Audit & Supervisory Board of the Company consists of four members (including two External Audit & Supervisory Board Members).

The Company has adopted a Corporate Executive Officer system since April 2000, with the aim of strengthening business execution functions. While maintaining this system, the Company also adopted a Board Director and Corporate Executive Officer system in June 2001 to further clarify the duties and responsibilities of Board Directors and Corporate Executive Officers, and strives to establish more effective management and business execution systems. The Company will continue to make efforts in reinforcing its management structure through enhancement of its corporate governance that is in line with the Company’s business structure by leveraging the beneficial features of the “company with an Audit & Supervisory Board” structure that it adopts.

The Company has established the Business Strategy Meeting, consisting of Board Directors concurrently serving as Corporate Executive Officers, Corporate Executive Officers responsible for corporate function, and full-time Audit & Supervisory Board Members, as an advisory body to the CEO, to discuss on certain matters necessary for the CEO to make decisions. The Business Strategy Meetings are in principle held twice a month.

Furthermore, voluntary committees have been set up as advisory bodies to the Board of Directors and the Business Strategy Meeting for the purpose of strengthening management structure and further enhancing management transparency and soundness. Specifically, six committees, namely the Nomination, Evaluation, Remuneration, Risk Management, Compliance, and Sustainability Committees have been set up as advisory bodies to the Board of Directors. Also, three committees, namely the Management Advisory, Recruit Group Investment, and Human Resources Development Committees have been set up as advisory bodies to the Board of Directors and/or the Business Strategy Meeting. Additionally, the Ethics Committee was set up as a forum for prior discussions on disciplinary actions against employees.

The Company determines that its current corporate governance system functions sufficiently in terms of both speedy decision-making and effective internal controls. At the same time, we strive to maximize shareholder value by improving management transparency and soundness by having voluntary committees as stated above.

(Overview of each committee)

- Nomination Committee

Chaired by an External Board Director, this committee discusses the election of President and Representative Director and the appropriateness of the process of nominating Board Directors and Corporate Executive Officers.

- Evaluation Committee

Chaired by an External Board Director, this committee discusses the performance evaluation of Board Directors and evaluation standards.

- Remuneration Committee

Chaired by an External Board Director, this committee discusses the remuneration for Board Directors based on their performance evaluation, and the level and system of the remuneration for Board Directors and Corporate Executive Officers.

- Risk Management Committee

Chaired by a Board Director in charge of Administration, this committee discusses subjects concerning the Group’s key risks.

- Compliance Committee

Chaired by the CEO, this committee discusses subjects concerning the Group’s compliance and related measures.

- Sustainability Committee

Chaired by a Board Director in charge of Corporate Planning, this committee discusses the formulation of strategic measures and management of its operations to promote the Group’s CSR.

- Management Advisory Committee

This committee consists of external experts and certain Board Directors and Corporate Executive Officers, and consults on important management subjects.

- Human Resources Development Committee

With a Corporate Executive Officers of the Company participating, this committee discusses subjects regarding skill development, position assignment, and updates on skill trainings of the Group's core personnel who are potential officers.

- Recruit Group Investment Committee

This committee is in charge of assessing the decisions made on the Group's investment and organizational restructuring, etc. and provides opinions to each decision-making body.

