Consolidated Financial Results for the Year Ended March 31, 2017 [Japanese GAAP]

May 12, 2017

Company name: Recruit Holdings Co., Ltd.
Listed stock exchange: Tokyo Stock Exchange
Securities code: 6098
URL: http://www.recruit.jp
Representative: Masumi Minegishi, President, CEO, and Representative Director
Contact: Keiichi Sagawa, CFO, and Senior Managing Corporate Executive Officer
(Tel: +81-3-6835-1111)
Scheduled date of Ordinary General Meeting of Shareholders: June 20, 2017
Scheduled commencement date of dividend distribution: June 21, 2017
Scheduled submission date of securities report: June 21, 2017
Preparation of briefing materials to the financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	1,839,987	15.8	127,207	11.6	131,718	10.4	85,422	32.4
Year ended March 31, 2016	1,588,623	22.2	114,032	(6.9)	119,336	(5.0)	64,535	(7.4)

Note: Comprehensive income Year ended March 31, 2017 ¥61,219 million [28.6%]
Year ended March 31, 2016 ¥47,598 million [(59.6)%]

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	152.51	152.27	11.1	10.1	6.9
Year ended March 31, 2016	114.28	114.12	8.5	10.6	7.2

Reference: Share of profit of entities accounted for using equity method:
Year ended March 31, 2017 ¥3,823 million
Year ended March 31, 2016 ¥4,961 million

Reference: EBITDA (*Please refer to "Explanation regarding appropriate use of financial results forecast and other special notes (1)"):
Year ended March 31, 2017 ¥230,835 million [14.1%]
Year ended March 31, 2016 ¥202,250 million [5.7%]

Net income before amortization of goodwill (*Please refer to "Explanation regarding appropriate use of financial results forecast and other special notes (1)"):
Year ended March 31, 2017 ¥138,955 million [23.5%]
Year ended March 31, 2016 ¥112,477 million [4.5%]

Adjusted EPS (*Please refer to "Explanation regarding appropriate use of financial results forecast and other special notes (1)"):
Year ended March 31, 2017 ¥241.27 [15.1%]
Year ended March 31, 2016 ¥209.58

(2) Consolidated Financial Position

	Total assets	Total equity	Ratio of equity attributable to owners of the parent to total assets	Equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	1,449,614	778,540	53.2	1,384.16
As of March 31, 2016	1,150,681	777,000,	66.9	1,363.96

Reference: Equity attributable to owners of the parent: As of March 31, 2017 ¥770,787 million
As of March 31, 2016 ¥770,277 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	142,161	(214,257)	110,557	345,676
Year ended March 31, 2016	162,511	(109,613)	(53,546)	310,322

2. Dividends

	Dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	-	0.00	-	50.00	50.00	28,236	43.8	3.7
Year ended March 31, 2017	-	0.00	-	65.00	65.00	36,213	42.6	4.7
Year ending March 31, 2018 (forecast)	-	11.00	-	11.00	22.00		30.1	

Notes:
1. Payout ratio (consolidated) for the year ending March 31, 2018 (forecast) is based on basic earnings per share calculated in accordance with the International Financial Reporting Standards (IFRS) as stated in “3. Consolidated Financial Results Forecast for the Year Ending March 31, 2018” below.
2. The Company plans to implement a three-for-one stock split of its common stock with a record date of June 30, 2017 and an effective date of July 1, 2017. Accordingly, the above annual dividend forecast for the year ending March 31, 2018 takes into account the said stock split. The annual dividend forecast for the year ending March 31, 2018 without considering the stock split will be ¥66.

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

(Percentage indicates changes from the previous corresponding period.)

	Revenue		Operating income		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,084,000	7.3	185,500	(4.3)	122,000	(10.3)	73.03

Reference:	EBITDA	Year ending March 31, 2018	¥251,000 million [8.0%]
	Adjusted EPS	Year ending March 31, 2018	¥82.01 [2.0%]
	Profit used as basis for calculation of dividends	Year ending March 31, 2018	¥124,000 million [1.1%]

Notes:

1. The Company will voluntarily adopt the International Financial Reporting Standards (“IFRS”) from the first quarter ending June 30, 2017, and therefore, the consolidated financial results forecast is calculated in accordance with IFRS. The IFRS financial results for the year ending March 31, 2017 used to calculate changes from the previous fiscal year or the previous corresponding period are approximates and may be revised depending on the accounting audit results.
2. The effects of three-for-one stock split of the Company’s common stock to be implemented on July 1, 2017 are taken into consideration.

* Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017
(Changes in specified subsidiaries accompanying change in scope of consolidation) : Yes

Newly included:	7 companies
(Company name)	USG People B.V.
	Start Holding B.V.
	Start People B.V.
	Start People NV
	Unique NV
	USG People France SAS
	USG People Interservices NV
Excluded:	3 companies
(Company name)	A.C.N 139 871 560 Pty Ltd
	P.B. Recruitment Pty Ltd
	Peoplebank Holdings Pty Ltd

(2) Changes in accounting policies, changes in accounting estimates and restatements
1) Changes in accounting policies in accordance with revision of accounting standards: Yes
2) Changes in accounting policies other than item 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

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

As of March 31, 2017	565,320,010 shares	As of March 31, 2016	565,320,010 shares

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

As of March 31, 2017	8,458,560 shares	As of March 31, 2016	584,200 shares

3) Average number of shares during the period

Year ended March 31, 2017	560,109,849 shares	Year ended March 31, 2016	564,729,112 shares

Note: The Company has introduced the Board Incentive Plan, and the Company's stock held in the trust (272,659 shares as of March 31, 2017) is included in above treasury stock.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated Operating Results (Percentage indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	571,321	6.1	78,402	3.3	84,399	9.8	74,558	35.7
Year ended March 31, 2016	538,417	5.0	75,884	(0.6)	76,850	(0.4)	54,956	9.4

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2017	133.11	132.91
Year ended March 31, 2016	97.31	97.18

(2) Non-consolidated Financial Position

	Total assets	Equity	Ownership equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	1,426,482	581,962	40.7	1,041.41
As of March 31, 2016	1,128,936	562,751	49.7	992.70

Reference: Ownership equity As of March 31, 2017 ¥579,920 million
As of March 31, 2016 ¥560,613 million

* These consolidated financial results are outside the scope of audit.

