Items Disclosed on the Internet Concerning Convocation Notice of the 59th Ordinary General Meeting of Shareholders

Consolidated Statement of Change in Equity
Notes to Consolidated Financial Statements
Statement of Change in Equity
Notes to Non-consolidated Financial Statements
(April 1, 2018 - March 31, 2019)

Recruit Holdings Co., Ltd.

In accordance with the laws and regulations and the Company's Articles of Incorporation, the items listed above are deemed to be provided to the shareholders by being available on the Company's website (https://recruit-holdings.co.jp/ir/).

Consolidated Statement of Change in Equity

(April 1, 2018 to March 31, 2019)

(In millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2018	10,000	50,115	811,287	(32,049)	3,723	(8,354)	881
Cumulative effects of changes in accounting policies	-	-	1,360	-	-	-	-
Restated balance	10,000	50,115	812,647	(32,049)	3,723	(8,354)	881
Profit for the year			174,280				
Other comprehensive income						155	(246)
Comprehensive income for the year	-	-	174,280	-	-	155	(246)
Transfer from other components of equity to retained earnings			(1,972)				
Purchase of treasury stock		(24)		(1,299)			
Disposal of treasury stock		(153)		969	(815)		
Dividends			(42,603)				
Share-based payments					1,224		
Equity transactions with non-controlling interests		(819)					
Other		18	97				
Transactions with owners - total	-	(979)	(44,478)	(329)	408	-	-
Balance at March 31, 2019	10,000	49,136	942,449	(32,378)	4,132	(8,198)	635

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2018	-	-	(3,748)	835,605	5,055	840,660
Cumulative effects of changes in accounting policies	-	-	-	1,360	-	1,360
Restated balance	-	-	(3,748)	836,965	5,055	842,020
Profit for the year			-	174,280	1,101	175,381
Other comprehensive income	1,136	(3,108)	(2,063)	(2,063)	139	(1,924)
Comprehensive income for the year	1,136	(3,108)	(2,063)	172,216	1,240	173,456
Transfer from other components of equity to retained earnings	(1,136)	3,108	1,972	-		-
Purchase of treasury stock			-	(1,323)		(1,323)
Disposal of treasury stock			(815)	0		0
Dividends			-	(42,603)		(42,603)
Share-based payments			1,224	1,224		1,224
Equity transactions with non-controlling interests			-	(819)	260	(558)
Other			-	115	(80)	35
Transactions with owners - total	(1,136)	3,108	2,381	(43,406)	179	(43,226)
Balance at March 31, 2019	-	-	(3,431)	965,775	6,475	972,251

Notes to Consolidated Financial Statements

(Notes on Important Matters that Form the Basis for Preparing Consolidated Financial Statements)

1. Standards for Preparing Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting. Certain disclosure items required by IFRS are omitted pursuant to the latter part of the said paragraph.

2. Matters Related to the Scope of Consolidation

Status of consolidated subsidiaries

Number of consolidated subsidiaries: 352

Names of the major consolidated subsidiaries

RGF OHR USA, Inc.
Indeed, Inc.
Glassdoor, Inc.
Recruit Co., Ltd.
Recruit Sumai Company Ltd.
Recruit Marketing Partners Co., Ltd.
Recruit Lifestyle Co., Ltd.
Hotspring Ventures Limited
Quandoo GmbH
Recruit Career Co., Ltd.
Recruit Jobs Co., Ltd.
Recruit Global Staffing B.V.
Recruit Staffing Co., Ltd.
STAFF SERVICE HOLDINGS CO., LTD.
Staffmark Group, LLC
The CSI Companies, Inc.
Advantage Resourcing Europe B.V.
Unique NV
USG People France SAS
USG People Germany GmbH
USG People Holdings B.V.
Chandler Macleod Group Limited

3. Matters Related to the Application of Equity Method

Status of equity-method associates

Number of equity-method associates: 11

Name of the major company, etc.

51job, Inc.
kaonavi, inc.

