May 15, 2018

Recruit Holdings Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Year Ended March 31, 2018 (IFRS, Unaudited)

Tokyo, May 15, 2018 — Recruit Holdings Co., Ltd. ("Recruit Holdings" or the “Company”) announced today its consolidated financial results for the year ended March 31, 2018 (April 1, 2017 to March 31, 2018, “Fiscal Year 2017,” or “FY2017”).

(Amounts are rounded to the nearest million yen)

Consolidated Operating Results

(in millions of yen, unless otherwise stated)	FY2016	FY2017	% change
Revenue	1,941,922	2,173,385	11.9%
EBITDA[1]	232,205	258,413	11.3%
Operating income	193,513	191,794	-0.9%
% to revenue	10.0%	8.8%	-
Profit before tax	198,929	199,228	0.2%
Return on assets (%)	15.5%	13.1%	-
Profit attributable to owners of the parent	136,654	151,667	11.0%
% to equity attributable to owners of the parent	19.5%	19.3%	-
Profit available for dividends[2]	122,131	131,820	7.9%
Total comprehensive income	132,627	154,906	16.8%
Earnings per share – Basic (yen)	81.33	90.79	-
Earnings per share – Diluted (yen)	81.19	90.60	-
Earnings per share – Adjusted[3] (yen)	80.06	86.74	8.3%

Reference: Share of profit of associates and joint ventures was 4,432 million yen in FY2016 and 2,918 million yen in FY2017.

Consolidated Balance Sheet Data

(in millions of yen, unless otherwise stated)	As of March 31, 2017	As of March 31, 2018
Total assets	1,462,903	1,574,032
Total equity	742,765	840,660
Equity attributable to owners of the parent	737,575	835,605
Ratio of equity attributable to owners of the parent (%)	50.4%	53.1%
Equity attributable to owners of the parent per share (yen)	441.51	500.20

Consolidated Cash Flow Data

(in millions of yen)	FY2016	FY2017
Operating cash flow	154,373	194,117
Investing cash flow	(213,886)	(65,937)
Financing cash flow	107,152	(83,169)
Cash and cash equivalents at the end of the year	355,196	389,822

Dividends

	FY2016	FY2017	FY2018 (Forecast)
At the end of Q1 (yen)	-	-	-
At the end of Q2 (yen)	0.00	11.00	13.50
At the end of Q3 (yen)	-	-	-
At the end of Q4 (yen)	65.00*	12.00	13.50
Total	65.00*	23.00	27.00
Total amount of dividend payment (in millions of yen)	36,213	38,449	-
Payout ratio-consolidated (%)	26.5%	25.3%	29.5%
Ratio of dividends to equity attributable to owner of the parent (%)	5.2%	4.9%	-

Note: See the note for the three-for-one stock split on page 3.

RECRUIT

Consolidated financial forecasts for FY2018

(in millions of yen, unless otherwise stated)	FY2017	FY2018 (Forecast)	% change
Revenue	2,173,385	2,302,000	5.9%
EBITDA	258,413	285,000	10.3%
Operating income	191,794	210,000	9.5%
Profit attributable to owners of the parent	151,667	153,000	0.9%
Profit available for dividends	131,820	153,000	16.1%
Earnings per share – Basic (yen)	90.79	91.59	-
Earnings per share – Adjusted (yen)	86.74	101.76	17.3%

Note: As announced on May 9, 2018, assuming that the potential acquisition of Glassdoor, Inc. ("Glassdoor") is completed during the second quarter of FY2018, the consolidated financial forecasts for FY2018 include Glassdoor's operating performance and related transaction costs for 8 months.

Changes in Important Subsidiaries for the Reporting Period

There was no change in specific subsidiaries accompanying a change in the scope of consolidation.

Changes in Accounting Policies and Changes in Accounting Estimates

There has been no change in: (1) accounting policies required by IFRS, (2) other accounting policies except for item (1), or (3) accounting estimates.

Number of Shares Issued - Common Stock

	As of March 31, 2017	As of March 31, 2018
Number of shares issued including treasury shares	1,695,960,030	1,695,960,030
Number of treasury shares	25,375,680	25,412,567
	FY2016	FY2017
Average number of shares during the period	1,680,329,548	1,670,462,366

Definition of the Management KPIs

Below definitions apply to throughout this documentation.

1. EBITDA = operating income + depreciation and amortization ± other operating income / expenses
2. Profit available for dividends = profit attributable to owners of the parent ± non-recurring income / losses, etc.
3. Earnings per share – Adjusted or Adjusted EPS = adjusted profit[4] / (number of shares issued at the end of the period - number of treasury shares at the end of the period)
4. Adjusted profit = profit attributable to owners of the parent ± adjustment items[5] (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
5. Adjustment items = amortization of intangible assets by acquisitions ± non-recurring income/losses

Reference: Outline of Non-consolidated Financial Results

Non-consolidated Operating Results

(in millions of yen, unless otherwise stated)	FY2016	FY2017	% change
Revenue	569,645	576,243	1.2%
Operating profit	76,362	85,309	11.7%
Recurring profit	82,358	429,431	421.4%
Net income	73,142	444,077	507.1%
Earnings per share – Basic (yen)	43.53	265.84	-
Earnings per share – Diluted (yen)	43.46	265.28	-

Non-consolidated Balance Sheet Data

(in millions of yen, unless otherwise stated)	FY2016	FY2017
Total assets	1,437,740	1,530,238
Net asset	558,812	946,487
Equity ratio (%)	38.7%	61.7%
Net asset per share	333.28	565.50

Reference: Equity was 566,770 million yen in FY2016 and 944,697 million yen in FY2017.

Note: The Company made changes to its accounting policies from FY2017, including a change in the method of attributing estimated retirement benefits to periods and a partial change in the revenue recognition standard, and applied the changes retrospectively in FY2016.
Year-on-year changes for FY2016 are not stated due to the retrospective change.

Appropriate Use of Financial Results Forecast and Other Special Notes

The Company has adopted International Financial Reporting Standards (“IFRS”) from the beginning of the Fiscal Year 2017. For differences between IFRS-based and Japanese GAAP-based financial figures, please refer to “5. Condensed Consolidated Financial Statements and Primary Notes, (7) Notes to Condensed Consolidated Financial Statements, 8. First-time Adoption.”

The consolidated financial forecasts mentioned in this document are forward-looking statements which incorporate the Company's assumptions and outlook for the future and estimates based on the Company's plans as of today. These forward-looking statements are based on information available to and certain assumptions by the Company as of today, and there can be no assurance that the relevant forecasts will be achieved. Please note that significant differences between the forecasts and actual results may arise from various factors in the future, including due to changes in economic conditions, changes in clients' needs and users' preferences, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other reasons. For the earnings forecast, please refer to “1. Management’s Discussion and Analysis, Consolidated Financial Forecasts for FY2018.”

Three-for-One Stock Split

The Company implemented a three-for-one stock split of its common stock effective on July 1, 2017. The number of shares issued (common stock) was calculated assuming that the stock split was implemented at the beginning of the previous fiscal year. Per share information is also calculated based on the same assumption. The annual dividend for FY2017 without considering the stock split is 69 yen, and dividend for FY2016 assuming the stock split was 21.67 yen.

Link for Presentation Slides and Video of FY2017 Earnings Results

https://recruit-holdings.com/ir/library/report/

Contact

Investor Relations
+81-3-6835-3193
Recruit_HD_IR@r.recruit.co.jp

Table of Contents

RECRUIT

1. Management's Discussion and Analysis

Adoption of IFRS

The Company has adopted IFRS in place of Japanese GAAP from the beginning of the Fiscal Year 2017. Comparative figures for the previous fiscal year and the previous corresponding period are also prepared in conformity with IFRS. For the reconciliation required to be disclosed under IFRS, please refer to "5. Condensed Consolidated Financial Statements and Primary Notes, (7) Notes to Condensed Consolidated Financial Statements, 8. First-time Adoption."

Consolidated Results of Operations for FY2017

Consolidated Results of Operations (in billions of yen)	FY2016	FY2017	Variance	% change
Revenue[1]	1,941.9	2,173.3	231.4	11.9%
HR Technology	132.7	218.5	85.8	64.7%
Media & Solutions	658.2	679.9	21.7	3.3%
Staffing	1,170.8	1,298.8	127.9	10.9%
Operating income	193.5	191.7	(1.7)	-0.9%
Profit before tax	198.9	199.2	0.2	0.2%
Profit for the year	137.2	152.3	15.0	11.0%
Profit attributable to owners of the parent	136.6	151.6	15.0	11.0%
Management KPI (in billions of yen, unless otherwise stated)				
EBITDA	232.2	258.4	26.2	11.3%
HR Technology	16.7	30.6	13.9	83.3%
Media & Solutions	151.5	156.1	4.6	3.1%
Staffing	65.6	72.7	7.0	10.8%
Earnings per share –Adjusted (yen)	80.06	86.74	6.68	8.3%
Average exchange rate (yen)				
US dollar	108.34	110.85	2.51	2.3%
Euro	118.74	129.66	10.92	9.2%
Australian dollar	81.54	85.77	4.23	5.2%
Exchange rate effects on revenue [2,3] (in billions of yen)				
Consolidated	-	56.5	-	-
Staffing segment: Overseas	-	47.6	-	-

Notes:
1. After deducting corporate expense and eliminations. The total sum of the three segments does not agree with consolidated revenue.
2. The amounts shown are calculated by: revenue for the current period in foreign currency x (foreign exchange rate applied for the reporting period - the rate applied for the same period of the previous year)
3. Monthly average rates are applied to the HR Technology segment.