* Explanation regarding appropriate use of financial results forecast and other special notes

(1) Calculation method of management indices

(Japanese GAAP)

- EBITDA: operating income + depreciation and amortization + amortization of goodwill
- Net income before amortization of goodwill: net income attributable to owners of the parent + amortization of goodwill
- Adjusted net income: net income attributable to owners of the parent ± adjustment items (*1) (excluding non-controlling interests) ± tax reconciliation related to adjustment items
- Adjusted EPS: adjusted net income / (number of shares issued at the end of the period - number of treasury stock at the end of the period)

(*1) Amortization of goodwill and other intangible assets arising due to business combinations ± extraordinary income/losses

(IFRS)

- EBITDA: operating income + depreciation and amortization ± other operating income/expenses
- Adjusted profit: profit attributable to owners of the parent ± adjustment items (*2) (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
- Adjusted EPS: adjusted profit / (number of shares issued at the end of the period - number of treasury stock at the end of the period)
- Profit used as the basis for calculation of dividends: profit attributable to owners of the parent - non-recurring income/losses, etc.

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

(2) Explanation regarding appropriate use of financial results forecast

The consolidated financial results forecast mentioned above includes future assumptions and projections as well as forecasts based on plans as of the disclosure date of this document. There are possibilities that actual results may differ significantly from this forecast due to various factors in the future. For the matters concerning the financial results forecast, please refer to “1. Overview of Operating Results, etc. (1) Overview of Operating Results (Consolidated Financial Results Forecast for the Year Ending March 31, 2018).”

Contents of the Attached Materials

1. Overview of Operating Results, etc.

(1) Overview of Operating Results

(Operating results for the year ended March 31, 2017)

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 "3. Management Policy, (2) Target Management Index."

Overview of major segments is as follows.

1) 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.

i. 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.

ii. 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.

2) 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.

i. Domestic Recruiting operations

In the Domestic Recruiting operations, a favorable 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 strong 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.

ii. 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 sales force, 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.

3) 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.

i. 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.

ii. 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.

4) 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.

(Consolidated Financial Results Forecast for the Year Ending March 31, 2018)

In line with the commencement of disclosures in accordance with IFRS from the first quarter ending June 30, 2017, the consolidated results forecast for the year ending March 31, 2018 will also be disclosed in IFRS.

Backed by a solid growth in each business, as for consolidated financial results forecast for the next fiscal year, revenue is forecast at ¥2,084.0 billion (a year on year decrease of 7.3%), operating income is forecast at ¥185.5 billion (a year on year decrease of 4.3%) due mainly to the effect of reporting a gain on sales of shares of subsidiaries and associates in the previous fiscal year, and profit attributable to owners of the parent is forecast at ¥122.0 billion (a year on year decrease of 10.3%). If the gain on sales of shares of subsidiaries and associates and other items are deducted from operating income and profit attributable to owners of the parent for the previous fiscal year, operating income is forecast to increase 8.0% year on year and profit attributable to owners of the parent to increase 4.3% year on year.

EBITDA, adjusted EPS and profit used as basis for calculation of dividends are forecast at ¥251.0 billion (a year on year increase of 8.0%), ¥82.01 (a year on year increase of 2.0%) and ¥124.0 billion (a year on year increase of 1.1%), respectively.

Revenue in the existing businesses is forecast at ¥2,084.0 billion (a year on year increase of 7.3%) and EBITDA is forecast at ¥251.0 billion (a year on year increase of 8.0%), for the year ending March 31, 2018. Although this forecast excludes the financial results of subsidiaries that will be included in the scope of consolidation from the next fiscal year through mergers and acquisitions, etc., there are currently no differences between the consolidated financial results forecast and the financial results forecast for existing businesses.

(Notes) 1. For details of each business, see “3. Management Policy, (3) Business Environment Surrounding the Group, Issues to be Addressed and Management Strategy of the Group.”
2. The IFRS-based results for the year ended March 31, 2017 used to calculate year on year changes are approximates and may be changed depending on the accounting audit results.
3. The expected impact of the three-for-one stock split to be implemented on July 1, 2017 is reflected in the forecast for adjusted EPS.

(2) Overview of Financial Position

(Assets, liabilities and equity)

1) Assets

Current assets were ¥714.4 billion, an increase of ¥124.6 billion or 21.1%, from the end of the previous fiscal year. This was mainly due to increases in notes and accounts receivable - trade and securities.

Noncurrent assets were ¥735.1 billion, an increase of ¥174.2 billion or 31.1%, from the end of the previous fiscal year. This was mainly due to increases in goodwill, software and customer-related assets, all of which are associated with mergers and acquisitions in the Staffing segment.

As a result, total assets as of March 31, 2017 were ¥1,449.6 billion, an increase of ¥298.9 billion or 26.0%, from the end of the previous fiscal year.

2) Liabilities

Current liabilities were ¥359.4 billion, an increase of ¥77.4 billion or 27.4%, from the end of the previous fiscal year. This was mainly due to increases in current portion of long-term debt and other current liabilities such as accrued expenses and accounts payable - other.

Long-term liabilities were ¥311.6 billion, an increase of ¥219.9 billion or 239.9%, from the end of the previous fiscal year. This was mainly due to increases in bonds payable and long-term debt.

As a result, total liabilities as of March 31, 2017 were ¥671.0 billion, an increase of ¥297.3 billion or 79.6%, from the end of the previous fiscal year.

3) Equity

Total equity as of March 31, 2017 was ¥778.5 billion, an increase of ¥1.5 billion or 0.2%, from the end of the previous fiscal year. This was mainly due to payment of dividends, recording of net income attributable to owners of the parent, purchase of treasury stock and a decrease in foreign currency translation adjustments.

(Cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) as of March 31, 2017 increased by ¥35.3 billion from the end of the previous fiscal year to ¥345.6 billion, due to the fact that cash inflows from operating activities and financing activities exceeded cash outflows from investing activities.