4. Significant Accounting Policies

(1) Valuation standards and valuation methods of financial instruments

1) Financial assets

A. Recognition, classification and measurement of financial assets

Financial assets are recognized when the Group becomes a party to the contract of the financial instrument. The Group measures all financial assets at fair value at initial recognition and classifies them as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI financial assets), or financial assets measured at fair value through profit or loss (FVTPL financial assets).

a. Financial assets measured at amortized cost

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

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

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

b. FVTOCI financial assets

i. FVTOCI debt financial assets

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

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

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

ii. FVTOCI equity financial assets

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

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

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

c. FVTPL financial assets

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

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

B. Impairment of financial assets

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

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

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

C. Derecognition

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

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

2) Financial liabilities

A. Recognition, classification and measurement of financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contract of the financial instrument. The Group measures all financial liabilities at fair value at initial recognition and classifies them as financial liabilities measured at amortized cost or financial assets measured at fair value through profit or loss (FVTPL financial liabilities).

a. Financial liabilities measured at amortized cost

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

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

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

b. FVTPL financial liabilities

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

B. Derecognition

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

3) Offsetting financial instruments

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

4) Derivatives and hedge accounting

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

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

(2) Depreciation and amortization methods of significant depreciable assets

1) Property, plant and equipment

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

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

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

Major useful lives are as follows:

- Buildings and structures: 2 to 50 years
- Tools, furniture and fixtures: 2 to 20 years

2) Intangible assets

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

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

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

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

Major useful lives are as follows:

- Software: 5 years
- Customer-related assets: 2 to 15 years

(3) Accounting standards for significant allowances and provisions

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

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

(4) Accounting standards for revenue

The Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(5) Other important matters that form the basis for preparing consolidated financial statements

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

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

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

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

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

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

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

2) Goodwill

Goodwill is measured at cost less accumulated impairment losses.

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

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

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

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

3) Post-employment benefits

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

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

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

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

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

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

4) Effects of changes in foreign exchange rates

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

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

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

5) Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

6) Amounts presented are rounded down to the nearest million yen.

(Change in Accounting Policies)

The Group has applied IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (collectively, "IFRS 15") from the fiscal year ended March 31, 2019. In applying IFRS 15, the Group adopts a method of recognizing the cumulative effect of applying this standard at the date of initial application, which is accepted as a transitional measure. The Group's accounting policies on revenue recognition and other related matters are disclosed in "(4) Accounting standards for revenue" and "Notes on Revenue Recognition."

Regarding assets recognized for costs of obtaining contracts, certain costs (such as sales commission) which were expensed as incurred under the previous accounting standards are capitalized.

As a result, compared with the previous accounting standard, as of the beginning of the fiscal year ended March 31, 2019, other current assets increased by 1,764 million yen, retained earnings increased by 1,360 million yen, and deferred tax assets decreased by 540 million yen, among other changes.

The Group also identified performance obligations in contracts with customers based on the five-step approach.

For certain sales transactions through sales agents, the Group reassessed the previous identification of a customer, and concluded that sales agents for some transactions should be defined as the customer.

Accordingly, consideration for such transactions is determined based on the transaction price agreed with the agents.

In addition, for transactions where another party is involved in providing services to customers, the Group examined whether it has control over the services before the satisfaction of the performance obligations related to the services, and then has determined that it does not have control over the services. Accordingly, revenues from certain customers which were presented on a gross basis are presented on a net basis.

As a result, compared with the previous accounting standards, in the consolidated statement of profit or loss for the fiscal year ended March 31, 2019, revenue and cost of sales decreased by 25,916 million yen, respectively.

(Notes on Business Combinations)

(1) Stock acquisition of Glassdoor, Inc.