- Ethics Committee

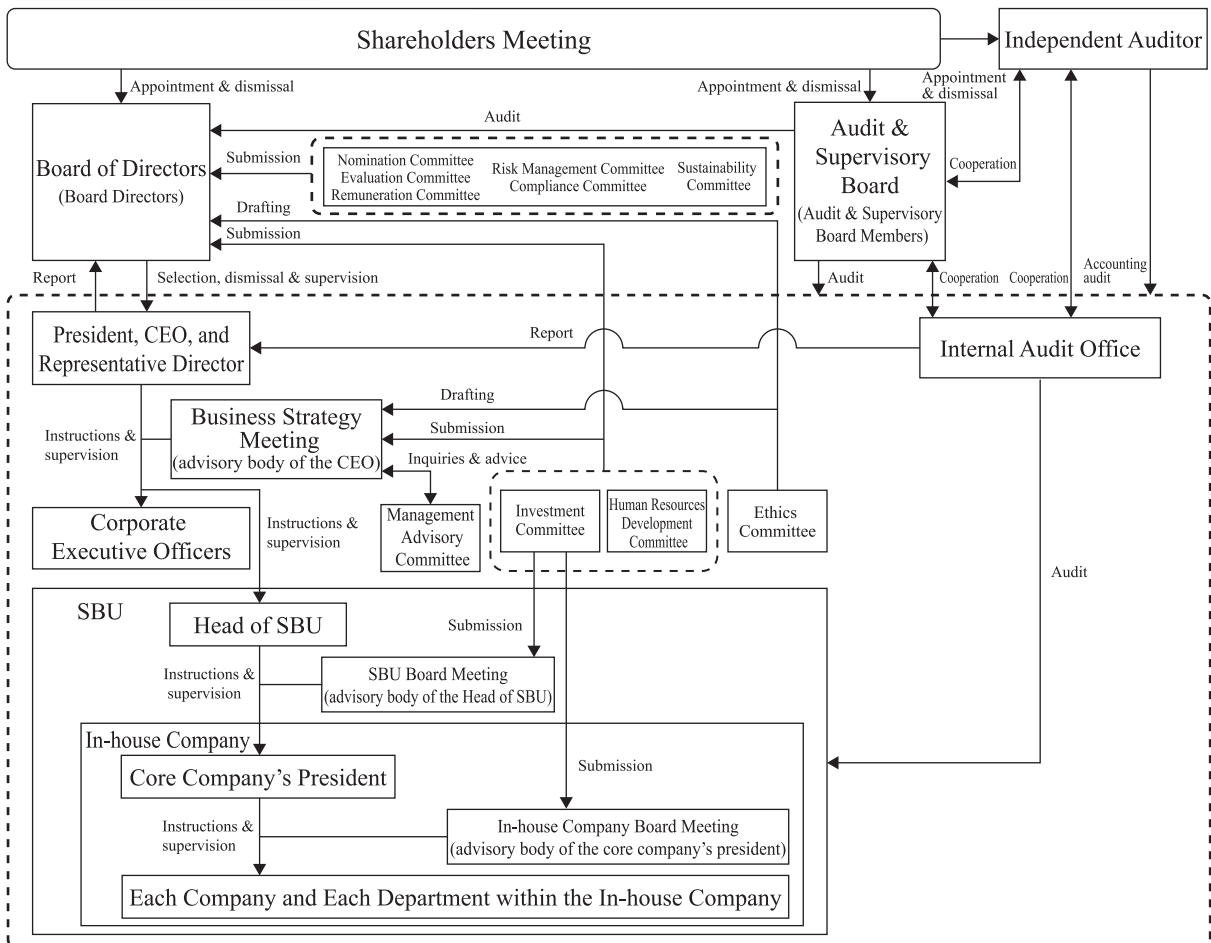
This committee conducts prior deliberations on disciplinary action against the Company's employees.

Further, the Group has adopted the Strategic Business Unit ("SBU") as a strategic management unit, as well as having in-house companies which are under the supervision of each SBU. Core companies have been established to take charge of entities within each in-house company.

Corporate Executive Officers of the Company concurrently serve as the head of each SBU ("SBU Head"). The SBU Board Meeting has been set up as an advisory body to SBU Heads, who make major decisions for the respective SBUs based on the reports from the Meeting. The Meeting is attended by the Company's full-time Audit & Supervisory Board members in addition to SBU Heads. The Company's Corporate Executive Officers concurrently serve as President and Representative Director of each core company ("Core Company President"), taking charge of the respective companies.

Also, the in-house Company Board Meeting has been established as an advisory body to Core Company Presidents, who make major decisions on the respective companies based on the reports from the Meeting. The Meeting is attended by part-time Board Directors, etc. who have been dispatched from the Company in addition to Core Company Presidents.

The corporate governance structure of the Company is as follows.