1) Cash flows from operating activities

Cash provided by operating activities during the year ended March 31, 2017 was ¥142.1 billion, a year-on-year decrease of ¥20.3 billion or 12.5%. This was mainly due to adding depreciation and amortization of ¥50.0 billion and amortization of goodwill of ¥53.5 billion and subtracting increase in trade receivables of ¥38.5 billion and income taxes-paid of ¥77.1 billion and other items from income before income taxes of ¥149.2 billion.

2) Cash flows from investing activities

Cash used in investing activities during the year ended March 31, 2017 was ¥214.2 billion, a year-on-year increase of ¥104.6 billion or 95.5%. This was mainly due to payments for purchase of intangible assets of ¥49.0 billion and payments for purchase of investments in subsidiaries resulting in change in scope of consolidation due to mergers and acquisitions in the Staffing segment of ¥176.6 billion, against proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation of ¥22.8 billion.

3) Cash flows from financing activities

Cash provided by financing activities during the year ended March 31, 2017 was ¥110.5 billion (cash used was ¥53.5 billion in the previous fiscal year). This was mainly due to an increase in long-term debt of ¥174.7 billion and proceeds from issuance of bonds of ¥50.0 billion, against repayments of long-term debt of ¥51.8 billion, payments for purchase of treasury stock of ¥31.2 billion and dividends paid of ¥28.5 billion.

(Reference) Indicators related to cash flows

	Year ended March 31, 2016	Year ended March 31, 2017
Ownership equity ratio (%)	66.9	53.2
Ownership equity ratio on a market value basis (%)	168.6	218.2
Interest-bearing debt/cash flow ratio (years)	0.1	0.8
Interest coverage ratio (multiple)	167.7	119.2

Ownership equity ratio: [(total equity – stock acquisition rights – non-controlling interests) / total assets] x 100

Ownership equity ratio on a market value basis: [total market capitalization/total assets] x 100

Interest-bearing debt/cash flow ratio: interest-bearing debt/cash flows

Interest coverage ratio: cash flows /interest expenses paid

(Notes)
1. All indicators are calculated using financial figures on a consolidated basis.
2. Total market capitalization is calculated based on the total number of shares issued at the end of the fiscal year excluding treasury stock.
3. Cash flows refer to cash flows from operating activities.
4. Interest-bearing debt refers to all liabilities on the consolidated balance sheets for which interest is paid.

(3) Basic Policy on Profit Distribution and Dividend for Current Fiscal Year and Next Fiscal Year

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 be paying interim dividends and, accordingly, our policy is to pay dividends from surplus twice a year. The record dates thereof are September 30 and March 31 of each year.

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

Dividends for the next fiscal year (year ending March 31, 2018) are planned to be ¥22 per share for the full year including ¥11 per share interim dividends and ¥11 per share year-end dividends. The Company plans to implement a three-for-one stock split of its common stock with a record date of June 30, 2017 and an effective date of July 1, 2017. Accordingly, the above annual dividend forecast for the year ending March 31, 2018 takes into account the said stock split. Annual dividend forecast for the year ending March 31, 2018 without considering the stock split will be ¥66.

(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 from profit attributable to owners of the parent.

2. Overview of the Group

The Company is responsible for formulating the Group's management policy and managing the business as a holding company. The Group consists of the Company, 357 subsidiaries and 19 associates (as of March 31, 2017).

The Group traces its origins to placing job advertisements of companies in university newspapers and providing job information to students in 1960. Since its establishment, the Group has created and operated platforms that connect enterprises (our "clients") and people (our "users"). Currently, the Group engages in various businesses, possesses a wide range of business operations, and also has gained a certain level of market share in each operation.

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

The Group has four reportable segments, namely, (1) Marketing Media segment, (2) HR Media segment, (3) Staffing segment, and (4) Other segment by type of business.

The Marketing Media segment consists of Life Event operations such as marriage and housing, which are major events in life, as well as Lifestyle operations such as travel, dining, and beauty, and provides information services relating to life events and everyday consumer activities.

The HR Media segment consists of Domestic Recruiting operations and Overseas Recruiting operations, and provides services such as recruitment advertisements and employment placement.

The Staffing segment consists of Domestic Staffing operations and Overseas Staffing operations, and offers temporary staffing for administrative positions, manufacturing positions, light industrial positions, and specialist positions, etc.

The Other segment conducts planning, operation, and outsourcing, etc., of digital content services.

The details of services of the Marketing Media, the HR Media and the Staffing segments are as follows.

(1) Marketing Media segment

In Life Event operations and Lifestyle operations, the Group provides services to support clients' promotional activities and users' action utilizing our media.

In Life Event operations, the Group provides information services related to housing, bridal, education and automobiles, etc.

In the housing and real estate business, the Group publishes information magazines and operates websites on buying, selling, renting and renovation of housing through the "SUUMO" informational magazine and website. Also, the Group offers in-person consultation services for purchasing newly built condominiums and custom homes.

In the bridal business, the Group proposes a new form of wedding through "Zexy," a bridal information magazine and website, for couples to realize their own unique wedding. Also, the Group offers in-person consultation services on the selection of wedding venues.

In addition, the Group publishes the free information magazine, "Study Sapuri SHINRO Shingaku Jiten," and operates the "Study Sapuri SHINRO" website that supports high school students in choosing their future educational path. The Group also publishes and operates "Car Sensor" which provides relevant information to users looking to purchase pre-owned automobiles.

In Lifestyle operations, the Group provides services to support the actions of users in various everyday situations such as travel, dining and beauty.

In the travel business, the Group publishes "Jalan," an information magazine covering domestic lodging and accommodation information, tours and nearby sightseeing destinations, and also operates the "Jalan" website for hotel searching and booking. The website not only provides lodging information, but also supports booking of accommodation. Furthermore, our salesforce stationed all over Japan gather information on inns and hotels and provides unique lodging plans.

In addition, the Group publishes free magazines featuring dining information and discount coupons and operates websites for searching and booking restaurants through "Hot Pepper Gourmet." The Group also provides information for hair salons, relaxation services and beauty salons and an online reservation service through the "Hot Pepper Beauty" magazine and websites.