Overview

Recruit Holdings' consolidated revenue for FY2017 was 2.17 trillion yen, an increase of 11.9% from the previous fiscal year. This was mainly due to continued growth of its Staffing and HR Technology segments. The exchange rate movements positively impacted consolidated revenue during the period by 56.5 billion yen.

Consolidated operating income for FY2017 was 191.7 billion yen, a decrease of 0.9% from the previous fiscal year. This was mainly due to a decrease in other operating income year on year, as a non-recurring gain of 21.9 billion yen was recorded in the second quarter of FY2016 mainly resulting from the sales of a subsidiary in the Travel business in the Media & Solutions segment.

Profit before tax for FY2017 was 199.2 billion yen, an increase of 0.2% from the previous fiscal year.

Profit for the year was 152.3 billion yen in FY2017, an increase of 11.0% from the previous fiscal year, and profit attributable to owners of the parent in FY2017 was 151.6 billion yen, an increase of 11.0% from the previous year. Both profit for the year and profit attributable to owners of the parent for FY2017 benefited mainly from lower income tax expense resulting from tax reforms in the United States and European countries.

Management Key Performance Indicators

Consolidated EBITDA for FY2017 was 258.4 billion yen, an increase of 11.3% year on year. The increase was mainly a result of increased profit in all three segments: HR Technology, Media & Solutions and Staffing.

Adjusted EPS for FY2017 was 86.74 yen, an increase of 8.3% year on year, and profit available for dividends was 131.8 billion yen, an increase of 7.9%.

Regarding the financial results of the existing businesses, which exclude earnings from subsidiaries newly consolidated during the reporting fiscal year, revenue for FY2017 was 2.17 trillion yen, an increase of 11.9% year on year, and EBITDA was 258.5 billion yen, an increase of 11.3%.

Management Measures for FY2017

As used herein, the “Group” refers to Recruit Holdings Co., Ltd. and its subsidiaries unless the context indicates otherwise.

Group Reorganization

The Company began operating under a new management structure effective on April 1, 2018, as set out in its Group Reorganization in which each of its three Strategic Business Units (“SBU”s) has respective SBU Headquarters, in order to further promote and accelerate each SBU’s own strategies. The new organizational structure enables each of the SBU Headquarters to further strengthen its management capability to execute its independent strategy in a self-sustaining manner. The Company also focuses on its holding company functions and highly efficient group management structure including governance and monitoring of the Group, to further increase its enterprise value. Furthermore, the Group as a whole takes further initiatives to enhance its compliance and risk management capabilities.
For related information, please refer to the following releases:

The Group Reorganization
“Notification of the Group Reorganization and Dividends from Consolidated Subsidiaries,” released on September 27, 2017:
https://recruit-holdings.co.jp/ir/ir_news/20170927_17670.html

“Recruit Holdings Co., Ltd. Announces the Group Reorganization and Change in Sub-subsidiary (Update of Disclosure),” released on February 27, 2018:
https://recruit-holdings.com/ir/ir_news/2018/0227_8125.html

The absorption-type split agreement
"Notification of Execution of Company-split (Absorption-type Split) Agreement with the Company's Subsidiary," released on November 14, 2017:
https://recruit-holdings.com/ir/ir_news/2017/1114_7916.html

“Notification of Resolution of the Extraordinary General Meeting of Shareholders,” released on January 17, 2018:
https://recruit-holdings.com/ir/ir_news/2018/0117_8098.html

Potential Acquisition of Glassdoor, Inc.

The Company entered into a definitive agreement to acquire Glassdoor, one of the largest and fastest growing job websites in the world, for 1.2 billion US dollar in cash on May 9, 2018. 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 investments. The Company foresees significant opportunities for growth as Glassdoor and Indeed explore ways to collaborate to meet challenges faced by both job seekers and employers. This potential acquisition enhances the Company’s position as the leader in job search, job aggregation, job seeker and employer matching, and utilizing direct job seeker input to improve the overall job search experience.

For related information, please refer to the following release:

“Announcement of Definitive Agreement for Acquisition of Glassdoor: Expanding capabilities of HR technology platform,” released on May 9, 2018:
https://recruit-holdings.com/ir/ir_news/2018/0509_8170.html

Results of Operations by Segment

HR Technology

This reportable segment consists of the operations of *Indeed*, an online job search engine and its related businesses.

Revenue in the HR Technology segment was 218.5 billion yen, an increase of 64.7% year on year. This growth was mainly due to a combination of new customer acquisition and expanding spend from existing customers, against the backdrop of a favorable economic environment and strong labor market. Revenue growth for the twelve-month period was 60.7% on a US dollar basis.

Segment EBITDA was 30.6 billion yen, an increase of 83.3% year on year. EBITDA grew largely in line with revenue. To support future revenue growth, the HR Technology segment continued to invest in sales and marketing activities to acquire new users and customers, and in product enhancements to increase user and customer engagement. The timing of these investments fluctuates throughout the year.

The operating results and relevant data for this reportable segment are as follows:

(in billions of yen)	FY2016	FY2017	Variance	% change
Segment revenue	132.7	218.5	85.8	64.7%
Segment EBITDA	16.7	30.6	13.9	83.3%
Reference: Net sales of Indeed (in millions of US dollars) *	1,229	1,976	746	60.7%

Note: This is the financial results of Indeed, which differ from the IFRS-based consolidated financial results of the Company due to differences in consolidation methodologies.

Media & Solutions

In this reportable segment, a number of vertical platforms and related businesses are operated in two major operations: Marketing Solutions, which mainly offers solutions for clients' user attraction and their business operations, and HR Solutions, which provides a full-range of HR services, mainly supporting enterprise clients' recruiting activities.

Revenue in the Media & Solutions segment was 679.9 billion yen, an increase of 3.3% year on year. This was primarily driven by favorable performance in the Beauty business in Marketing Solutions, and solid performance in HR Solutions in Japan.

Segment EBITDA was 156.1 billion yen, an increase of 3.1% year on year. This was mainly due to the increased profit in Marketing Solutions. The breakdown of the segment EBITDA was as follows: 95.2 billion yen, a year-on-year increase of 9.4% in Marketing Solutions, and 74.5 billion yen, a year-on-year decrease of 0.4% in HR Solutions. This decrease in HR Solutions was mainly due to increased marketing investment to attract users.

The operating results and relevant data for this reportable segment are as follows:

(in billions of yen)	FY2016	FY2017	Variance	% change
Segment revenue	658.2	679.9	21.7	3.3%
Marketing Solutions	369.6	378.5	8.8	2.4%
Housing and Real Estate	99.5	98.1	(1.4)	-1.4%
Bridal	54.6	55.4	0.8	1.6%
Travel	58.4	58.8	0.4	0.8%
Dining	37.4	37.3	(0.1)	-0.3%
Beauty	56.8	63.8	7.0	12.4%
Others	62.8	64.8	2.0	3.2%
HR Solutions	281.9	294.4	12.4	4.4%
Domestic Recruiting	260.3	270.6	10.3	4.0%
Others	21.6	23.7	2.1	9.9%
Corporate expenses/eliminations	6.5	7.0	0.4	7.0%
Segment EBITDA	151.5	156.1	4.6	3.1%
Marketing Solutions	87.0	95.2	8.1	9.4%
HR Solutions	74.7	74.5	(0.2)	-0.4%
Corporate expenses/eliminations	(10.3)	(13.6)	(3.2)	-

	FY2016				FY2017			
Business KPIs	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Online restaurant seat reservations (Dining)[1,2]	9.63	19.40	36.92	51.53	14.48	28.28	52.75	71.21
Online salon reservations (Beauty)[1,2]	13.88	29.44	44.93	61.38	18.24	37.95	57.58	78.23
AirREGI registered accounts[3]	244	255	267	279	292	305	318	333
Paid *Study Sapuri* users (Others, Marketing Solutions)[3]	215	230	237	244	318	333	336	339
Market data								
Number of new housing starts[4] (Housing)	247,079	253,072	250,696	223,290	249,916	246,924	244,511	205,045
Job-offers to applicants ratio[5] (Domestic Recruiting)	1.35	1.37	1.41	1.44	1.49	1.52	1.57	1.59

Notes:
1. Pre-cancellation reservation acceptance basis, stating the cumulative total from the beginning of each fiscal year.
2. Figures are shown in millions.
3. Figures are shown in thousands.
4. Source: Statistical Survey of Construction Starts, Ministry of Land, Infrastructure, Transport and Tourism of Japan
5. Source: Ministry of Health, Labour and Welfare of Japan

Marketing Solutions

Housing and Real Estate

In the Housing and Real Estate business, revenue in the independent housing and leasing divisions grew as a result of sales initiatives to offer solutions to its clients and efforts to attract more users to its platform, while the condominium apartment market in Japan experienced a slowdown in the number of new construction starts. Meanwhile, overall subsegment revenue for FY2017 declined year on year, primarily due to asale of a subsidiary during the third quarter in Fiscal Year 2017, and the absence of a one-time revenue increase associated with the change in the in-person consultation services during the first quarter of FY2016.

As a result, revenue decreased by 1.4% to 98.1 billion yen from the previous fiscal year. Excluding the one-time factors mentioned above, revenue increased by 4.8% (*1) year on year.

Bridal

Although the number of marrying couples has been declining in Japan, the Bridal subsegment focused on responding to the high demand by major wedding venue operators to attract marrying couples. As a result, revenue was 55.4 billion yen, a steady increase of 1.6% year on year.