1) Name of the acquiree and description of its business

Name of the acquiree: Glassdoor, Inc. (“Glassdoor”)

Description of business: Operates online job site and database of company reviews, salary information and other workplace insights globally

2) Date of acquisition

June 21, 2018

3) Percentage of voting equity interests acquired

100%

4) Main reason for the business combination

In the mid-term, the Company seeks to further expand its HR Technology business in the United States and globally through both organic growth and M&A. The Company foresees significant opportunities for growth as Glassdoor (which has increased the transparency of employers through a huge database of corporate reviews) and Indeed (which is well known for its online job search engine) explore ways to collaborate to meet challenges faced by both job seekers and employers. This acquisition enhances the Company’s position as the leader in job search, job seeker and employer matching, and in utilizing direct job seeker input to improve the overall job search experience for job seekers.

5) Method of obtaining control of the acquiree

Stock acquisition in exchange for cash as consideration

6) Component of goodwill recognized

Excess earning power expected from future business development and synergy effect with the existing HR Technology business.

7) Consideration paid for acquisition and breakdown thereof

(In millions of yen)

Consideration	Amount
Cash and cash equivalents	143,045
Total	143,045

(Note) The amount of consideration paid is converted from 1,295 million US dollars at the spot exchange rate as of the acquisition date and includes the adjustments, etc. of net cash held by Glassdoor.

8) Fair values of assets and liabilities and goodwill as of the acquisition date

(In millions of yen)

Item	Amount
Current assets (Note 1)	20,705
Non-current assets (Note 2)	31,999
Total assets	52,704
Current liabilities (Note 3)	9,178
Non-current liabilities	985
Total liabilities	10,163
Total equity	42,541
Goodwill (Note 4)	100,504
Total	143,045

The amounts of assets acquired and liabilities assumed are provisionally determined as the allocation of the consideration paid has not yet been completed.

(Notes) 1. Cash and cash equivalents of 16,197 million yen are included. The fair value of trade receivables acquired is 3,378 million yen.

2. Intangible assets are included. The breakdown of intangible assets is as follows:

(In millions of yen)

Item	Amount
Customer-related intangible assets	14,466
Trademark rights	9,000
Other	6,106
Total	29,573

3. Deferred income of 5,980 million yen is included.
4. The amount of goodwill is provisionally determined as the allocation of the consideration paid has not yet been completed.

9) Acquisition-related expenses

Acquisition-related expenses associated with the business combination are 1,193 million yen, which are recorded in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(Notes to Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	3,726 million yen
Other financial assets	793 million yen

2. Accumulated depreciation and accumulated impairment losses of property, plant and equipment 70,449 million yen

(Notes to Consolidated Statement of Changes in Equity)

1. Class and total number of shares issued at the end of the year ended March 31, 2019

   Common stock: 1,695,960,030 shares

2. Class and number of treasury stock at the end of the year ended March 31, 2019

   Common stock: 25,176,070 shares

   (Note) The Company has introduced the Board Incentive Plan. The number of treasury stock at the end of the current fiscal year includes 1,367,801 shares in the Company held by the trust.

3. Matters related to dividends

(1) Amount of dividends paid

Resolution	Source of dividends	Total amount of dividends (in millions of yen)	Dividend per share (yen)	Record date	Effective date
May 15, 2018 Meeting of the Board of Directors (Note 1)	Retained earnings	20,060	12	March 31, 2018	June 20, 2018
November 13, 2018 Meeting of the Board of Directors (Note 2)	Retained earnings	22,574	13.5	September 30, 2018	December 10, 2018

(Notes) 1. Total amount of dividends includes dividends of 13 million yen on the shares in the Company held by the Board Incentive Plan.

2. Total amount of dividends includes dividends of 17 million yen on the shares in the Company held by the Board Incentive Plan.

(2) Dividend whose record date is in the current fiscal year, but the effective date is in the following fiscal year

Resolution	Source of dividends	Total amount of dividends (in millions of yen)	Dividend per share (yen)	Record date	Effective date
May 14, 2019 Meeting of the Board of Directors (Note)	Retained earnings	24,246	14.5	March 31, 2019	June 20, 2019

(Note) Total amount of dividends includes dividends of 19 million yen on the shares in the Company held by the Board Incentive Plan.