(2) HR Media segment

In the Domestic Recruiting operations and Overseas Recruiting operations, the Group offers services to support clients' recruitment activities and users' job search utilizing our own media.

In the Domestic Recruiting operations, the Group provides information to job-seeking students through "Rikunabi," a job search website for new graduates, "Rikunabi NEXT," a job search website for professionals, and "RECRUIT AGENT," a placement service that offers face-to-face consultation. The Group also provides "From A navi," a part-time job listing website, and "TOWNWORK," an information magazine and website that offers job listing information about both part-time and full-time jobs.

In the Overseas Recruiting operations, the Group operates "Indeed.com," a job aggregator search engine.

(3) Staffing segment

In the Domestic Staffing operations and the Overseas Staffing operations, the Group provides temporary staffing services for administrative positions, manufacturing positions, light industrial positions, and various specialist positions. When the Group dispatches workers, it recruits and registers staff to be dispatched in advance, selects the staff to be dispatched who meets the requirements of the client company from the registered staff, and dispatches them to the client company upon entering into an employment contract with them.

In the Domestic Staffing operations, the Group conducts worker dispatching undertakings by recruiting, registering and dispatching staff to companies after obtaining a license from the Minister of Health, Labour and Welfare in accordance with the provisions of the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Ensuring the Protection of Dispatched Workers, and provides services through Recruit Staffing Co., Ltd., STAFF SERVICE HOLDINGS CO., LTD. and others.

In the Overseas Staffing operations, the Group provides services through North America-based STAFFMARK HOLDINGS, INC., Europe-based USG People B.V., Australia-based Chandler Macleod Group Limited and other companies.

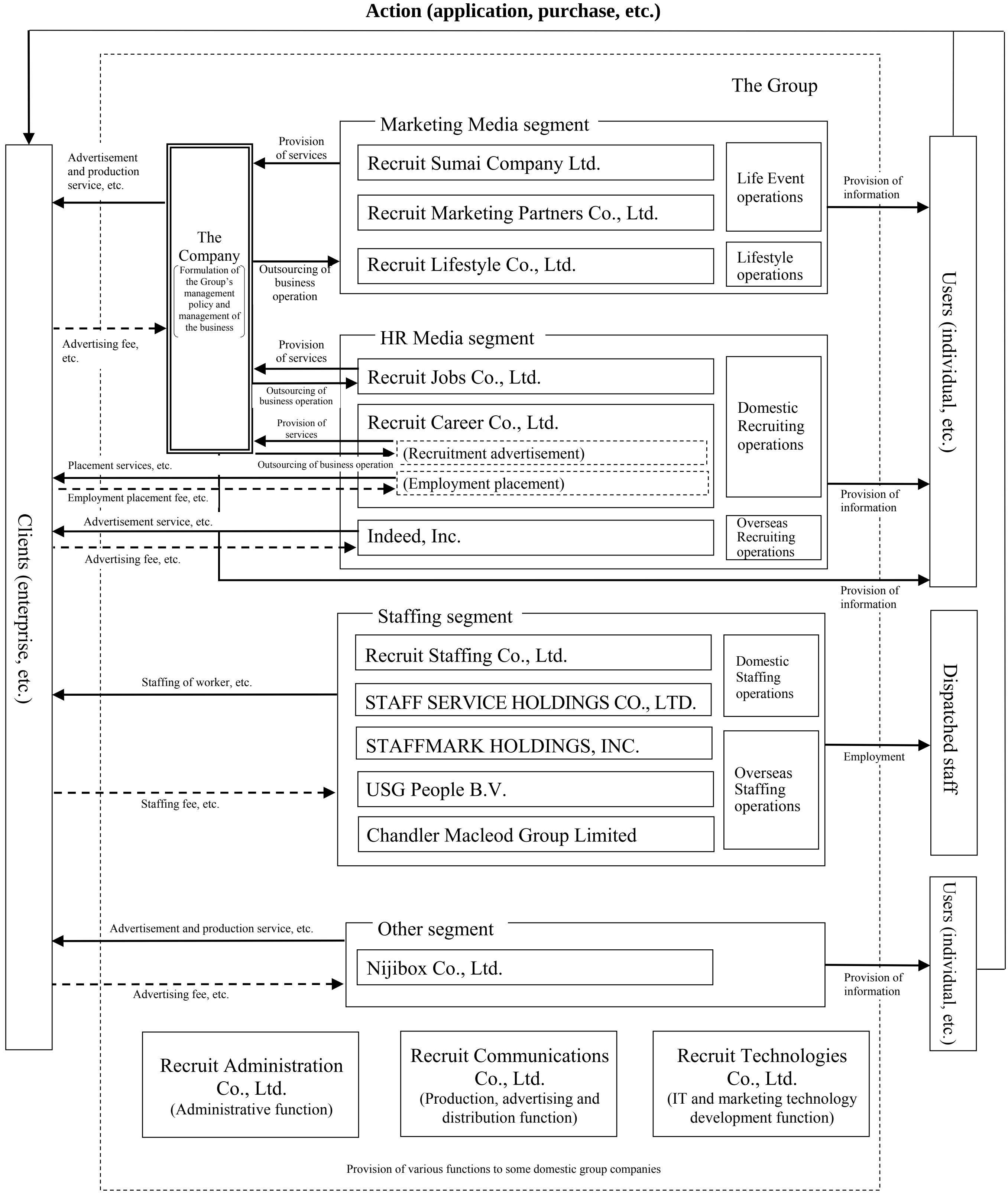
The descriptions of the Group’s main business, the position of the Company or major subsidiaries and associates in the relevant businesses, and the relationship with the segments are as follows.

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 that meet various housing needs	“SUUMO” Website and magazine 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
			Provide various recruitment-related information including temporary jobs, part-time jobs, staffing, and full-time jobs	"From A navi" Temporary job information website
				"TOWNWORK" Magazine and website providing job information on temporary jobs and full-time jobs
	Overseas Recruiting	Indeed, Inc.	Operates job information search site overseas	"Indeed.com" Job aggregator search engine website
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	-

Operational Chart

An overview of the main transactions and major consolidated subsidiaries is as follows.



3. Management Policy

(1) Basic Management Policy of the Group

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.