Travel

While the number of hotel guests booked through its online reservation platform increased, the revenue growth rate was negatively impacted by the absence of a one-time revenue increase resulting from the sale of a subsidiary in the second quarter of FY2016. As a result, revenue was 58.8 billion yen, an increase of 0.8% from the previous fiscal year. Excluding the one-time impact of the sale of the subsidiary, revenue increased by 5.2% year on year.

Dining

As dining and restaurant operators have been facing a challenging environment mainly due to the workforce shortage in Japan, a few large clients were forced to limit their spending on sales promotion in FY2017. Meanwhile, the subsegment focused on strengthening its relationship with clients by offering operational solutions such as *Air Platform*, cloud-based operational support services. Revenue was 37.3 billion yen, a decrease of 0.3% year on year.

Beauty

In the Beauty subsegment, the number of online beauty salon reservations made through its platform, *Hot Pepper Beauty*, continued to show solid growth. This growth was a result of improved usability in addition to increased adoption of *SALON BOARD,* a cloud-based beauty salon vacancy management and support service, by its beauty salon clients. In addition, with a continued effort to extend its reach to non-urban areas, the number of beauty salon clients recorded a solid increase year on year. As a result, revenue was 63.8 billion yen, a strong growth of 12.4% year on year.

Others

Others subsegment includes Automobile, Post-secondary Education, Overseas Marketing, and *Air Platform* businesses. Revenue was 64.8 billion yen, a steady increase of 3.2% year on year.

Note1: Calculated based on the managerial accounting numbers.

<u>*HR Solutions*</u>

Domestic Recruiting

The Japanese labor market remained extremely tight, as evidenced by the rising number of job-offers to applicants ratio and of job advertisements. In this environment, both full-time and part-time recruitment divisions achieved solid growth by enhancing their brand values, strengthening user attractiveness, and reinforcing their sales structure. As a result, revenue was 270.6 billion yen, a steady increase of 4.0% from the previous fiscal year.

Others

Others subsegment includes HR development business in Japan and placement service in Asia. Revenue was 23.7 billion yen, a strong growth of 9.9% year on year.

Staffing

In this reportable segment, there are two major operations: Japan and Overseas.

Revenue in the Staffing segment was 1.29 trillion yen, an increase of 10.9% from the previous fiscal year. This was mainly due to higher revenue from the Japan operations, which was supported by a favorable market environment. In addition, movements in foreign exchange rates positively impacted revenue from the overseas operations.

Segment EBITDA was 72.7 billion yen, an increase of 10.8% year on year. This was mainly due to increased revenue from both Japan and overseas operations. The breakdown of segment EBITDA is as follows: 33.8 billion yen from Japan operations, an increase of 15.0% year on year, and 38.9 billion yen from overseas operation, an increase of 7.4%.

The operating results and relevant data for this reportable segment are as follows:

(in billions of yen)	FY2016	FY2017	Variance	% change
Segment revenue	1,170.8	1,298.8	127.9	10.9%
Japan	463.4	509.2	45.8	9.9%
Overseas	707.4	789.5	82.1	11.6%
Segment EBITDA	65.6	72.7	7.0	10.8%
Japan	29.4	33.8	4.4	15.0%
Overseas	36.2	38.9	2.6	7.4%

	FY2016				FY2017			
Statistic data	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average number of active agency workers in Japan*	309,332	317,955	332,504	341,296	343,260	343,857	350,734	-

Source: Japan Staffing Services Association.
Note: The figure for this reporting quarter has not been disclosed at the time of release of this document.

Japan

The Japanese staffing market continues to expand as evidenced by the continued increase in the number of active agency workers. In this environment, the Japan operations focused on extending existing staffing contracts and increasing the number of new staffing contracts. As a result, revenue was 509.2 billion yen, demonstrating strong growth of 9.9% year on year.

Overseas

Revenue was 789.5 billion yen, an increase of 11.6% from the previous fiscal year. This was mainly due to the full year contribution of Recruit Global Staffing B.V., renamed from USG People B.V. in January 2018, which started to be consolidated in June 2016, and the positive impact of foreign exchange rate movements of 47.6 billion yen. Excluding the impact of foreign exchange rate movements, revenue increased by 4.9% year on year. Also, excluding the impact of Recruit Global Staffing B.V. consolidation and foreign exchange rate movements, revenue declined by 2.6% year on year. This was primarily due to adopting Unit Management System, which mainly focuses on profitability improvement. In addition, the overseas operations experienced a decrease in transactions with existing clients due to the challenging business environment in some industries in the United States.

RECRUIT

Reference:

The consolidated and segment results overview for the three months ended March 31, 2018 ("quarterly", or "the fourth quarter") are set forth below for reference purposes. The figures are not in conformity with IFRS and are calculated simply by subtracting the results for the nine months ended December 31, 2017 from those for the twelve months ended March 31, 2018, and are neither subject to audit nor quarterly review which are stipulated in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Quarterly Consolidated Results of Operations

	FY2016	FY2017				Variance	% change
(in billions of yen, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4		
Revenue[1]	518.9	524.3	538.6	553.8	556.4	37.5	7.2.%
HR Technology	39.3	46.4	52.7	57.4	61.9	22.5	57.5%
Media & Solutions	175.9	165.2	166.7	166.7	181.2	5.3	3.0%
Staffing	309.4	318.0	324.6	336.2	319.9	10.5	3.4%
Operating income	25.5	56.3	52.0	58.2	25.1	(0.4)	-1.7%
Profit before tax	27.2	59.1	54.1	58.6	27.3	0.1	0.5%
Profit for the period	17.7	40.4	41.9	46.6	23.1	5.4	30.5%
Profit attributable to owners of the parent	17.6	40.2	41.8	46.5	23.0	5.4	30.6%
Management KPI							
EBITDA	42.6	71.8	67.3	76.4	42.7	0.0	0.2%
HR Technology	3.7	7.7	8.4	7.0	7.3	3.5	94.1%
Media & Solutions	24.5	43.1	39.0	46.1	27.8	3.2	13.5%
Staffing	15.4	20.6	20.1	22.1	9.8	(5.5)	-36.2%
Earnings per share –Adjusted (yen)	13.04	25.34	22.97	25.18	13.26	0.22	1.7%
Exchange rate effects on revenue[2,3,4]							
Consolidated	-	5.4	27.1	19.0	4.9	-	-
Staffing segment: Overseas	-	4.5	22.5	15.6	4.9	-	-

Notes:
1. After deducting corporate expense and eliminations. The total sum of the three segments does not agree with consolidated revenue.
2. The amounts shown are calculated by: revenue for the current period in foreign currency x (foreign exchange rate applied for the reporting period – the rate applied for the same period of the previous year)
3. The amount for the fourth quarter is calculated by deducting the amount for the nine months ended December 31, 2017 from that for the full year.

Overview

Recruit Holdings' consolidated revenue for the fourth quarter was 556.4 billion yen, an increase of 7.2% from the same period of the previous year. This was mainly due to continued strong growth of its HR Technology segment. The foreign exchange rate movements positively impacted quarterly revenue during the period by 4.9 billion yen.

Consolidated operating income for the fourth quarter was 25.1 billion yen, a decrease of 1.7% from the same period of the previous year. This was mainly due to an increase in advertising and personnel expenses, as each segment has strategically made investments to achieve sustainable growth in the fourth quarter, considering the favorable results for the nine months ended December 31, 2017.

Profit before tax for the fourth quarter was 27.3 billion yen, an increase of 0.5% from the same period of the previous year.

Quarterly profit was 23.1 billion yen, an increase of 30.5% from the same period of the previous year, and quarterly profit attributable to owners of the parent was 23.0 billion yen, an increase of 30.6%. Both quarterly profit and quarterly profit attributable to owners of the parent benefited from lower income tax expenses mainly resulting from tax reforms in the United States and European countries.

Consolidated EBITDA for the fourth quarter was 42.7 billion yen, an increase of 0.2% from the same period of the previous year. This was mainly due to an increase in advertising and personnel expenses, resulting from strategic investments made by each segment to achieve sustainable growth in the fourth quarter, considering the favorable results for the nine months ended December 31, 2017, as mentioned above.

Adjusted EPS for the fourth quarter was 13.26 yen, an increase of 1.7% from the same period of the previous year, and profit available for dividends was 18.6 billion yen, an increase of 0.1%.

Regarding the financial results of the existing business, which exclude earnings from newly consolidated subsidiaries during the reporting fiscal year, quarterly revenue was 556.1 billion yen, an increase of 7.2 % from the same period of the previous year, and quarterly EBITDA was 42.7 billion yen, an increase of 0.3%.

Quarterly Results of Operations by Segment

HR Technology

Quarterly revenue in the HR Technology segment was 61.9 billion yen, an increase of 57.5% from the same period of the previous year. This growth was mainly due to a combination of new customer acquisition and expanding spend from existing customers, against the backdrop of a favorable economic environment and strong labor market. Revenue growth for the fourth quarter was 61.1% on a US dollar basis.

Quarterly segment EBITDA was 7.3 billion yen, an increase of 94.1% from the same period of the previous year. EBITDA grew largely in line with revenue. To support future revenue growth, the HR Technology segment continued to invest in sales and marketing activities to acquire new users and customers, and in product enhancements to increase user and customer engagement. The timing of these investments fluctuates throughout the year.