Our Status of Corporate Governance is made available on the Company's website. (<http://www.recruit.jp/company/governance/governance.html>)

(2) Systems to Ensure the Properness of Operations and Operational Status of the Systems

1) Basic Policy for Internal Control System

Systems to ensure the properness of operations of the Company and its subsidiaries (hereinafter referred to as the “Group”) were resolved at the Meeting of the Board of Directors held on March 30, 2016. A description of the systems is as follows.

i. 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 and 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 anti-social forces.
- h. The Company’s Board of Directors shall establish a department in charge of internal controls after appointing 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. The Company shall, in principle, 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. Internal Audit Department shall be established within the Company, under direct control of the President and Representative Director, & CEO, 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 company policies.
- m. A system including whistle-blowing system and 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. Education and awareness-raising activities regarding compliance shall be carried out for officers and employees of the Group.
- o. Actions in violation of internal controls within the Group shall be strictly dealt with.

ii. Systems Concerning Retention and Management of Information on the Execution of Duties by Board Directors of the Company

- a. “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, Meetings of 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.

iii. Internal Policies and Other Systems Concerning Risks of Loss of the Company and its Subsidiaries

- 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 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.

iv. Systems to Ensure the Efficient Execution of Duties by Board Directors of the Company and Board of 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 and 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, CSR 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.

v. 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.

vi. Systems Concerning Report 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. A meeting consisting of Board Directors and Corporate Executive Officers of the Company and President and Representative Director, etc. of major subsidiaries shall be held on a regular basis for the purpose of discussing the Group’s management policies as well as sharing management information.

vii. 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.

viii. 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.

ix. 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.

x. 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.

xi. 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 the 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.

xii. 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 respectively.

2) Overview of Operational Status of Internal Control System

The Company and its subsidiaries make efforts to properly operate the internal control system pursuant to the abovementioned resolution by having the Internal Audit Department inspect the development of the internal control system.

A description of the main points of the operational status in the current fiscal year is as follows.

i. Initiatives Relating to Compliance

- In addition to the “Recruit Group Code of Ethics,” we are providing compliance training to officers and employees, etc. based on Group-wide policies on information management, prevention of insider trading, among others, so as to make them widely known.
- Each Group company has established rules for corporate ethics helpline under which a consultation hotline is set up for the purpose of preventing violation of laws and regulations as well as wrongdoing. In addition, the “Recruit Group Internal Control General Principle” stipulates that individuals who made a report or consultation through the hotline not be subject to unfavorable treatment by the Company on the grounds of their reporting. The status of reporting and consultations to the Company’s hotline was reported regularly to the Board of Directors.
- Internal audits were performed by the Internal Audit Department, which is under the direct control of the President and Representative Director, & CEO. The Internal Audit Department performed audits of each division of the Company and its subsidiaries, in accordance with the annual plan approved by the Board of Directors, and reported to the President and Representative Director as well as the Board of Directors.

ii. Initiatives Relating to Risk Management

- We strive to achieve widespread understanding of the “Recruit Group Risk Management Policy,” which defines the objectives, systems and methods of managing risk in the Group, and the “Recruit Group Risk Escalation Rules,” whose purpose is to promptly report and share information in the event of a crisis, by posting them on the intranet, among other measures.
- Based on information collected from the Company’s administrative division and subsidiaries, the extractions of risks of the Group and its countermeasure were deliberated at the Risk Management Committee, after which the Board of Directors determined the risks that required focused efforts. The progress of countermeasures was confirmed by the same process.

iii. Initiatives Relating to Appropriateness and Efficiency of Execution of Duties

- During the current fiscal year, the Meeting of the Board of Directors of the Company, which was held 17 times, resolved on matters for which it held the sole discretion to decide on as stipulated in laws and regulations and the Articles of Incorporation, and also made decisions on the management philosophy, corporate governance system, and execution of business that may have a major impact on consolidated results as well as the Group’s reputation.
- During the current fiscal year, the Business Strategy Meeting, an advisory body to the CEO of the Company, was held 39 times. The meeting acted as a platform to ascertain the status of business execution by each business division, and discuss on important matters delegated by the Board of Directors, thereby enabling the CEO of the Company to make agile decisions.
- The Recruit Group Investment Committee, which is chaired by the Corporate Executive Officer responsible for finance of the Company, met as needed for deliberation of M&As and other investments by the Group, and provided written examination opinions to the designated body responsible for making decisions for each investment amount.