(2) Target Management Index

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): adjusted profit / (number of shares issued at the end of the period - number of treasury stock at the end of the period)
Adjusted profit: profit attributable to owners of the parent ± adjustment items (excluding non-controlling interests) ± tax reconciliation related to adjustment items
Adjustment items: amortization of intangible assets arising due to business combinations ± extraordinary income/losses

*2 EBITDA: Operating income + depreciation and amortization ± 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.

(3) Business Environment Surrounding the Group, Issues to be Addressed and Management Strategy of the Group

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, that is separate from the financial results of the Company.
*2 Refers to the financial results of Indeed, Inc. for the year ended December 31, 2015, that is separate from the financial results of the Company.

4. Basic Rationale for Selection of Accounting Standards

To prepare for the application of the International Financial Reporting Standards (IFRS) from the year ending March 31, 2018, we have established an IFRS adoption project to consider accounting policies and other necessary matters.

5. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	257,741	261,342
Notes and accounts receivable - trade	222,288	305,336
Securities	53,176	85,000
Deferred tax assets	23,264	25,079
Other current assets	37,524	42,330
Allowance for doubtful accounts	(4,256)	(4,656)
Total current assets	589,739	714,431
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	9,767	18,127
Land	7,743	7,758
Other, net	14,921	16,326
Total property, plant and equipment	32,432	42,213
Intangible assets		
Goodwill	213,051	282,555
Software	70,938	88,940
Customer-related assets	40,191	95,307
Other	37,413	56,593
Total intangible assets	361,594	523,396
Investments and other assets		
Investment securities	120,854	121,800
Deferred tax assets	11,757	11,766
Other assets	34,591	36,377
Allowance for doubtful accounts	(288)	(371)
Total investments and other assets	166,914	169,573
Total noncurrent assets	560,942	735,183
Total assets	1,150,681	1,449,614

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	60,104	68,029
Current portion of long-term debt	15,000	24,957
Accrued expenses	85,354	97,891
Income taxes payable	40,050	35,218
Accrued employees' bonuses	24,728	26,022
Other current liabilities	56,758	107,285
Total current liabilities	281,997	359,404
Long-term liabilities		
Bonds payable	-	50,000
Long-term debt	-	137,366
Deferred tax liabilities	49,693	69,973
Workers' compensation liability	8,671	8,541
Net defined benefit liability	28,750	29,214
Other long-term liabilities	4,568	16,573
Total long-term liabilities	91,683	311,670
Total liabilities	373,680	671,074
Equity		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	53,756	52,874
Retained earnings	596,305	653,490
Treasury stock	(495)	(31,640)
Total shareholders' equity	659,565	684,725
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	29,016	31,326
Deferred gain (loss) on derivatives under hedge accounting	(2,157)	-
Foreign currency translation adjustments	86,274	56,244
Remeasurements of defined benefit plans	(2,421)	(1,508)
Total accumulated other comprehensive income	110,712	86,062
Stock acquisition rights	2,137	2,042
Non-controlling interests	4,585	5,710
Total equity	777,000	778,540
Total liabilities and equity	1,150,681	1,449,614

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

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

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

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

	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	34,177	(75)	97,006	(2,939)	128,169	1,206	3,322	754,157
Changes of items during period								
Cash dividends								(26,540)
Net income attributable to owners of the parent								64,535
Purchase of treasury stock								-
Disposal of treasury stock								95
Change in treasury shares of parent arising from transactions with non-controlling interests								16
Other changes during the period	(5,160)	(2,082)	(10,731)	517	(17,457)	930	1,262	(15,263)
Total changes of items during period	(5,160)	(2,082)	(10,731)	517	(17,457)	930	1,262	22,842
Balance at end of current period	29,016	(2,157)	86,274	(2,421)	110,712	2,137	4,585	777,000

Fiscal year ended March 31, 2017 (from 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 treasury shares of parent arising from transactions with non-controlling interests		(941)			(941)
Other changes during the period					
Total changes of items during period	-	(881)	57,185	(31,144)	25,159
Balance at end of current period	10,000	52,874	653,490	(31,640)	684,725

	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 treasury shares of parent arising from transactions with non-controlling interests								(941)
Other changes during the period	2,309	2,157	(30,030)	913	(24,649)	(95)	1,125	(23,620)
Total changes of items during period	2,309	2,157	(30,030)	913	(24,649)	(95)	1,125	1,539
Balance at end of current period	31,326	—	56,244	(1,508)	86,062	2,042	5,710	778,540

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	123,256	149,260
Depreciation and amortization	40,275	50,095
Impairment loss	857	5,085
Amortization of goodwill	47,942	53,533
Retirement benefit expenses	946	1,215
Increase (decrease) in allowance for doubtful accounts	(1,198)	95
Increase (decrease) in accrued employees' bonuses	4,688	1,827
Increase (decrease) in provision for workers' compensation liability	599	155
Increase (decrease) in net defined benefit liability	347	609
Interest and dividend income	(2,566)	(1,741)
Interest expense	970	873
Foreign exchange (gain) loss	(380)	183
Share of (profit) loss of entities accounted for using equity method	(4,961)	(3,823)
Loss on disposal of noncurrent assets	1,175	1,586
(Gain) loss on sales of investment securities-net	(5,944)	(5,342)
(Gain) loss on sales of shares of subsidiaries and associates	308	(21,857)
(Gain) loss on valuation of investment securities	1,122	1,402
(Gain) loss on step acquisitions	(1,815)	-
(Increase) decrease in trade receivables	(13,615)	(38,513)
Increase (decrease) in trade payables	(1,024)	13,629
Other-net	2,304	10,314
Subtotal	193,290	218,590
Interest and dividend income received	2,785	1,942
Interest expense paid	(968)	(1,192)
Income taxes-paid	(32,595)	(77,178)
Net cash provided by operating activities	162,511	142,161
Cash flows from investing activities		
Payments into time deposits	(1,108)	(348)
Proceeds from withdrawal of time deposits	1,101	249
Payments for purchase of property, plant and equipment	(13,030)	(18,537)
Payments for purchase of intangible assets	(35,290)	(49,081)
Payments for purchase of investment securities	(6,038)	(2,869)
Proceeds from sales and redemption of investment securities	18,878	11,276
Payments for purchase of shares of subsidiaries and associates	(99)	(721)
Payments for investments in capital	(2,912)	(1,191)
Collection of investments in capital	133	933
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(67,131)	(176,698)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	306	-
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(270)	-
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	22,885
Proceeds from liquidation of subsidiaries	218	-
Payments for transfer of business	(469)	(361)
Proceeds from transfer of business	435	-
Payments of short-term loans receivable	(125)	(3)
Proceeds from collection of short-term loans	314	2
Payments of long-term loans receivable	(11)	(198)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Other-net	(4,513)	406
Net cash used in investing activities	(109,613)	(214,257)
Cash flows from financing activities	-	
Increase (decrease) in short-term borrowings-net	(4,049)	(832)
Increase in long-term debt	-	174,704
Repayments of long-term debt	(22,801)	(51,847)
Proceeds from issuance of bonds	-	50,000
Proceeds from share issuance to non-controlling shareholders	111	-
Payments for purchase of treasury stock	-	(31,242)
Dividends paid	(26,422)	(28,513)
Payments for purchase of investments in subsidiaries not resulting in change in scope of consolidation	(291)	(1,393)
Other-net	(94)	(316)
Net cash provided by (used in) financing activities	(53,546)	110,557
Foreign currency translation adjustments on cash and cash equivalents	(2,225)	(3,107)
Net increase (decrease) in cash and cash equivalents	(2,875)	35,354
Cash and cash equivalents at beginning of period	313,197	310,322
Cash and cash equivalents at end of period	310,322	345,676