4. Class and number of shares to be issued upon the exercise of stock acquisition rights at the end of the year ended March 31, 2019 (excluding those for which the first day of the exercise period has not arrived)

Common stock: 1,845,000 shares

(Notes on Revenue Recognition)

The Group has three reportable segments, namely, HR Technology segment, Media & Solutions segment, and Staffing segment, whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance. The Group's revenue is recorded from these three businesses.

Revenue from these businesses are recorded based on contracts with customers. There is no significance in the amount of variable consideration and others included in revenues. In addition, the amount of promised consideration does not include significant financing components.

1) HR Technology segment

The Group receives consideration from customers for providing services which enable individual users to seek job opportunities and customers to find talent by operating an online job search engine, an online job and company information site. Revenue is recognized when the performance obligation is satisfied, that is, when a user accesses the customer's job information through a paid advertisement placed by the customer on the online job search engine site.

2) Media & Solutions segment

Marketing Solutions

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

Regarding online advertisement placement, for advertisement services with a guaranteed placement period, the Group has an obligation to place an advertisement over a period specified in a contract. Since the performance obligation is satisfied over time, revenue is recognized over the contract period on a straight-line basis.

For advertisement placement services in information magazines, the Group provides advertisement-related services with an indefinite placement period to customers based on a contract, under which it is obliged to place an advertisement on a specific page of a magazine. Accordingly, the Group considers the performance obligation to be satisfied at the date of sale (publication) of information magazines when the magazines containing the advertisement are displayed at stores and are available for purchase or browsing by consumers, or when they are delivered to readers. Revenue is therefore recognized at that point in time.

HR Solutions

The Group provides employment placement services under which it introduces job seekers considering a career change to clients considering recruitment of mid-career professionals by sorting out requirements for desired staff and then selecting candidates whose work experience, skills and intention meet those requirements. The Group receives referral fees from the client when the referred job seeker is actually employed. Regarding employment placement services, the Group has an obligation to provide services for arranging employment based on a contract. Since the performance obligation is satisfied at the time of employment, revenue is recognized at that time.

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

For online advertisement placement, regarding advertisement services with a guaranteed placement period, the Group has an obligation to place an advertisement over a period specified in a contract. Since the performance obligation is satisfied over time, revenue is recognized over the contract period on a straight-line basis.

With regard to advertisement placement services in information magazines, the Group provides advertisement-related services with an indefinite placement period to customers based on a contract, under which it is obliged to place an advertisement on a specific page of a magazine. Accordingly, the Group considers the performance obligation to be satisfied at the date of sale (publication) of information magazines when the magazines containing the advertisement are displayed at stores and are available for purchase or browsing by consumers, or when they are delivered to readers. Revenue is therefore recognized at that point in time.

Regarding the sale of a set of services and a series of placements, the Group determines the stand-alone selling price at contract inception of the distinct service underlying each performance obligation in a contract and allocates the transaction price in proportion to those stand-alone selling prices.

Any discount is allocated in proportion to the stand-alone selling prices to each performance obligation in a contract.

3) Staffing segment

The Group provides staffing services mainly for clerical jobs, manufacturing jobs and light works, as well as various specialist positions to clients. For staffing services, the Group has an obligation to provide workforce based on a contract. The Group considers the performance obligation to be satisfied when labor is provided by the agency worker. Accordingly, revenue is recognized based on the working hour of the agency worker during the dispatch period.

(Notes on Financial Instruments)

1. Matters Related to Status of Financial Instruments

In the course of conducting business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, interest rate risk and price risk). The Group monitors those financial risks in order to avoid or reduce the risks as necessary.

The Group uses derivative transactions to hedge foreign currency risk and interest rate risk, and not for speculative purposes.

(1) Credit risk

The Group's trade receivables such as notes and accounts receivable – trade are exposed to customer credit risk.