The operating results and relevant data for this reportable segment and are as follows:

	FY2016	FY2017				Variance	% change
(in billions of yen)	Q4	Q1	Q2	Q3	Q4		
Segment revenue	39.3	46.4	52.7	57.4	61.9	22.5	57.5%
Segment EBITDA	3.7	7.7	8.4	7.0	7.3	3.5	94.1%
Reference: Indeed net sales (in millions of US dollars) *	355	418	476	509	572	216	61.1%

Note: This is the financial results of Indeed, which differ from the IFRS-based consolidated financial results of the Company due to differences in consolidation methodologies.

RECRUIT

Media & Solutions

Quarterly revenue in the Media & Solutions segment was 181.2 billion yen, an increase of 3.0% from the same period of the previous year. This was primarily driven by strong performance in the Beauty business of Marketing Solutions, and in domestic recruiting of HR Solutions.

Quarterly segment EBITDA was 27.8 billion yen, an increase of 13.5% from the same period of the previous year. The breakdown of segment EBITDA is as follows: 15.5 billion yen, a year-on-year increase of 43.5% in Marketing Solutions, and 16.4 billion yen, a year-on-year decrease of 15.9% in HR Solutions. EBITDA growth in Marketing Solutions was mainly due to lower marketing expense to attract users in the Media & Solutions, and increased EBITDA primarily in the Beauty subsegment, compared to the same period of the previous year. EBITDA decreased in HR Solutions mainly due to increased marketing investment to attract users.

The operating results and relevant data of this reportable segment are as follows:

	FY2016	FY2017				Variance	% change
(in billions of yen)	Q4	Q1	Q2	Q3	Q4		
Segment revenue	175.9	165.2	166.7	166.7	181.2	5.3	3.0%
Marketing Solutions	97.1	91.7	96.8	93.4	96.4	(0.6)	-0.6%
Housing and Real Estate	25.5	24.6	25.1	23.5	24.7	(0.7)	-2.9%
Bridal	13.0	13.8	13.9	14.4	13.1	0.0	0.7%
Travel	13.9	13.6	16.9	14.0	14.2	0.2	1.6%
Dining	9.5	8.8	8.8	9.9	9.7	0.2	2.1%
Beauty	14.6	15.0	15.7	16.2	16.8	2.1	14.7%
Others	20.3	15.6	16.2	15.1	17.8	(2.5)	-12.5%
HR Solutions	78.3	71.2	68.7	71.3	83.0	4.6	6.0%
Domestic Recruiting	72.9	66.3	62.2	65.1	76.8	3.9	5.4%
Others	5.3	4.9	6.4	6.1	6.1	0.7	14.0%
Corporate expenses/eliminations	0.4	2.1	1.1	1.9	1.7	1.3	287.3%
Segment EBITDA	24.5	43.1	39.0	46.1	27.8	3.2	13.5%
Marketing Solutions	10.8	24.7	25.2	29.7	15.5	4.7	43.5%
HR Solutions	19.5	20.7	17.4	19.8	16.4	(3.0)	-15.9%
Corporate expenses/eliminations	(5.8)	(2.3)	(3.6)	(3.3)	(4.1)	1.6	-

Marketing Solutions

Housing and Real Estate

In the Housing and Real Estate subsegment, revenue in the independent housing and leasing divisions grew as a result of sales initiatives to offer solutions to clients and efforts to attract more users to its platform, while the condominium apartment market in Japan experienced a slowdown in the number of new construction starts. Meanwhile, overall subsegment revenue declined primarily due to a sale of a subsidiary during the third quarter of FY2017. As a result, quarterly revenue decreased by 2.9% from the same period of the previous year to 24.7 billion yen. Excluding the one-time effect of the sale of the subsidiary, quarterly revenue increased by 3.9%(*1).

Bridal

Although the number of marrying couples has been declining in Japan, the Bridal subsegment saw increased demand from major wedding venue operators to attract marrying couples. As a result, quarterly revenue was flat at 13.1 billion yen, an increase of 0.7% from the same period of the previous year.

Travel

The upward trend in the Travel subsegment continued, driven by an increase in price per night of hotels booked through its platform. Meanwhile, marketing promotions to attract new users were carried out differently from the same period of the previous year, resulting in slower revenue growth. As a result, quarterly revenue was 14.2 billion yen, an increase of 1.6% from the same period of the previous year.

Dining

As dining and restaurant operators have been facing a challenging environment mainly due to the workforce shortage in Japan, the subsegment strengthened its relationship with clients by focusing on solution driven sales, by promoting *Air Platform*, cloud-based operational support services, and providing data analysis. As a result, there were signs of clients returning to use paid advertisements on its platform. Quarterly revenue was 9.7 billion yen, a steady increase of 2.1% from the same period of the previous year.

Beauty

Online beauty salon reservations on the Beauty subsegment platform, *Hot Pepper Beauty*, continued to show solid growth as a result of offering greater usability and promoting the adoption of *SALON BOARD,* a cloud-based beauty salon vacancy management and support service. In addition, with a continued effort to extend its reach to non-urban areas, the number of beauty salon clients increased year on year. As a result, quarterly revenue was 16.8 billion yen, a strong growth of 14.7% from the same period of the previous year.

Others

Others subsegment includes Automobile, Post-secondary Education, Overseas Marketing, and *Air Platform* businesses. Quarterly revenue was 17.8 billion yen, a decrease of 12.5% from the same period of the previous year.

Note1: Calculated based on the managerial accounting numbers.

HR Solutions

Domestic Recruiting

The Japanese labor market has been extremely tight, as evidenced by the rising number of job-offers to applicants ratio and of job advertisements. In this environment, both full-time and part-time recruitment divisions achieved continuous growth by enhancing their brand values, strengthening user attractiveness, and reinforcing their sales structure. As a result, quarterly revenue was 76.8 billion yen, a strong growth of 5.4% from the same period of the previous year.

Others

Others subsegment includes HR development business in Japan and placement service in Asian. Quarterly revenue was 6.1 billion yen, a strong growth of 14.0% from the same period of the previous year.

RECRUIT

Staffing

Quarterly revenue in the Staffing segment was 319.9 billion yen, an increase of 3.4% from the same period of the previous year. This was mainly due to increased revenue from Japan operations supported by a solid market environment. In addition, revenue from overseas operations increased mainly due to the positive impact of foreign exchange rate movements.

Quarterly segment EBITDA was 9.8 billion yen, a decrease of 36.2% from the same period of the previous year. This was mainly due to an investment to increase the number of registered agency workers in Japan operations leveraging the favorable market environment. The breakdown of segment EBITDA was as follows: 2.7 billion yen, a year-on-year decrease of 62.6%, from Japan operations, and 7.1 billion yen, a year-on-year decrease of 12.7% from overseas operations.

The operating results and its relevant data for this reportable segment are as follows:

	FY2016	FY2017				Variance	% change
(in billions of yen)	Q4	Q1	Q2	Q3	Q4		
Segment revenue	309.4	318.0	324.6	336.2	319.9	10.5	3.4%
Japan	122.7	125.7	123.9	130.6	128.9	6.2	5.1%
Overseas	186.6	192.3	200.6	205.6	190.9	4.3	2.3%
Segment EBITDA	15.4	20.6	20.1	22.1	9.8	(5.5)	-36.2%
Japan	7.2	11.3	9.0	10.6	2.7	(4.5)	-62.6%
Overseas	8.1	9.2	11.0	11.5	7.1	(1.0)	-12.7%

Japan

The Japanese staffing market continues to expand as evidenced by the increasing number of active agency workers. In this environment, the Japan operations focused on extending existing staffing contracts and increasing the number of new job contracts. As a result, quarterly revenue was 128.9 billion yen, a strong growth of 5.1% from the same period of the previous year. The revenue growth rate was negatively impacted by the fact that there were two fewer business days in this quarter compared to the same period of the previous year.

Overseas

Quarterly revenue was 190.9 billion yen, an increase of 2.3% from the same period of the previous year. Quarterly revenue growth rate decreased compared to the full-year growth rate primarily due to adoption of Unit Management System, which mainly focuses on profitability improvement. In addition, overseas operations experienced a decrease in transactions with existing clients who limited their spending due to the challenging business environment in some industries in the United States. Revenue for the quarter was positively impacted by 4.9 billion yen as a result of foreign exchange rate movements. Excluding this impact, quarterly revenue declined by 0.7%.

Capital Resources and Liquidity

Financial Principle

The Group's financial principle is to maintain a strong consolidated balance sheet by utilizing capital raised through borrowings, considering the ratings from Japanese domestic rating agencies as important references. For capital efficiency, the Group implements strict criteria for investment, and sets its ROE target to approximately 15%.

Use of Capital

The Company allocates its capital primarily to working capital, corporate taxes, mergers and acquisitions by each segment, asset acquisition, capital expenditures, repayments of borrowings, payment of interest, and payment of dividends.

Fund Raising

The Group's primary source of liquidity for working capital and investments is cash flow from operations. However, the Group may consider and execute external financing when various conditions are deemed favorable, such as demands for capital, interest rate trends, repayment amount and redemption period of existing interest-bearing debt. For short-term working capital, the Group primarily utilizes borrowings from financial institutions and/or commercial paper. For long-term capital needs, the Group raises funds mainly by borrowings from financial institutions and/or bonds. The Group has registered a maximum 200 billion yen worth of corporate bond issuance (unused amount as of end of FY2017 is 150 billion yen) to maintain flexible capital raising capability.

The Group also has entered into overdraft agreements with four financial institutions to secure liquidity and raise operating funds efficiently. The maximum amount of borrowings in the overdraft commitment is 113 billion yen as of March 31, 2018, and the entire amount remains unused.