iv. Management of Subsidiaries and Associates

- Based on the “Recruit Group Roles and Responsibilities Policy” and the “Recruit Group Companies Management Policy,” etc., the Company approved on or received after-the-fact reports from subsidiaries concerning important matters related to subsidiaries.
- The Group’s monthly business results were reported at the Board of Directors, and confirmation and deliberation were carried out on matters including the progress toward reaching the Group’s management targets, management tasks and countermeasures.

v. System for Audit by Audit & Supervisory Board Members

- Regarding reporting to Audit & Supervisory Board Members, reporting and information disclosure to Audit & Supervisory Board Members were made at important Company meetings by ensuring opportunities for Audit & Supervisory Board Members to attend these meetings.
- Audit & Supervisory Board Members enhance the efficiency of their audits primarily by holding regular meetings with subsidiaries' Audit & Supervisory Board Members or their Board Directors in charge of audits, the Company's Internal Audit Department, Independent Auditors and others to share information, as well as by receiving reports from Corporate Executive Officers of the Company on business results, the status of business operations, and development of internal controls, etc.
- The President and Representative Director and Audit & Supervisory Board Members held regular meetings to exchange opinions.
- The Company has appointed three assistants to support Audit & Supervisory Board Members in their duties. The Company ensures their independence from the Board Directors, which includes respecting the opinions of the Audit & Supervisory Board with regard to appointment, transfer, evaluation and disciplinary action of these employees.

(3) Policy for Determination of Dividends from Surplus, etc.

The Company believes that placing priority on the implementation of strategic investments to attain sustainable profit growth and improve corporate value will in turn contribute to profits shared with our shareholders. In addition, we recognize returning profits to our shareholders as one of our key management policies and have the principle of paying consistent and sustainable dividends. In line with this, our basic policy is to return profits, comprehensively taking into account trends of business results and ensuring sufficient internal reserves, which are necessary for investment in future growth, and the reinforcement of our financial base.

In addition, we set a consolidated payout ratio of approximately 30% of net income before amortization of goodwill excluding the effects of extraordinary income/losses, etc. (Note)

In accordance with this basic policy, we have decided to pay a dividend of ¥65 per share for the 57th Fiscal Year.

We will improve corporate value by allocating internal reserves to strategic investments for growth.

Starting from the year ending March 31, 2018, the Company will pay interim dividends and, accordingly, our policy will be to pay dividends from surplus twice a year. The record dates thereof will be September 30 and March 31 of each year.

Matters stipulated by Article 459, Paragraph 1 of the Companies Act, including dividends from surplus, are resolved not by General Meetings of Shareholders, but by Meetings of the Board of Directors, unless otherwise provided by laws and regulations.

(Note) Net income before amortization of goodwill is calculated by adding amortization of goodwill to net income attributable to owners of the parent. The Company will voluntarily adopt the International Financial Reporting Standards ("IFRS") starting from the first quarter ending June 30, 2017. The consolidated payout ratio after transition to IFRS is set at approximately 30%, upon excluding the effects of non-recurring income/losses, etc. from profit attributable to owners of the parent.

Dividends from surplus with the record date in the 57th Fiscal Year are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
May 12, 2017 Resolution by the Board of Directors	36,213	65

Consolidated Balance Sheets

(As of March 31, 2017)

(Millions of yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	714,431	Current liabilities	359,404
Cash and deposits	261,342	Notes and accounts payable - trade	68,029
Notes and accounts receivable - trade	305,336	Current portion of long-term debt	24,957
Securities	85,000	Accrued expenses	97,891
Deferred tax assets	25,079	Income taxes payable	35,218
Other current assets	42,330	Accrued employees' bonuses	26,022
Allowance for doubtful accounts	(4,656)	Other current liabilities	107,285
Noncurrent assets	735,183	Long-term liabilities	311,670
Property, plant and equipment	42,213	Bonds payable	50,000
Buildings and structures	18,127	Long-term debt	137,366
Land	7,758	Deferred tax liabilities	69,973
Other	16,326	Workers' compensation liability	8,541
Intangible assets	523,396	Net defined benefit liability	29,214
Goodwill	282,555	Other long-term liabilities	16,573
Software	88,940	Total liabilities	671,074
Customer-related assets	95,307	Equity	
Other	56,593	Shareholders' equity	684,725
Investments and other assets	169,573	Common stock	10,000
Investment securities	121,800	Capital surplus	52,874
Deferred tax assets	11,766	Retained earnings	653,490
Other assets	36,377	Treasury stock	(31,640)
Allowance for doubtful accounts	(371)	Accumulated other comprehensive income	86,062
		Unrealized gain (loss) on available-for-sale securities	31,326
		Foreign currency translation adjustments	56,244
		Remeasurements of defined benefit plans	(1,508)
		Stock acquisition rights	2,042
		Non-controlling interests	5,710
		Total equity	778,540
Total assets	1,449,614	Total liabilities and equity	1,449,614