The Group examines new clients to understand and mitigate at an early stage the potential uncollectibility of receivables due to deterioration in financial conditions. With regard to trade receivables, the Group manages due dates and balances for each client and also monitors the financial condition of main clients on a regular basis. In addition, the Group enters into transactions only with financial institutions with high credit ratings to mitigate counterparty risk.

The Group is not exposed to credit risk that is excessively concentrated in a particular counterparty.

(2) Liquidity risk

The Group manages its liquidity risk by preparing and updating a cash management plan at each company, as necessary, and securing liquidity on hand according to the status of revenue and expenditure. In addition, the Group conducts concentration and management of funds by group financing, under which the Group receive funds from consolidated subsidiaries with surplus funds and lends them to those with shortages.

(3) Market risk

1) Foreign currency risk

The Group is exposed to the risk of rapid fluctuation of foreign exchange rates.

For certain foreign currency-denominated receivables and payables, the foreign currency fluctuation risk is hedged on an individual basis.

2) Interest rate risk

Borrowings are appropriated for working capital and funds for capital investment, and since a large portion of borrowings have floating interest rates, they are exposed to interest rate fluctuation risk.

With regard to interest rate fluctuation risk of borrowings, interest rate swaps are used to fix a portion of interest expense.

3) Price risk

The Group is exposed to market price fluctuation risk associated with equity instruments.

Equity instruments are managed by regularly monitoring the market prices and financial condition of issuers and, on an ongoing basis, evaluating the holding status in light of the relationship with issuers.

2. Matters Related to Fair Value, etc. of Financial Instruments

The carrying amount and fair value of financial instruments at the end of the current fiscal year are as follows. Financial instruments whose carrying amounts approximate the fair values are not included in the table below. Long-term borrowings mostly bear variable interest, and thus reflect market interest rates. Therefore, their carrying amounts approximate the fair values.

(In millions of yen)

	Carrying amount	Fair value
Bonds	49,899	50,147

(Note) The fair values of bonds are measured by referring to the quoted market price.

(Notes on Per Share Information)

Equity per share attributable to owners of the parent: 578.04 yen

Basic earnings per share: 104.31 yen

(Note) The Company has introduced the Board Incentive Plan. The Company's stock held in the trust is recognized as treasury stock in the consolidated financial statements. In line with this, the Company's stock held in the trust is included in treasury stock deducted from the number of shares issued at the end of the period for the calculation of equity per share attributable to owners of the parent. In addition, the Company's stock held in the trust is included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of basic earnings per share.

The number of treasury stock at the end of the period deducted for the calculation of equity per share attributable to owners of the parent is 1,367,801 shares.

The average number of treasury stock deducted for the calculation of basic earnings per share is 1,328,743 shares in the current fiscal year.

Statement of Change in Equity

(April 1, 2018 to March 31, 2019)

(In millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at beginning of current period	10,000	6,716	25,064	31,780	750	465,185	439,309	905,245	(32,102)	914,924
Changes of items during period										
Cash dividends				-			(42,634)	(42,634)		(42,634)
Provision of general reserve				-		355,724	(355,724)	-		-
Net income				-			34,247	34,247		34,247
Purchase of treasury stock				-				-	(1,300)	(1,300)
Disposal of treasury stock			(206)	(206)				-	1,023	817
Other changes during the period										
Total changes of items during period	-	-	(206)	(206)	-	355,724	(364,111)	(8,387)	(276)	(8,870)
Balance at end of current period	10,000	6,716	24,857	31,574	750	820,909	75,198	896,857	(32,378)	906,053

	Valuation and translation adjustments		Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	29,773	29,773	1,790	946,487
Changes of items during period				
Cash dividends				(42,634)
Provision of general reserve				-
Net income				34,247
Purchase of treasury stock				(1,300)
Disposal of treasury stock				817
Other changes during the period	(4,608)	(4,608)	(340)	(4,948)
Total changes of items during period	(4,608)	(4,608)	(340)	(13,819)
Balance at end of current period	25,165	25,165	1,449	932,667