Interest-bearing Debt

The table below sets forth a breakdown of book values of bonds and borrowings by payment due period as of March 31, 2018. Each amount shows the required cash outflow by payment due period before discount including interest payments.

(in millions of yen)		Payment due period					
	Book value	1 year or less	Over 1 year through 2years	Over 2 year through 3 years	Over 3 year through 4 years	Over 4 years through 5 years	Over 5 years
Bonds	49,871	71	71	71	71	30,044	20,044
Borrowings	133,204	26,043	25,684	25,325	24,966	24,607	13,143
Total	183,075	26,114	25,755	25,396	25,037	54,651	33,187

Credit Ratings

The Group has long-term ratings of AA- from Rating and Investment Information, Inc. (R&I), A3 from Moody's Japan, and A- from S&P Global Rating Japan as of March 31, 2018.

Cash Management

The Group prioritizes internal lending and borrowing within the Group over external financing, primarily through the cash management system to maximize capital efficiency, assuming legality and economic rationality.

Fund Management

The Group invests only in principal guaranteed financial instruments which are deemed safe and efficient, and not for speculative purposes.

RECRUIT

Analysis of Consolidated Balance Sheet

(in billions of yen)	As of March 31, 2017	As of March 31, 2018	Variance	% change
Assets				
Total current assets	691.3	770.9	79.5	11.5%
Total non-current assets	771.5	803.0	31.5	4.1%
Total assets	1,462.9	1,574.0	111.1	7.6%
Liabilities				
Total current liabilities	413.5	447.7	34.2	8.3%
Total non-current liabilities	306.6	285.6	(21.0)	-6.9%
Total liabilities	720.1	733.3	13.2	1.8%
Equity				
Total equity attributable to owners of the parent	737.5	835.6	98.0	13.3%
Non-controlling interests	5.1	5.0	(0.1)	-2.6%
Total equity	742.7	840.6	97.8	13.2%

Assets

Total current assets as of March 31, 2018 increased by 79.5 billion yen, or 11.5%, from the end of the previous fiscal year. This was mainly due to an increase in cash and cash equivalents of 34.6 billion yen. Non-current assets increased 31.5 billion yen, or 4.1%, from the end of the previous fiscal year. This was mainly because of an increase in goodwill of 9.6 billion yen, mainly denominated in foreign currencies.

Liabilities

Current liabilities as of March 31, 2018 increased by 34.2 billion yen, or 8.3%, from the end of the previous fiscal year. This was mainly due to an increase in trade and other payables of 30.2 billion yen. Non-current liabilities decreased 21.0 billion yen, or 6.9%, from the end of the previous fiscal year. This was mainly due to a decrease in bonds and borrowings of 27.6 billion yen.

Equity

Total equity as of March 31, 2018 increased by 97.8 billion yen, or 13.2%, from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 97.2 billion yen, resulting from the recording of profit attributable to owners of the parent.

Analysis of Consolidated Cash Flows

(in billions of yen)	FY2016	FY2017	Variance
Net cash flows from operating activities	154.3	194.1	39.7
Net cash flows from investing activities	(213.8)	(65.9)	147.9
Net cash flows from financing activities	107.1	(83.1)	(190.3)
Effect of exchange rate changes on cash and cash equivalents	(2.3)	(10.3)	(8.0)
Net increase (decrease) in cash and cash equivalents	45.3	34.6	(10.7)
Cash and cash equivalents at the beginning of the period	309.8	355.1	45.3
Cash and cash equivalents at the end of the period	355.1	389.8	34.6

Cash and cash equivalents as of March 31, 2018 was 389.8 billion yen, an increase of 34.6 billion yen from the end of the previous fiscal year, since cash inflows from operating activities exceeded cash outflows from investing and financing activities.

Cash Flows from Operating Activities

The main difference between cash flows from operating activities and 199.2 billion yen of profit before tax: the addition of 61.3 billion yen in depreciation and amortization to, and the subtraction of 74.7 billion yen from income tax paid from profit before tax.

Cash Flows from Investing Activities

Cash used in investing activities primarily includes payment for purchase of intangible assets such as software mainly for product development and renewal of 44.1 billion yen.

Cash Flows from Financing Activities

Cash used in financing activities primarily includes dividends paid of 54.5 billion yen.

Reference

	FY2016	FY2017
Ratio of equity attributable to owners of the parent (%)	50.4	53.1
Ratio of equity attributable to owners of the parent measured at fair value (%)	204.8	280.7
Debt to cash flow ratio (year)	0.5	0.7
Interest coverage ratio (times)	166.1	897.4

Definitions:

Ratio of equity attributable to owners of the parent (%): Total equity attributable to owners of the parent / Total assets
Ratio of equity attributable to owners of the parent measured at fair value (%): Market capitalization of the Company / Total assets
Debt to cash flow ratio (year): Interest-bearing debt / Operating cash flow
Interest coverage ratio (times): Operating cash flow / Interest payment

Notes:

1. All figures are calculated based on the consolidated financial results.
2. Market capitalization is calculated based on the number of shares issued excluding treasury shares.
3. Interest-bearing debt refers to all the liabilities on the consolidated statement of financial position that pay interests.

Consolidated Financial Forecasts for FY2018

(in millions of yen, unless otherwise stated)	**FY2017**	**FY2018 (Forecast)**	Variance	% change
Revenue	2,173,385	2,302,000	128,614	5.9%
EBITDA	258,413	285,000	26,586	10.3%
Operating income	191,794	210,000	18,205	9.5%
Profit attributable to owners of the parent	151,667	153,000	1,332	0.9%
Profit available for dividends	131,820	153,000	21,179	16.1%
Earnings per share – Basic (yen)	90.79	91.59	-	-
Earnings per share – Adjusted (yen)	86.74	101.76	15.02	17.3%

The Company forecasts consolidated revenue to grow year on year for the year ending March 31, 2019 (“FY2018”), mainly due to expected growth in the HR Technology segment.

The Company also forecasts EBITDA and adjusted EPS, set as its management key performance indicators, to grow year on year, expecting revenue growth in the HR Technology and Media & Solutions segments as well as EBITDA margin improvement in the Staffing segment.

As announced on May 9, 2018, assuming that the potential acquisition of Glassdoor is completed during the second quarter of FY2018, the consolidated financial forecasts for FY2018 include Glassdoor's operating performance and related transaction costs for 8 months.

For related information, please refer to the following release:
“Announcement of Definitive Agreement for Acquisition of Glassdoor: Expanding capabilities of HR technology platform,” released on May 9, 2018:
https://recruit-holdings.com/ir/ir_news/2018/0509_8170.html

For details of each segment, please refer to *3. Management Policy, Business Environment Surrounding the Group, Issues to be Addressed and Management Strategy of the Group.*

Basic Policy on Profit Distribution and Dividends for FY2017 and FY2018

The Company believes that prioritizing strategic investments to attain sustainable profit growth and increase its enterprise value will be the main driver of shareholder value. Also, the Company considers the return of capital to its shareholders to be an important part of its business strategy. The core dividend policy is to provide a stable and sustainable return to shareholders based on a comprehensive evaluation of the results of operations, the internal reserves that the Company expects to need for its future growth, and the ability to establish a stable financial foundation.

In addition, the Company sets a consolidated payout ratio target of approximately 30% of profit attributable to owner of the parent excluding non-recurring income/losses.
In accordance with its dividend policy above, annual dividends for FY2017 will be 23 yen per share, which consists of an interim dividend of 11 yen per share and a year-end dividend of 12 yen per share.

The Company also allocates its retained earnings to strategic investments for growth to increase enterprise value.

The Company’s basic policy is to declare dividends twice a year. Matters stipulated in Article 459, Paragraph 1 of the Companies Act, including cash dividends, are not resolved by General Meetings of Shareholders, but by Meetings of the Board of Directors, unless otherwise provided by laws and regulations.

Annual dividend forecasted for FY2018 is expected to be 27 yen per share, which consists of an interim dividend of 13.5 yen per share and a year-end dividend of 13.5 yen per share.

2. Overview of the Group

The Company, as the holding company, sets the management policy and oversees the operational management of the Group. The Group consists of the Company, 349 subsidiaries and 12 affiliates, as of March 31, 2018.

The Group started in 1960 as a business providing job information to students by placing job advertisements for its clients in university newspapers. Since then, the Group has consistently initiated and operated matching platform businesses connecting corporate clients and individual users. Currently, the Group is engaged in a wide range of business operations and has gained a high market share in each.

The Group's three reportable segments are HR Technology, Media & Solutions, and Staffing. The details of each segment are stated below.

HR Technology

The HR Technology segment consists of the operations of Indeed, an online job search engine, and related HR businesses globally. *Indeed.com* enables users to find jobs and employers to hire talent through the platform which utilizes aggregation technology and its search algorithm to deliver the most relevant search results for each user.

Media & Solutions

The Media & Solutions segment consists of two business operations, Marketing Solutions and HR Solutions.

In Marketing Solutions, the Group offers services including business solutions for its enterprise clients to attract users and improve operational efficiency, and supports users' decision making in areas such as housing and real estate, bridal, travel, dining and beauty through its online platform and print media.

The Housing and Real Estate business provides information related to housing purchases and sales, rentals and renovation services under *SUUMO* brand, through its online platform and print media. Also, *SUUMO Counter* offers in-person consultation services for purchasing newly built condominiums and custom designed homes.