Consolidated Statements of Income

(April 1, 2016 to March 31, 2017)

(Millions of yen)

Description	Amount	
Net sales		1,839,987
Cost of sales		979,110
Gross profit		860,876
Selling, general and administrative expenses		733,669
Operating income		127,207
Non-operating income		6,631
Interest income	315	
Dividend income	1,425	
Share of profit of entities accounted for using equity method	3,823	
Other	1,066	
Non-operating expenses		2,120
Interest expense	873	
Foreign exchange losses	493	
Other	753	
Ordinary income		131,718
Extraordinary income		28,570
Gains on sales of investment securities	5,349	
Gain on sales of shares of subsidiaries and associates	21,857	
Other	1,363	
Extraordinary losses		11,028
Loss on disposal of noncurrent assets	1,586	
Loss on valuation of investment securities	1,402	
Impairment loss	5,085	
Business integration expenses	1,210	
Other	1,742	
Income before income taxes		149,260
Income taxes: Current		68,094
Income taxes: Deferred		(4,897)
Net income		86,063
Net income attributable to non-controlling interests		641
Net income attributable to owners of the parent		85,422

Consolidated Statements of Changes in Equity

(April 1, 2016 to March 31, 2017)

(Millions of yen)

	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 equity of the 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

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total equity
	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			
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 equity of the 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

Balance Sheets
(As of March 31, 2017)

(Millions of yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	519,127	Current liabilities	617,956
Cash and deposits	223,774	Electronically recorded obligations - operating	6,218
Notes receivable - trade	782	Accounts payable - trade	9,317
Accounts receivable - trade	111,154	Short-term borrowings	501,714
Securities	85,000	Accounts payable - other	4,384
Merchandise	146	Accrued expenses	65,965
Work in process	339	Income taxes payable	14,973
Supplies	686	Advances received	4,728
Advanced payments - trade	422	Deposits received	1,086
Prepaid expenses	3,587	Other current liabilities	9,567
Deferred tax assets	7,451	Long-term liabilities	226,563
Short-term loans receivable	73,083	Bonds payable	50,000
Other current assets	13,879	Long-term debt	137,266
Allowance for doubtful accounts	(1,180)	Deferred tax liabilities	34,553
Noncurrent assets	907,355	Other long-term liabilities	4,744
Property, plant and equipment	21,683	Total liabilities	844,520
Buildings	5,066	Equity	
Structures	9	Shareholders' equity	549,138
Machinery and equipment	1	Common stock	10,000
Vehicles	0	Capital surplus	31,912
Tools, furniture and fixtures	8,950	Legal capital surplus	6,716
Land	7,651	Other capital surplus	25,196
Other	3	Retained earnings	538,920
Intangible assets	69,593	Legal retained earnings	750
Goodwill	0	Other retained earnings	538,169
Trademark rights	153	General reserve	435,372
Software	69,161	Retained earnings brought forward	102,797
Other	277	Treasury stock	(31,694)
Investments and other assets	816,078	Valuation and translation adjustments	30,781
Investment securities	71,098	Unrealized gain (loss) on available-for-sale securities	30,781
Stocks of subsidiaries and affiliated companies	682,583	Stock acquisition rights	2,042
Investments in other securities of subsidiaries and affiliated companies	38,355		
Investments in capital	4,043		
Investments in capital of subsidiaries and affiliated companies	4,949		
Long-term loans receivable	32		
Claims provable in bankruptcy, claims provable in rehabilitation and other	240		
Long-term prepaid expenses	2,567		
Other assets	12,455		
Allowance for doubtful accounts	(247)	Total equity	581,962
Total assets	1,426,482	Total liabilities and equity	1,426,482

Statements of Income
(April 1, 2016 to March 31, 2017)