Notes to Non-consolidated Financial Statements

(Notes on Matters Related to Significant Accounting Policies)

1. Valuation Standards and Valuation Methods of Assets

Valuation standards and valuation methods of securities

1) Shares of subsidiaries and associates:	Stated at cost using the moving-average method
2) Available-for-sale securities	
Available-for-sale securities with market value:	Market value method based on the market price at the end of the period, etc. (Valuation differences are directly recorded as equity and cost of securities sold is calculated by the moving-average method.)
Available-for-sale securities without market value:	Stated at cost using the moving-average method

2. Depreciation and Amortization Methods of Noncurrent Assets

(1) Property, plant and equipment:	Straight-line method The principal useful lives are as follows: Buildings: 2 to 50 years Tools, furniture and fixtures: 2 to 10 years
(2) Intangible assets:	Straight-line method The principal years of amortization are as follows: Software (for internal use): 5 years (period available for internal use)

3. Accounting Standards for Allowances and Provisions

Allowance for doubtful accounts:	In order to provide for losses due to bad debt, for general receivables, an estimated uncollectible amount is principally recorded according to the historical bad debt ratio. For specific receivables from companies in financial difficulty, an estimated uncollectible amount is recorded by assessing the collectability of each receivable individually.

4. Significant Hedge Accounting

(1) Hedge accounting

Deferred hedge accounting is applied.

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

Foreign exchange forward contracts are carried out for the purpose of hedging fluctuation risks of exchange rates for foreign currency transactions, and hedged items are distinguished on an individual contract basis.

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

(4) Methods for evaluating the effectiveness of hedges

When a foreign exchange forward contract is entered into, it is allocated to a particular transaction in the same amount denominated in foreign currencies and due on the same date in accordance with the risk management policy. Therefore, the correlation with subsequent fluctuations in the exchange rates is completely ensured, and thus the evaluation of effectiveness on the balance sheet date is omitted.

Evaluation of effectiveness on interest rate and currency swap transactions subject to integrated treatment is omitted.

5. Other Important Matters That Form the Basis for Preparing Non-consolidated Financial Statements

(1) Translation of significant assets or liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies have been translated into Japanese yen at the spot exchange rate at the balance sheet date, and translation adjustments are treated as gains or losses.

(2) Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(3) Application of the consolidated taxation system

The Company has applied the consolidated taxation system from the current fiscal year.

(Notes on Changes in Presentation Methods)

Changes associated with adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has adopted “Ordinance on Partial Revisions of Regulation for Enforcement of the Companies Act and Regulation on Corporate Accounting” (Ordinance of the Ministry of Justice No. 5, issued March 26, 2018) in line with the enforcement of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, issued February 16, 2018) from the beginning of the year ended March 31, 2019. Accordingly, deferred tax assets have been presented as investments and other assets, and deferred tax liabilities have been presented as long-term liabilities.

Matters Related to Balance Sheets

“Supplies” under “Current assets,” which was presented separately in the previous fiscal year, is included in “Other current assets” from the year ended March 31, 2019, due to a decrease in materiality. The amount of “Supplies” was 2 million yen as of March 31, 2019.

“Investments in other securities of subsidiaries and affiliated companies” under “Investments and other assets,” which was presented separately in the previous fiscal year, is included in “Other assets” from the year ended March 31, 2019, due to a decrease in materiality. The amount of “Investments in other securities of subsidiaries and affiliated companies” was 133 million yen as of March 31, 2019.

Matters Related to Statements of Income

“Loss on liquidation of subsidiaries and associates” under “Extraordinary losses,” which was presented separately in the previous fiscal year, is included in “Other” from the year ended March 31, 2019, due to a decrease in materiality. The amount of “Loss on liquidation of subsidiaries and associates” was 0 million yen for the year ended March 31, 2019.