The Bridal business provides comprehensive information through the *Zexy* brand magazine and website for users to organize unique and customized wedding related events. Users can also be provided with in-person consultation services when choosing wedding facilities.

The Travel business provides users with information about hotels, guided tours, sightseeing spots in Japan through its online platform and print media *Jalan*. Its online platform offers not only travel information but also booking services.

The Dining business provides information about restaurants as well as coupons through its online platform and print media *Hot Pepper Gourmet*. *The Hot Pepper Gourmet* online platform offers various services such as instant booking for users and a scheduler function for invited guests.

The Beauty business provides users with information about hair, relaxation and other beauty treatment salons through its online platform and print media under the *Hot Pepper Beauty brand*. The *Hot Pepper Beauty* website offers online booking services as well as a searching function for available time slots of selected hair stylists, nail technicians, etc. Also, its business operation supporting service, *SALON BOARD,* is provided to beauty salons to improve their operational efficiency.

Others include *Car Sensor,* an online platform and print media providing information on pre-owned automobiles for potential buyers, and *Study Sapuri SHINRO*, an online platform and print media for high school students which provides higher education and career information. Also, *Air Platform,* cloud-based operational support services, such as *Air Regi* and *Air Pay,* is provided to enterprise clients to improve their managerial and operational efficiency.

In HR Solutions, the Group offers a variety of HR services through its platforms, which enable enterprise clients to find talent, and individual users to seek job opportunities. The services include online job information platforms: *Rikunabi* for new graduates and *Rikunabi Next* for professionals, employment placement service *Recruit Agent*, and *Townwork,* an online platform and print media for part-time job seekers.

Staffing

The Staffing segment consists of Japan and overseas operations, primarily offering temporary staffing services for clerical, manufacturing, light industry and various professional positions. The Group selects appropriate staff based on the skills needed by clients from the large pool of staff registered with the Group, then delivers staff to clients after signing employment agreements with the staff. In its Japan operations, the Group has been licensed by 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 Protection of Dispatched Workers, and operates worker dispatching undertakings primarily through Recruit Staffing Co., Ltd. and STAFF SERVICE HOLDINGS CO., LTD.

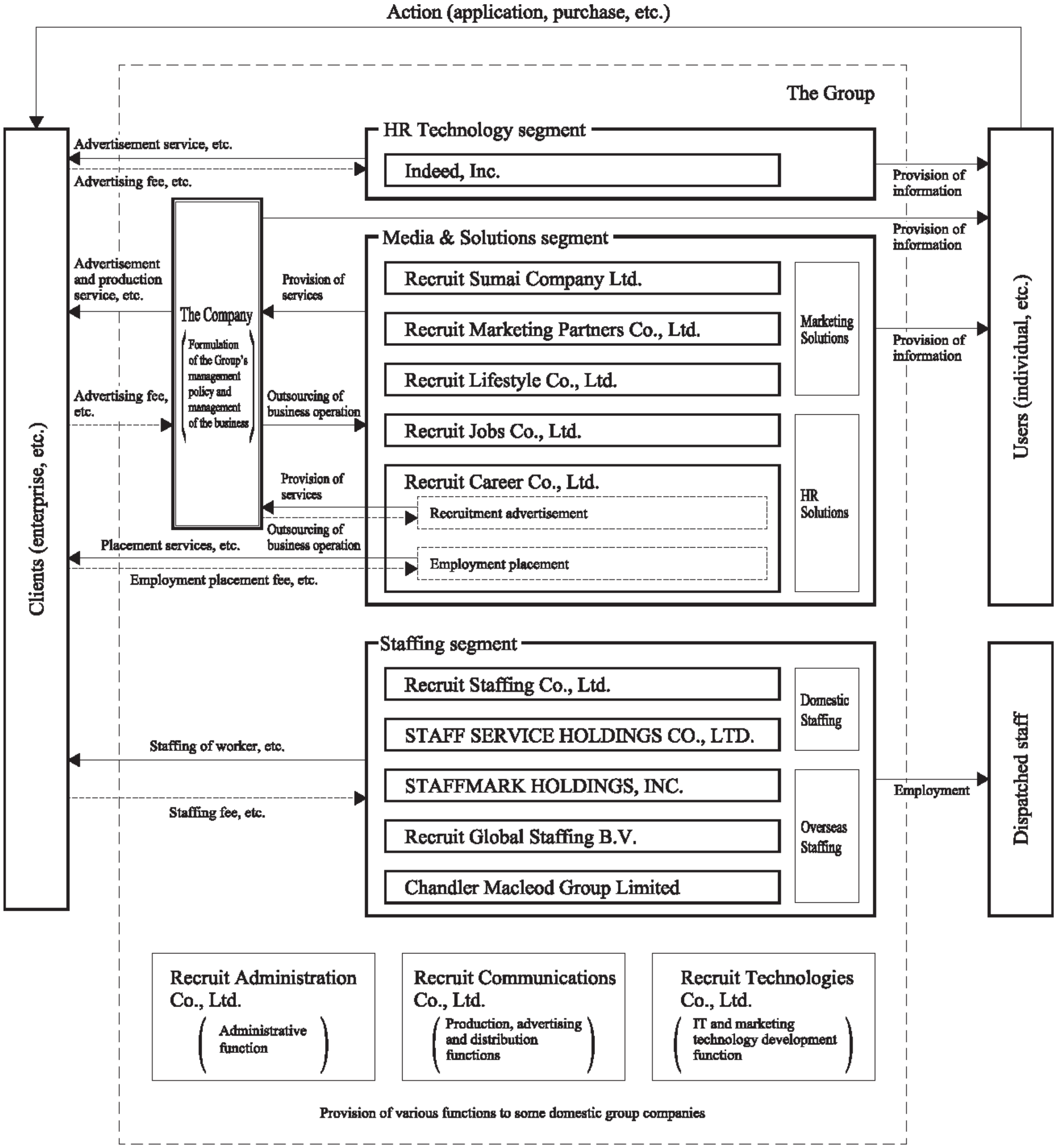
In its overseas operations, the Group offers services through STAFFMARK HOLDINGS, INC. in North America, Recruit Global Staffing B.V., renamed from USG People B.V. in January 2018, in Europe, and Chandler Macleod Group Limited in Australia, and other companies.

The following table presents main companies, brands and services for each reportable segment, as of March 31, 2018.

Segment	Operations	Business Description	Company(ies)	Brands and Services
HR Technology	-	Global job search engine and recruitment advertisement services	Indeed, Inc.	***Indeed.com*** Online job search engine
Media & Solutions	Marketing Solutions	Business solutions for enterprise clients and support for users' daily decision making through online platforms and print media in a variety of areas, such as housing and real estate, bridal, travel, dining and beauty, etc.	The Company Recruit Sumai Company Ltd. Recruit Marketing Partners Co., Ltd. Recruit Lifestyle Co., Ltd.	***SUUMO*** Online platform, print media, and in-person consultation service for housing and real estate
				Zexy Magazine, online platform and in-person consultation service for bridal related matters
				Jalan Online platform and print media for travel in Japan
				Hot Pepper Gourmet Online platform and print media for dining
				Hot Pepper Beauty Online platform and print media for beauty treatment
				Car Sensor Online platform and print media for pre-owned automobiles
				Study Sapuri Shinro Online platform and print media to provide higher education and career information for high school students
				Air Platform Cloud-based operational support solution for business clients such as accounting and payment systems
	HR Solutions	A variety of HR services through online platforms and print media for job seekers and enterprise clients	The Company Recruit Career Co., Ltd. Recruit Jobs Co., Ltd.	***Rikunabi*** Job searching information website for new graduates
				Rikunabi NEXT Job searching information website for professionals
				RECRUIT AGENT Employment placement service for professionals
				FromA navi Information website for part-time jobs
				TOWNWORK Online and print media platform for part-time and full-time jobs
Staffing	Japan	Staffing services in Japan	Recruit Staffing Co., Ltd. STAFF SERVICE HOLDINGS CO., LTD.	-
	Overseas	Staffing services mainly in North America, Europe, and Australia	STAFFMARK HOLDINGS, INC. Recruit Global Staffing B.V. Chandler Macleod Group Limited	-

Operational Chart

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



3. *Management Policy*

The forward looking statements in the section below incorporate the Company's assumptions as of March 31, 2018.

The Group Management Policy

The Group's management philosophy sets out its mission to focus 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. The Group also defines "Creation of new value," "Contributions to society" and "Respect for all individuals" as *Recruit way,* a value the Group holds in high esteem.

Under this management philosophy, the Group operates its businesses aiming to create a number of matching services with high market share, connecting enterprise clients and individual users through its platforms to provide swift and convenient access to information for individual users to take new opportunities and improve their life experiences.

The Group focuses on maximizing shareholder value and enterprise value through its business operations.

Target Management KPIs

The Group carries out various growth investments, including mergers and acquisitions, flexibly and aggressively to achieve profitable growth over the long-term while focusing on increasing shareholder value. Therefore, the Group has set a management target—a high single-digit compound annual growth rate (CAGR) for adjusted EPS over the three years from the year ended March 31, 2017 to the year ending March 31, 2019.
In addition, in seeking to achieve its management target, the Group will emphasize and set a single-year growth rate of EBITDA for each fiscal year, taking into account an appropriate balance of investments and earnings growth.