(Millions of yen)

Description	Amount	
Net sales		571,321
Cost of sales		59,095
Gross profit		512,225
Selling, general and administrative expenses		433,822
Sales commission	204,416	
Advertising expenses	58,686	
Business commissions	61,444	
Other	109,275	
Operating income		78,402
Non-operating income		8,520
Interest income	661	
Dividend income	7,402	
Other	456	
Non-operating expenses		2,524
Interest expense	1,157	
Foreign exchange losses	855	
Other	511	
Ordinary income		84,399
Extraordinary income		23,832
Gain on sales of investment securities	3,363	
Gain on sales of shares of subsidiaries and associates	20,144	
Other	323	
Extraordinary losses		8,333
Loss on sales of noncurrent assets	14	
Loss on disposal of noncurrent assets	1,280	
Loss on valuation of shares of subsidiaries and associates	4,496	
Impairment loss	1,440	
Other	1,100	
Income before income taxes		99,898
Income taxes: Current		26,138
Income taxes: Deferred		(798)
Net income		74,558

Statements of Changes in Equity

(April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of current period	10,000	6,716	25,140	31,857	750	408,655	83,192	492,598	(554)	533,901
Changes of items during period										
Cash dividends				-			(28,236)	(28,236)		(28,236)
Provision of general reserve				-		26,716	(26,716)	-		-
Net income				-			74,558	74,558		74,558
Purchase of treasury stock				-				-	(31,226)	(31,226)
Disposal of treasury stock			55	55				-	86	142
Other changes during the period										
Total changes of items during period	-	-	55	55	-	26,716	19,604	46,321	(31,140)	15,237
Balance at end of current period	10,000	6,716	25,196	31,912	750	435,372	102,797	538,920	(31,694)	549,138

	Valuation and translation adjustments			Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total valuation and translation adjustments		
Balance at beginning of current period	28,874	(2,162)	26,712	2,137	562,751
Changes of items during period					
Cash dividends					(28,236)
Provision of general reserve					-
Net income					74,558
Purchase of treasury stock					(31,226)
Disposal of treasury stock					142
Other changes during the period	1,907	2,162	4,069	(95)	3,974
Total changes of items during period	1,907	2,162	4,069	(95)	19,211
Balance at end of current period	30,781	-	30,781	2,042	581,962

Independent Auditor's Report
(Translation)

May 11, 2017

The Board of Directors of
Recruit Holdings Co., Ltd.

Ernst & Young ShinNihon LLC

Hiroyuki Yamasaki
Certified Public Accountant
Designated and Engagement Partner

Yoshihisa Shibayama
Certified Public Accountant
Designated and Engagement Partner

Taichi Muto
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the Consolidated Financial Statements, which comprise the Consolidated Balance Sheets, the Consolidated Statements of Income, the Consolidated Statements of Changes in Equity and the Notes to Consolidated Financial Statements of Recruit Holdings Co., Ltd. (the "Company") for the year from April 1, 2016 to March 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but, in making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements so as to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which comprise the Company and its consolidated subsidiaries, for the year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Independent Auditor's Report
(Translation)

May 11, 2017

The Board of Directors of
Recruit Holdings Co., Ltd.

Ernst & Young ShinNihon LLC

Hiroyuki Yamasaki
Certified Public Accountant
Designated and Engagement Partner

Yoshihisa Shibayama
Certified Public Accountant
Designated and Engagement Partner

Taichi Muto
Certified Public Accountant Designated
and Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the Non-consolidated Financial Statements, which comprise the Balance Sheets, the Statements of Income, the Statements of Changes in Equity, the Notes to Non-consolidated Financial Statements, and the related supplementary schedules of Recruit Holdings Co., Ltd. (the "Company") for the 57th Fiscal Year from April 1, 2016 to March 31, 2017.