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Effective from the year ended March 31, 2017, the Company adopted “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, issued June 17, 2016) following the revision to the Corporation Tax Act. Accordingly, the depreciation method of facilities attached to buildings and structures acquired on and after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effect of this change in the consolidated financial statements for the year ended March 31, 2017 was immaterial.

(Segment Information, etc.)

[Segment Information]

1. Overview of Reportable Segments

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

The Group has four reportable segments, namely, (1) Marketing Media segment, (2) HR Media segment, (3) Staffing segment, and (4) Other segment by type of business.

The Marketing Media segment consists of Life Event operations such as marriage and housing, which are major events in life, as well as Lifestyle operations such as travel, dining, and beauty, and provides information services relating to life events and everyday consumer activities.

The HR Media segment consists of Domestic Recruiting operations and Overseas Recruiting operations, and provides services such as recruitment advertisements and employment placement.

The Staffing segment consists of Domestic Staffing operations and Overseas Staffing operations, and offers temporary staffing for administrative positions, manufacturing positions, light industrial positions, and specialist positions, etc.

The Other segment conducts planning, operation, and outsourcing, etc., of digital content services.

2. Calculation Method of Net Sales and Income (Loss) by Reportable Segment

Income of reportable segments is the amount based on operating income (EBITDA), excluding depreciation and amortization and amortization of goodwill. Intersegment sales or transfers are calculated based on a price used in transactions with third parties.

3. Net Sales and Income (Loss) by Reportable Segment

Fiscal Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segment				Total	Reconciliations (Notes 1, 2)	Consolidated (Note 3)
	Marketing Media	HR Media	Staffing	Other			
Net sales							
Sales to third parties	348,632	355,079	879,044	4,867	1,587,623	1,000	1,588,623
Intersegment sales or transfers	753	4,211	10,966	275	16,206	(16,206)	-
Total	349,385	359,291	890,010	5,142	1,603,829	(15,205)	1,588,623
Segment income (loss)	93,265	88,002	49,615	(11,858)	219,024	(104,992)	114,032

Notes: 1. Reconciliations of sales to third parties primarily include revenue from research, development, and investments in new technologies, which are not undertaken for profit-making purposes.

2. Reconciliations of segment income (loss) of ¥(104,992) million include depreciation and amortization of ¥(40,275) million; amortization of goodwill of ¥(47,942) million; and corporate expenses not allocated to any reportable segments of ¥(16,774) million; and corporate expenses consist primarily of general and administrative expenses that are not allocable to the reportable segments.

3. Segment income (loss) is adjusted to operating income in the consolidated statements of income.

4. Segment assets are not stated as they are not calculated.

Fiscal Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment				Total	Reconciliations (Notes 1, 2)	Consolidated (Note 3)
	Marketing Media	HR Media	Staffing	Other			
Net sales							
Sales to third parties	376,108	401,207	1,056,188	5,180	1,838,685	1,302	1,839,987
Intersegment sales or transfers	260	4,140	12,552	188	17,143	(17,143)	-
Total	376,369	405,348	1,068,740	5,369	1,855,828	(15,840)	1,839,987
Segment income (loss) (Note 4)	102,004	94,652	63,328	(12,883)	247,101	(119,894)	127,207

Notes: 1. Reconciliations of sales to third parties primarily include revenue from research, development, and investments in new technologies, which are not undertaken for profit-making purposes.

2. Reconciliations of segment income (loss) of ¥(119,894) million include depreciation and amortization of ¥(50,095) million; amortization of goodwill of ¥(53,533) million; and corporate expenses not allocated to any reportable segments of ¥(16,265) million; and corporate expenses consist primarily of general and administrative expenses that are not allocable to the reportable segments.

3. Segment income (loss) is adjusted to operating income in the consolidated statements of income.

4. Segment assets are not stated as they are not calculated.

[Related Information]

Fiscal Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

1. Information by Product or Service

This information is omitted because the same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

(Millions of yen)

Japan	North America	Europe	Others	Total
1,022,906	336,027	71,777	157,911	1,588,623

Note: Net sales are classified into country or region based on locations where services were provided.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Others	Total
25,452	5,556	1,423	32,432

Note: Property, plant and equipment are classified into country or region based on its locations.

3. Information by Major Customer

This information is omitted because among the sales to third parties there are no counterparties to whom the sales account for 10% or more of net sales in the consolidated statements of income.

Fiscal Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

1. Information by Product or Service

This information is omitted because the same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

(Millions of yen)

Japan	North America	Europe	Others	Total
1,111,082	332,950	226,960	168,993	1,839,987

Note: Net sales are classified into country or region based on locations where services were provided.