(Notes to Balance Sheet)

1. Accumulated depreciation of property, plant and equipment: 674 million yen

2. Guarantee obligation

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

Indeed, Inc.	44,722 million yen
Indeed Ireland Operations Limited	22,821 million yen
Staffmark Group, LLC	10,284 million yen
Start People SAS	6,605 million yen
USG People Interservices NV	6,143 million yen
Staffmark Investment, LLC	2,048 million yen
Chandler Macleod Group Limited	1,620 million yen
Hotspring Ventures Limited	110 million yen
Other	48 million yen
Total	94,406 million yen

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

Short-term monetary receivables:	93,197 million yen
Short-term monetary payables:	228,420 million yen
Long-term monetary receivables:	281,652 million yen

(Notes to Statement of Income)

Transaction volume with subsidiaries and associates

Transaction volume of operating transactions (revenue):	62,748 million yen
Transaction volume of operating transactions (expenses):	623 million yen
Transaction volume of non-operating transactions (revenue):	343 million yen
Transaction volume of non-operating transactions (expenses):	380 million yen

(Notes to Statement of Change in Equity)

Class and number of treasury stock at the end of the year ended March 31, 2019

Common stock:	25,176,070 shares

(Note) The Company has introduced the Board Incentive Plan. The number of shares of the Company held by the trust included in the number of treasury stock as of March 31, 2019 is 1,367,801 shares.

(Notes on Tax Effect Accounting)

Breakdown by cause of deferred tax assets and deferred tax liabilities

(Deferred tax assets)	
Loss on valuation of investment securities	3,449 million yen
Stocks of subsidiaries and associates	25,470 million yen
Tax losses carry-forward	19,932 million yen
Other	2,897 million yen
Subtotal of deferred tax assets	51,749 million yen
Valuation allowance	(29,477) million yen
Total deferred tax assets	22,271 million yen
(Deferred tax liabilities)	
Unrealized gain (loss) on available-for-sale securities	(6,202) million yen
Stocks of subsidiaries and associates	(102,257) million yen
Other	(312) million yen
Total deferred tax liabilities	(108,772) million yen
Net deferred tax liabilities	(86,501) million yen

(Notes on Transactions with Related Parties)

Subsidiaries and associates, etc.

(In millions of yen)

Attribute	Name of company, etc.	Ownership percentage of voting rights, etc.	Description of transactions	Transaction amount	Account item	Balance at end of the fiscal year
Subsidiary	Recruit Co., Ltd.	Ownership Direct 100%	Acceptance of shares in subsidiary (Note 2)	277,174	—	—
			Return of contribution	277,274	—	—
			Loan of funds (Note 3)	263,363	Long-term loans receivable [Interest income]	237,027 [180]
					Short-term loans receivable	26,336
			Borrowing of funds (Note 4)	—	Short-term borrowings [Interest expense]	50,119 [97]
			Royalty income (Note 5)	13,694	Accounts receivable - trade	14,790
			Receipt of dividends	16,199	—	—
			Individually attributed amount of consolidated corporation tax	17,364	Accounts receivable - other	17,364
Subsidiary	Recruit Career Co., Ltd.	Ownership Indirect 100%	Borrowing of funds (Note 4)	—	Short-term borrowings [Interest expense]	17,248 [30]
			Receipt of dividends	6,900	—	—
Subsidiary	STAFF SERVICE HOLDINGS CO., LTD.	Ownership Indirect 100%	Borrowing of funds (Note 4)	—	Short-term borrowings [Interest expense]	18,571 [38]
			Loan of funds (Note 3)	—	Long-term loans receivable	44,625
					Short-term loans receivable	14,875

Attribute	Name of company, etc.	Ownership percentage of voting rights, etc.	Description of transactions	Transaction amount	Account item	Balance at end of the fiscal year
Subsidiary	Recruit Lifestyle Co., Ltd.	Ownership Indirect 100%	Receipt of dividends	6,600	—	—
			Borrowing of funds (Note 4)	—	Short-term borrowings [Interest expense]	15,011 [20]
Subsidiary	Recruit Staffing Co., Ltd.	Ownership Indirect 100%	Borrowing of funds (Note 4)	—	Short-term borrowings [Interest expense]	15,166 [2]
Subsidiary	HR Tech Funding Service Limited	Ownership Direct 100%	Underwriting of capital increase	136,533	—	—

Transaction terms and policies for determining transaction terms, etc.