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

The Group believes swift decision making is essential to maximize shareholder value and enterprise value by actively responding to the rapidly transforming Internet business industry and identifying business opportunities globally. As such, the Group has expanded its businesses through each of its three Strategic Business Units ("SBU"s), HR Technology, Media & Solutions and Staffing, since FY2016. Furthermore, the Group carried out the Group Reorganization, establishing respective SBU Headquarters for each SBU, and began operating under a new management structure effective on April 1, 2018 in order to further evolve this structure. The new organizational structure enables each SBU Headquarters to strengthen its management capability to execute its independent strategy in a self-sustaining manner, and the Company to focus on and strengthen its holding company functions and highly efficient group management structure including governance and monitoring of the Group, to increase its enterprise value.

The HR Technology segment aims to further expand its presence globally through the existing business of Indeed, an online job search engine in the United States and other countries. The Company estimates the market size of global online job advertisement, which is the primary business of Indeed, to be in the range of 11 billion to 13 billion US dollars, representing a significant growth opportunity over the mid-term. The segment aims to drive future growth by investing in R&D or through M&A to create new and innovative ways to drive efficiencies in recruiting and hiring processes.

The Media & Solutions segment believes it is important to provide small-to-mid sized enterprise clients with new services to improve their operational efficiency, and to expand targeted industries to reach more enterprise clients for sustainable revenue growth, in addition to operating the existing businesses. By accelerating the initiatives mentioned above while maintaining a high EBITDA margin, the segment aims to expand its client base, diversify its business portfolio, and achieve sustainable growth mitigating the impact of external environmental changes.

In the Staffing segment, Japan operations aim for stable growth against a backdrop of a favorable market environment in Japan. Overseas operations focus on improving EBITDA margin continuously, by introducing Unit Management System which has been implemented in Japan operations to overseas subsidiaries.

4. Basic Rationale for Selection of Accounting Standards

The Group has been actively expanding its business globally, and in order to further accelerate global expansion in the future, the Group believes it is necessary to reinforce the infrastructure of the Group's operational management and to improve the ease of financial information comparison and convenience for the participants in global capital markets. Therefore, the Group adopted IFRS in place of Japanese GAAP from the beginning of FY2017.

5. *Consolidated Financial Statements and Primary Notes*

(1) Consolidated Statement of Financial Position

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of March 31, 2017	As of March 31, 2018
Assets			
Current assets			
Cash and cash equivalents	309,860	355,196	389,822
Trade and other receivables	221,998	294,456	323,116
Other current financial assets	21,792	21,330	19,864
Other current assets	14,454	20,410	38,159
Total current assets	568,106	691,394	770,962
Non-current assets			
Property, plant and equipment	39,515	49,158	57,211
Goodwill	169,264	303,273	312,944
Intangible assets	138,684	229,914	229,232
Investments in associates and joint ventures	34,199	37,627	43,950
Other non-current financial assets	109,862	113,413	118,038
Deferred tax assets	32,864	32,879	35,590
Other non-current assets	5,552	5,241	6,102
Total non-current assets	529,942	771,508	803,070
Total assets	1,098,049	1,462,903	1,574,032

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of March 31, 2017	As of March 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	153,274	173,947	204,172
Bonds and borrowings	15,044	24,967	24,068
Other financial liabilities	6,453	3,097	1,356
Income tax payables	39,237	32,847	20,991
Provisions	4,212	9,114	7,034
Other current liabilities	112,030	169,551	190,145
Total current liabilities	330,253	413,524	447,768
Non-current liabilities			
Bonds and borrowings	-	186,620	159,007
Other financial liabilities	3,837	1,960	4,860
Provisions	3,210	4,198	5,043
Net defined benefit liability	44,019	43,349	45,781
Deferred tax liabilities	36,082	52,739	53,172
Other non-current liabilities	12,401	17,743	17,738
Total non-current liabilities	99,553	306,612	285,603
Total liabilities	429,806	720,137	733,372
Equity			
Equity attributable to owners of the parent			
Common stock	10,000	10,000	10,000
Share premium	53,756	52,529	50,115
Retained earnings	598,188	714,055	811,287
Treasury shares	(495)	(31,640)	(32,049)
Other components of equity	2,306	(7,369)	(3,748)
Total equity attributable to owners of the parent	663,755	737,575	835,605
Non-controlling interests	4,487	5,190	5,055
Total equity	668,243	742,765	840,660
Total liabilities and equity	1,098,049	1,462,903	1,574,032

RECRUIT

(2) Consolidated Statement of Profit or Loss

(in millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Revenue	1,941,922	2,173,385
Cost of sales	1,051,510	1,159,102
Gross profit	890,411	1,014,283
Selling, general and administrative expenses	710,631	817,233
Other operating income	24,317	5,760
Other operating expenses	10,583	11,015
Operating income	193,513	191,794
Share of profit (loss) of associates and joint ventures	4,432	2,918
Finance income	3,046	5,618
Finance costs	2,062	1,102
Profit before tax	198,929	199,228
Income tax expense	61,669	46,898
Profit for the year	137,260	152,329
Profit attributable to:		
Owners of the parent	136,654	151,667
Non-controlling interests	605	662
Profit for the year	137,260	152,329
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	81.33	90.79
Diluted earnings per share (yen)	81.19	90.60

RECRUIT

(3) Consolidated Statement of Comprehensive Income

(in millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Profit for the year	137,260	152,329
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	5,129	(892)
Remeasurements of defined benefit plans	923	(219)
Share of other comprehensive income of associates and joint ventures	188	731
Subtotal	6,240	(379)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(11,497)	2,867
Effective portion of the change in the fair value of cash flow hedges	624	88
Subtotal	(10,873)	2,956
Other comprehensive income (loss) for the year, net of tax	(4,632)	2,576
Comprehensive income for the year	132,627	154,906
Comprehensive income attributable to:		
Owners of the parent	132,135	154,405
Non-controlling interests	491	500
Total comprehensive income	132,627	154,906

(4) Consolidated Statement of Changes in Equity

For the Fiscal Year Ended March 31, 2017

(in millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury shares	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, 2016	10,000	53,756	598,188	(495)	2,137	-	168
Profit for the year			136,654				
Other comprehensive income						(11,383)	624
Comprehensive income for the year	-	-	136,654	-	-	(11,383)	624
Transfer from other components of equity to retained earnings			6,241				
Purchase of treasury shares		(77)		(31,226)			
Disposal of treasury shares		60		82	(142)		
Dividends			(28,236)				
Share-based payments					1,225		
Equity transactions with non-controlling interests		(1,208)					
Increase (decrease) by business combination							
Other			1,208				
Transactions with owners - total	-	(1,226)	(20,786)	(31,144)	1,083	-	-
Balance at March 31, 2017	10,000	52,529	714,055	(31,640)	3,221	(11,383)	792

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Net change in financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total	Total		
Balance at April 1, 2016	-	-	2,306	663,755	4,487	668,243
Profit for the year			-	136,654	605	137,260
Other comprehensive income	5,317	923	(4,518)	(4,518)	(114)	(4,632)
Comprehensive income for the year	5,317	923	(4,518)	132,135	491	132,627
Transfer from other components of equity to retained earnings	(5,317)	(923)	(6,241)	-		-
Purchase of treasury shares			-	(31,304)		(31,304)
Disposal of treasury shares			(142)	0		0
Dividends			-	(28,236)		(28,236)
Share-based payments			1,225	1,225		1,225
Equity transactions with non-controlling interests			-	(1,208)	(544)	(1,753)
Increase (decrease) by business combination			-	-	797	797
Other			-	1,208	(41)	1,166
Transactions with owners - total	(5,317)	(923)	(5,157)	(58,315)	210	(58,104)
Balance at March 31, 2017	-	-	(7,369)	737,575	5,190	742,765

RECRUIT

For the Fiscal Year Ended March 31, 2018

(in millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury shares	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, 2017	10,000	52,529	714,055	(31,640)	3,221	(11,383)	792
Profit for the year			151,667				
Other comprehensive income						3,029	88
Comprehensive income for the year	-	-	151,667	-	-	3,029	88
Transfer from other components of equity to retained earnings			(379)				
Purchase of treasury shares		(21)		(1,063)			
Disposal of treasury shares		(131)		655	(523)		
Dividends			(54,571)				
Share-based payments					1,026		
Equity transactions with non-controlling interests		(2,245)					
Other		(16)	515				
Transactions with owners - total	-	(2,414)	(54,435)	(408)	502	-	-
Balance at March 31, 2018	10,000	50,115	811,287	(32,049)	3,723	(8,354)	881

	Equity attributable to owners of the parent					
	Other components of equity					
	Net change in financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2017	-	-	(7,369)	737,575	5,190	742,765
Profit for the year			-	151,667	662	152,329
Other comprehensive income	(160)	(219)	2,738	2,738	(162)	2,576
Comprehensive income for the year	(160)	(219)	2,738	154,405	500	154,906
Transfer from other components of equity to retained earnings	160	219	379	-		-
Purchase of treasury shares			-	(1,085)		(1,085)
Disposal of treasury shares			(523)	0		0
Dividends			-	(54,571)		(54,571)
Share-based payments			1,026	1,026		1,026
Equity transactions with non-controlling interests			-	(2,245)	(799)	(3,044)
Other			-	499	163	663
Transactions with owners - total	160	219	882	(56,376)	(635)	(57,011)
Balance at March 31, 2018	-	-	(3,748)	835,605	5,055	840,660