(Changes in presentation)

Net sales of “Europe” accounted for 10% or more of net sales in the consolidated statements of income and are therefore presented from the year ended March 31, 2017.

To reflect this change, the presentation of “2. Information by Region, (1) Net sales” for the previous fiscal year has been changed.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Others	Total
27,867	9,619	4,725	42,213

Note: Property, plant and equipment are classified into country or region based on its locations.

3. Information by Major Customer

This information is omitted because among the sales to third parties there are no counterparties to whom the sales account for 10% or more of net sales in the consolidated statements of income.

[Information Regarding Impairment Loss on Noncurrent Assets by Reportable Segment]

Fiscal Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segment				Corporate / Elimination	Total
	Marketing Media	HR Media	Staffing	Other		
Impairment loss	-	-	-	-	857	857

Note: Impairment loss is not allocated to reporting segments, and main components consist of loss associated with business assets.

Fiscal Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment				Corporate / Elimination	Total
	Marketing Media	HR Media	Staffing	Other		
Impairment loss	-	-	-	-	5,085	5,085

Note: Impairment loss is not allocated to reporting segments, and main components consist of loss associated with business assets.

[Information Regarding Amortization of Goodwill and the Balance of Unamortized Goodwill by Reportable Segment]

Fiscal Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segment				Corporate / Elimination	Total
	Marketing Media	HR Media	Staffing	Other		
Amortization for the year	-	-	-	-	47,942	47,942
Balance at the end of the year	-	-	-	-	213,051	213,051

Note: Amortization of goodwill and the balance of unamortized goodwill are not allocated to the reportable segments. Goodwill is generated from business combinations, etc.

Fiscal Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment				Corporate / Elimination	Total
	Marketing Media	HR Media	Staffing	Other		
Amortization for the year	-	-	-	-	53,533	53,533
Balance at the end of the year	-	-	-	-	282,555	282,555

Note: Amortization of goodwill and the balance of unamortized goodwill are not allocated to the reportable segments. Goodwill is generated from business combinations, etc.

[Information Regarding Negative Goodwill by Reportable Segment]

Not applicable.

(Business Combinations)

1. Business Combination by Acquisition

(1) Overview of the Business Combination

1) Company name and business description of the acquired company
Company name: USG People B.V. (Renamed from USG People N.V. in July 2016)
Business description: Comprehensive staffing business
The Company acquired 98 subsidiaries of USG People B.V. at the same time.

2) Main reason for the business combination
The Company aims to achieve stable and sustainable growth by enhancing existing domestic businesses as well as promoting the establishment and expansion of a global business platform.
In order to further accelerate and expand overseas business development in the Staffing segment, the Company acquired the shares of USG People B.V., which provides comprehensive staffing services in Europe mainly in the Netherlands.

3) Effective date of the business combination
June 1, 2016

4) Legal form of the business combination
The transaction was classified as a stock acquisition in which cash is provided as a consideration.

5) Company name following the business combination
The company name has not been changed following the business combination.

6) Percentage of voting rights acquired
Before the stock acquisition: 0%
After the stock acquisition: 98.68%

7) Principal basis for determining the acquirer
This was determined based on the fact that the transaction was a stock acquisition in which cash was provided as a consideration.

(2) Period of Business Performance of the Acquired Company Included in the Consolidated Financial Statements
From July 1, 2016 to December 31, 2016

(3) Breakdown of Acquisition Cost

Consideration paid for acquisition	
Cash	¥181,140 million
Total acquisition cost	¥181,140 million

(4) Details and Amounts of Major Acquisition-related Expenses:
Advisory fees, etc.: ¥1,258 million

(5) Amount of Goodwill Recognized, Reason Thereof, Method and Period of Amortization

1) Amount of goodwill
¥125,246 million

2) Reason
Due to prospective earning power expected from future business development.

3) Method and period of amortization
Goodwill is amortized using the straight-line method over a period of 10 years.

(6) Amounts of Assets Acquired and Liabilities Assumed on the Date of the Business Combination and Breakdown by Major Items

Current assets	¥53,624 million
Noncurrent assets	¥97,143 million
Total assets	¥150,768 million
Current liabilities	¥64,379 million
Long-term liabilities	¥50,661 million
Total liabilities	¥115,041 million

(7) Amounts and Amortization Period of Acquisition Costs Allocated to Intangible Assets Excluding Goodwill

Main components	Amount	Amortization period
Customer-related assets	¥61,198 million	14 years
Trademark rights	¥21,162 million	10 years

(8) Estimated Amount of Impact on Consolidated Statements of Income for the Fiscal Year Ended March 31, 2017 Assuming the Business Combination was Completed on the Beginning Date of the Current Fiscal Year, and the Method of Calculating such Amount

Net sales	¥161,052 million
EBITDA (operating income + depreciation and amortization + amortization of goodwill)	¥6,585 million

(Computation method of the estimated amounts)

The amount of the estimated impact is the difference between (a) net sales and operating results assuming the business combination was completed on the beginning date of the fiscal year, adjusting for amortization of intangible assets and goodwill, and (b) net sales and operating results of the acquisition company’s consolidated statements of income adjusting for amortization of intangible assets and goodwill.

The estimated amounts of impact have not been audited.

2. Sales of Investments in Subsidiaries

(1) Overview of the Business Divestiture

1) Name of the divested company
Yuko Yuko Holdings Inc.

2) Overview of the divested business
Consolidated subsidiary: Yuko Yuko Corporation
Description of business: Publisher and operator of domestic hotel information magazine “Yuko Yuko” and domestic hotel booking website “yukoyuko.net.”

3) Reason for the business divestiture
In order to acquire business in the senior demographic of the accommodation booking market in the travel business of the Marketing Media segment, the Group acquired Yuko Yuko Corporation in 2006 and has since promoted a growth strategy. At the same time, as a result of the Group’s efforts to grow its existing travel information magazine “Jalan” and travel information search and booking website “Jalan.net,” and rising internet usage rates, the number of active users has steadily increased regardless of age, including the senior demographic. In light of this situation, the Company has concluded that it will be beneficial to cooperate with partner companies other than those of the Group for the further growth of Yuko Yuko Corporation and, accordingly, has transferred the shares of Yuko Yuko Corporation.