Management's Responsibility for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the Non-consolidated Financial Statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Non-consolidated Financial Statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Non-consolidated Financial Statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Non-consolidated Financial Statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Non-consolidated Financial Statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Non-consolidated Financial Statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but, in making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Non-consolidated Financial Statements and the related supplementary schedules so as to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Non-consolidated Financial Statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Non-consolidated Financial Statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Audit & Supervisory Board's Audit Report

Audit Report

The Audit & Supervisory Board received and discussed the audit report concerning the execution of duties of the Board Directors during the 57th Fiscal Year from April 1, 2016 through March 31, 2017, which was prepared by each Audit & Supervisory Board Member, and, based on those audit reports, prepared this Audit Report as follows:

1. Procedures and details of the audits conducted by the Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) The Audit & Supervisory Board established the audit policies, division of duties, and other relevant matters, and received a report from each Audit & Supervisory Board Member regarding the performance of audits and results thereof, as well as reports from the Board Directors, other relevant personnel, and the Independent Auditor regarding the execution of their duties, and requested explanations as necessary and received responses.
- (2) Based on the audit standards determined by the Audit & Supervisory Board, and in accordance with the audit policies and the division of duties, each Audit & Supervisory Board Member, while endeavoring to communicate with Board Directors, internal audit staff, and other employees, collecting information and maintaining and improving the audit environment, conducted the audit based on the following procedures.
 - 1) Each Audit & Supervisory Board member attended the Board of Directors' meeting and other important meetings to receive reports on the status of execution of their duties from Board Directors and employees, requested explanations as necessary, inspected the important approval documents, etc., and examined the status of operations and conditions of assets at the Company's head office and principal offices. In addition, each Audit & Supervisory Board Member communicated and shared information with the Board Directors and Audit & Supervisory Board Members of the subsidiaries and received their business reports as necessary.
 - 2) With respect to details of the resolution by the Board of Directors regarding the establishment of systems necessary to ensure that the execution of duties by Board Directors stated in the Business Report complies with laws and regulations and the Articles of Incorporation and other systems prescribed by Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the properness of operations of the corporate group comprising the Stock Company and its subsidiaries, as well as the system established based on such resolution (hereinafter collectively, "Internal Control System"), each Audit & Supervisory Board Member periodically received reports from Board Directors and employees on the development and operation of the Internal Control System, requested explanations as necessary, and expressed his or her opinions.
 - 3) The Audit & Supervisory Board Members monitored and verified that the Independent Auditor maintains its independence and conducts the audits appropriately, as well as received reports on the status of the execution of duties from the Independent Auditor, requested explanations as necessary and received responses. In addition, we were informed by the Independent Auditor that it had arranged the "System for Ensuring Properness in Execution of Duties" (matters stipulated in the items of Article 131 of the Ordinance on Accounting of Companies) in accordance with "Standards for Quality Control of Audits" (Business Accounting Council, October 28, 2005), requested explanations as necessary and received responses.

Based on the procedures mentioned above, we reviewed the Business Report and the related supplementary schedules, the Non-consolidated Financial Statements, which comprise the Balance Sheets, Statements of Income, Statements of Changes in Equity, Notes to the Non-consolidated Financial Statements, and the related supplementary schedules, as well as the Consolidated Financial Statements, which comprise the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Equity, and Notes to the Consolidated Financial Statements for the year ended March 31, 2017.

2. Results of Audit

- (1) Results of the audit of Business Report, etc.

We acknowledge that:

- 1) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
- 2) Regarding the execution of duties by Board Directors, there were no instances of misconduct or material matters concerning violation of laws, regulations, or the Articles of Incorporation of the Company; and
- 3) The resolution of the Board of Directors regarding the Internal Control System is fair and reasonable. There are no matters or findings to be brought up regarding details stated in the Business Report and the execution of duties by Board Directors in relation to such internal control system.

(2) Results of the audit of Non-consolidated Financial Statements and supplementary schedules

We acknowledge that the audit methods used and the audit results issued of the Independent Auditor, Ernst & Young ShinNihon LLC are fair and reasonable.

(3) Results of the audit of Consolidated Financial Statements and supplementary schedules

We acknowledge that the audit methods used and the audit results issued of the Independent Auditor, Ernst & Young ShinNihon LLC are fair and reasonable.

May 11, 2017

Audit & Supervisory Board of Recruit Holdings Co., Ltd.

Audit & Supervisory Board Member (standing)	Yukiko Nagashima
Audit & Supervisory Board Member (standing)	Akihito Fujiwara
External Audit & Supervisory Board Member	Hiroki Inoue
External Audit & Supervisory Board Member	Yasuaki Nishiura