(Notes) 1. The amounts of transactions do not include consumption taxes, while the year-end balances include consumption taxes.

2. The company-split is accounted for as transactions, etc. under common control.
3. The loan rate is reasonably determined based on market rates and other relevant factors.
4. The Company centrally manages the Group’s funds, and lending and borrowing among group companies are settled on a daily basis. Thus, transaction amount is not stated. The interest rate is reasonably determined based on market rates.
5. Royalty income is recognized as a proportion of gross profit, and the rate is determined on a rational basis.
6. Information on guarantee obligations is stated in 2. Guarantee obligation under (Notes to Balance Sheet).

(Notes on Per Share Information)

Equity per share: 557.35 yen

Net income per share: 20.50 yen

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

The number of treasury stock at the end of the period deducted for the calculation of equity per share is 1,367,801 shares.

The average number of shares of treasury stock deducted for the calculation of net income per share is 1,328,743 shares in the current fiscal year.

(Notes on Business Combinations)

Transactions, etc. under Common Control

1. Company name and description of business of the companies involved in the business combination, date of the business combination, legal form of the business combination, financial results of the business to be split, and outline of the transaction including purpose of the transaction

(1) Company name and description of business of the companies involved in the business combination

1) Combining company (divested company)

Name of the combining company: Recruit Co., Ltd.

Description of business: Media & Solutions Businesses

2) Combined company (divesting company)

Name of the combined company: Recruit Holdings Co., Ltd.

Description of business: Formulation of group management policy, and corporate administration

(2) Date of the business combination

April 1, 2018

(3) Legal form of the business combination

An absorption-type split in which the Company is the split company and Recruit Co., Ltd. is the successor company.

(4) Financial results of the business to be split

Net sales 573,843 million yen (fiscal year ended March 31, 2018)

(5) Outline of the transaction including the purpose of the transaction

"Recruit Group is 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" is the Company's basic principle. In order to realize the more fulfilling world and to continue evolving on a global basis, the Company recognizes it must continue enhancing its enterprise value and shareholder value, by keeping ahead of changes in the IT business environment, and by executing transactions for expansions, divestitures and restructuring of its business portfolio in the fastest manner.

Given this context, the Company has been pursuing the enhancement of its consolidated business value together with the three Strategic Business Units ("SBUs") of the Global Online HR (currently HR Technology), Media & Solutions, and Global Staffing (currently Staffing) segments since April 2016. Also, the reporting segments have been changed according to the SBUs effective from the fiscal year ended March 31, 2018.

For reasons of both the enhancement of the Company's consolidated business value and managerial resource development, it is an urgent matter for the Company to set the basis for (i) pure holding company functions, (ii) a highly efficient group management structure including group governance, monitoring and managing systems for the group companies' operating performance and financial data, and (iii) SBUs to expand their businesses in line with business strategies based on their respective characteristics and positioning. The Company therefore conducted the Group Reorganization that includes the Company's company-split.

2. Outline of the accounting treatment

In accordance with “Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued September 13, 2013)” and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, issued September 13, 2013),” the business combination is accounted for as a transaction under common control. As a result, the Company acquired additional shares of Recruit Co., Ltd. in exchange for the assets and liabilities, the contracts and other rights and obligations to be succeeded. However, the acquisition cost is determined based on the shareholders’ equity of the transferred business, and no gain or loss on the transfer is recognized.

(Notes on Significant Subsequent Events)

There are no applicable items.

(Notes on Company Subject to Regulation on Consolidated Dividends)

The Company is subject to regulation on consolidated dividends.