4) Date of the business divestiture
July 27, 2016

5) Other matters concerning the transaction including its legal form
Share transfer in which consideration is limited to cash or other properties

(2) Overview of the Accounting Treatment

1) Amount of gain on transfer of business divestitures
¥19,648 million

2) Appropriate carrying amounts of the assets and liabilities of the transferred business

Current assets	¥311 million
Noncurrent assets	¥826 million
Total assets	¥1,137 million
Current liabilities	¥709 million
Long-term liabilities	¥114 million
Total liabilities	¥823 million

3) Accounting treatment
The difference between the consolidated carrying amount and the sales value of Yuko Yuko Corporation is recorded as extraordinary income under gain on sales of shares of subsidiaries and associates.

(3) Reportable Segment in which the Divested Business was Included
Marketing Media segment

(4) Approximate Amount of Gain (Loss) Associated with the Divested Business Recorded on Consolidated Statements of Income for the Fiscal Year Ended March 31, 2017

	Fiscal year ended March 31, 2017
Net sales	¥2,610 million
EBITDA (operating income + depreciation and amortization + amortization of goodwill)	¥487 million

(Per Share Information) (Yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity per share	1,363.96	1,384.16
Net income per share	114.28	152.51
Diluted net income per share	114.12	152.27

Notes: 1. Basis for calculating net income per share and diluted net income per share are as follows:

(Millions of yen, unless otherwise stated)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income per share		
Net income attributable to owners of the parent	64,535	85,422
Amount not attributable to common shareholders	-	—
Net income attributable to owners of the parent related to common stock	64,535	85,422
Average number of shares of common stock outstanding during the year (shares)	564,729,112	560,109,849
Diluted net income per share		
Adjustment on net income attributable to owners of the parent	-	-
Increase in the number of common stock (shares)	756,774	865,318
Stock acquisition rights (shares)	[756,774]	[865,318]
Summary of diluted shares that were not included in the calculation of diluted net income per share due to lack of dilutive effect	Affiliated company 51job, Inc. Common stock 16,271,782 shares (Stock acquisition rights 12,236,110 shares Convertible bonds 4,035,672 shares)	Consolidated subsidiaries RGF TRAVEL MARKETING ASIA PACIFIC PTE. LTD. Common stock 264,984 shares (Stock acquisition rights 264,984 shares) Affiliated company 51job, Inc. Common stock 15,836,422 shares (Stock acquisition rights 11,800,750 shares Convertible bonds 4,035,672 shares)

* 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 and diluted net income per share.

The average number of shares of treasury stock during the period deducted for the calculation of net income per share and diluted net income per share is 102,164 shares in the current fiscal year.

2. Basis for calculating equity per share is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total equity	777,000	778,540
Amount deducted from total equity	6,722	7,752
Stock acquisition rights	[2,137]	[2,042]
Non-controlling interests	[4,585]	[5,710]
Equity at the end of the fiscal year related to common stock	770,277	770,787
Number of common stock at the end of the year used in the calculation of equity per share (shares)	564,735,810	556,861,450

* 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 from the number of shares issued at the end of the period for the calculation of equity per share.
The number of treasury stock deducted for the calculation of equity per share is 272,659 shares at the end of the period.

(Significant Subsequent Events)
(Changes in Segment Classification)

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 & Solutions 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 the medium-term, the Group is also considering an organizational reform to convert each business (SBU) into a consolidated group company of the Company. In consolidating the "Media & Solutions" segment, the Group plans to succeed the Media & Solutions business held by the Company to a wholly-owned subsidiary by way of a company split. Details including the scheme and schedule will be announced once they are determined.

Information regarding net sales and income for the current fiscal year by reportable segment based on the new segment classification is as follows.

Fiscal Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment			Total	Reconciliations (Note 1)	Consolidated (Note 2)
	HR Technology	Media & Solution	Staffing			
Net sales						
Sales to third parties	116,821	666,977	1,056,188	1,839,987	-	1,839,987
Intersegment sales or transfers	3,445	3,884	12,552	19,882	(19,882)	-
Total	120,267	670,862	1,068,740	1,859,869	(19,882)	1,839,987
Segment income (loss)	17,426	153,670	61,764	232,861	(105,654)	127,207

Notes: 1. Reconciliations of segment income (loss) of ¥(105,654) million include depreciation and amortization of ¥(50,095) million; amortization of goodwill of ¥(53,533) million; and corporate expenses not allocated to any reportable segments of ¥(2,025) million; and corporate expenses consist primarily of general and administrative expenses that are not allocable to the reportable segments.
2. Segment income (loss) is adjusted to operating income in the consolidated statements of income.
3. Segment assets are not stated as they are not calculated.

(Stock Split)

The Company, at the Meeting of the Board of Directors held on May 12, 2017, resolved to implement a stock split on July 1, 2017.

1. Purpose of the Stock Split

The purpose of the stock split is to increase the liquidity of the Company's stock and expand the investor base by reducing the stock price per trading unit.

2. Overview of the Stock Split

(1) Method of Stock Split

Each common stock owned by shareholders listed on the final shareholder registry as of the record date of June 30, 2017 will be split into three shares.

(2) Number of Shares to be Increased by the Stock Split

Total number of shares outstanding prior to the stock split	565,320,010 shares
The number of shares to be increased by the stock split	1,130,640,020 shares
Total number of shares outstanding after the stock split	1,695,960,030 shares
Total number of authorized shares after the stock split	6,000,000,000 shares

(3) Effective Date

July 1, 2017

(4) Effects on Per Share Information

Per share information for the previous fiscal year and the current fiscal year assuming that the said stock split was implemented at the beginning of the previous fiscal year is as follows.

Equity per share	
As of March 31, 2016	¥454.65
As of March 31, 2017	¥461.39
Net income per share	
Fiscal year ended March 31, 2016	¥38.09
Fiscal year ended March 31, 2017	¥50.84
Diluted net income per share	
Fiscal year ended March 31, 2016	¥38.04
Fiscal year ended March 31, 2017	¥50.76