RECRUIT

(5) Consolidated Statement of Cash Flows

(in millions of yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Cash flows from operating activities		
Profit before tax	198,929	199,228
Depreciation and amortization	52,425	61,363
Gain on sales of investments in subsidiaries	(22,187)	(3,489)
(Increase) decrease in trade and other receivables	(29,382)	(26,765)
Increase (decrease) in trade and other payables	7,043	27,453
Other	26,171	7,268
Subtotal	233,000	265,060
Interest and dividends received	1,961	4,107
Interest paid	(1,403)	(295)
Income tax paid	(79,184)	(74,754)
Net cash flows from operating activities	154,373	194,117
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(18,381)	(19,997)
Payment for purchase of intangible assets	(49,365)	(44,133)
Proceeds from sales and redemption of investments	11,279	826
Payment for purchase of shares of subsidiaries and associates	(172,482)	(5,330)
Proceeds from sales of shares of subsidiaries and associates	23,781	6,799
Other	(8,718)	(4,103)
Net cash flows from investing activities	(213,886)	(65,937)
Cash flows from financing activities		
Proceeds from long-term borrowings	174,708	775
Repayments of long-term borrowings	(52,212)	(24,958)
Proceeds from issuance of bonds	50,000	-
Payments of purchase of treasury shares	(31,305)	(1,081)
Dividends paid	(28,513)	(54,552)
Other	(5,524)	(3,353)
Net cash flows from financing activities	107,152	(83,169)
Effect of exchange rate changes on cash and cash equivalents	(2,303)	(10,384)
Net increase (decrease) in cash and cash equivalents	45,335	34,625
Cash and cash equivalents at the beginning of the year	309,860	355,196
Cash and cash equivalents at the end of the year	355,196	389,822

RECRUIT

(6) Going Concern Assumption

Not applicable.

(7) Notes to Consolidated Financial Statements

1. Reporting Entity

Recruit Holdings Co., Ltd. (the "Company") is a stock company incorporated under the Companies Act of Japan and domiciled in Japan. The addresses of its registered headquarters and principal business locations are disclosed on the Company's website (https://recruit-holdings.co.jp/). The details of businesses and principal activities of the Company and its subsidiaries (the "Group") are described in "5. Operating Segments."

2. Basis of Preparation

(1) Compliance of the consolidated financial statements with International Financial Reporting Standards ("IFRS") and matters regarding the first-time adoption thereof

The Company's consolidated financial statements are prepared in conformity with IFRS. The Company applies the provisions of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) since it meets the requirements of the "Specified Company under Designated International Accounting Standards" prescribed in Article 1-2 of the same ordinance.
The Group adopted IFRS from the fiscal year ended March 31, 2018, and the date of transition to IFRS is April 1, 2016. In the transition to IFRS, the Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The effects of the transition to IFRS on the financial position, operating results, and cash flows of the Group are disclosed in "8. First-time Adoption."

(2) Basis of measurement

As explained in "3. Significant Accounting Policies," the consolidated financial statements of the Company are prepared on a historical cost basis except for certain financial instruments and other assets that are measured at fair value.

(3) Functional currency and presentation currency

The consolidated financial statements of the Company are presented in Japanese yen, which is the functional currency of the Company, and figures less than one million yen are rounded down to the nearest million yen.

(4) Early adoption of standards and interpretations

The Group early applied the following standards:
・IFRS 9 "Financial Instruments" (revised in 2014)

(5) Standards and interpretations in issue but not yet adopted by the Group

Major standards that were issued by the date of approval of the consolidated financial statements are as follows. The Group did not early adopt them in the fiscal year ended March 31, 2018.
The Company is currently determining the effects of the adoption of these standards on the Company's consolidated financial statements.

Standard	The title of Standard	Mandatory adoption (from the beginning of fiscal year)	To be adopted by the Group from	Outline of new standards and revisions
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revision of accounting principles for revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revision of accounting principles for leases

RECRUIT

3. Significant Accounting Policies

Unless otherwise indicated, the following accounting policies have been applied to all the terms stated in the consolidated financial statements, including the consolidated statements of financial position at the date of transition to IFRS.

(1) Basis of consolidation

The consolidated financial statements comprise the financial statements of Recruit Holdings Co., Ltd. and its subsidiaries (collectively the "Group"), and the Group's equity in its associates. In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements as necessary. Intragroup balances of receivables and payables, intragroup transactions, and unrealized gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

1) Subsidiary

A subsidiary is an entity that is controlled by the Group. Control is achieved if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group obtains control of a subsidiary on its acquisition date, and the subsidiary is included in the consolidation from such date until the date on which the Group loses control. A subsidiary with a different closing date is consolidated based on its provisional financial statements as of the consolidated closing date. Changes in the ownership interest of a subsidiary without a loss of control are accounted for as equity transactions. Any difference between the adjustment of non-controlling interests and the fair value of the consideration received is recognized directly in equity as the equity attributable to owners of the parent. Any gain or loss arising on the loss of control is recognized in profit or loss. Comprehensive income of a subsidiary is allocated to the equity attributable to owners of the parent and non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2) Associate

An associate is an entity over which the Group has significant influence but does not have control or joint control. An associate is accounted for using the equity method from the date on which the Group obtains significant influence until the date on which it loses such influence.

(2) Business combinations

The Group accounts for each business combination by applying the acquisition method. The consideration transferred in a business combination is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer, including any contingent consideration, if applicable. Identifiable assets acquired and liabilities assumed in a business combination are measured at fair values at the acquisition date. Acquisition-related costs incurred in a business combination are expensed in profit or loss as incurred.
Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree, over the fair value of the net identifiable assets and liabilities assumed at the acquisition date.
If the initial accounting for a business combination is incomplete by the consolidated closing date, the Group reports provisional amounts for the items for which the accounting is incomplete. The Group retrospectively adjusts the provisional amounts recognized at the acquisition date as an adjustment during the measurement period when new information about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognized amounts for the business combination. The measurement period does not exceed one year from the acquisition date.

(3) 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.

(4) 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 instruments. 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 at fair value, 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 instruments. 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.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments due within three months from the date of acquisition that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(6) 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

(7) 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 to 7 years

・Customer-related intangible assets: 2 to 15 years

(8) Leases

1) Assets subject to leases

At the inception of a lease contract, the Group assesses whether the contract is a lease or contains a lease based on the substance of the contract. If the implementation of the contract depends on the use of certain assets or groups of assets, and the right to use the assets is provided under the contract, the assets are the subject of the lease.

2) Operating lease transactions

In operating lease transactions, lease payments are recognized in profit or loss using the straight-line method over the lease terms.

(9) 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.

(10) 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

RECRUIT

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.

(11) Non-current assets held for sale
An asset or asset group for which the value is expected to be recovered through a sale transaction rather than through continuing use is classified as a non-current asset or disposal group held for sale if (i) it is highly probable that the asset or asset group will be sold within one year, (ii) the asset or asset group is available for immediate sale in its present condition, and (iii) the Group's management has made a commitment to sell the asset or asset group.
Non-current assets held for sale are not depreciated or amortized and are measured at the lower of their carrying amount and fair value less costs to sell.

(12) 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.

(13) 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.

(14) Equity
1) Common stock and share premium
For equity financial assets issued by the Company, their issue prices are recorded in common stock and share premium, and the transaction cost (net of related tax effects) directly attributable to the issuance is deducted from common stock and share premium proportionally on the basis of the issue price.

2) Treasury shares
When treasury shares are acquired, the consideration paid including the transaction cost (net of related tax effects) directly attributable to the acquisition is recognized as an item of deduction from equity. When treasury shares are sold, the consideration received is recognized as an increase in equity.

(15) Share-based payment
The Group has adopted equity-settled share-based payment plans and cash-settled share-based payment plans.
1) Equity-settled share options
The Group granted equity-settled share options as an incentive plan for its Board Directors (excluding External Board Directors) and employees until the fiscal year ended March 31, 2016.
The Group recognizes the services received as consideration for the share options as an expense, and the corresponding amount is recognized as an increase in equity. The expense is estimated by the fair value of the share options at the grant date. The fair value is calculated, taking into account the terms and conditions of the options, primarily by using the Black-Scholes model.

2) Equity-settled Board Incentive Plan (BIP) trust
The Group has adopted an equity-settled BIP trust as an incentive plan for its Board Directors (excluding External Board Directors), Corporate Executive Officers and Corporate Officers since the fiscal year ended March 31, 2017.
The fair value of points at the grant date is recognized as an expense over the period from the grant date to the vesting date, and the corresponding amount is recognized as an increase in common stock. The fair value of points at the grant date is calculated using the adjusted market price of shares which takes into account expected dividend yields.

3) Cash-settled share-based payment plan
The Group measures at fair value the liability incurred in the cash-settled share-based payment plan. The fair value of the liability is remeasured at the closing date and the settlement date, and the changes in the fair value are recognized in profit or loss.

(16) Revenue recognition
The Group recognizes its main revenues as follows:
1) Revenue from advertisement placement services
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.
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.
Of the advertisement placement services, revenue from advertisement placement on the Internet is recognized over the period the advertisement is placed on the website, and revenue from services for advertisement placement in information magazines is recognized at the date of their publication.

2) Revenue from employment placement services

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. Revenue from employment placement services is recognized at the time of employment by the client.

3) Revenue from staffing services

The Group provides staffing services mainly for administrative jobs, manufacturing jobs and light works, as well as various specialist positions to clients. Revenue from staffing services is recognized based on the working hour of the staff during the dispatch period.

4) Revenue from sale of goods

The Group engages in the sale of magazines and other goods to customers. Revenue from the sale of goods is recognized when (i) the significant risks and rewards of ownership of the goods transfer to the buyers, (ii) the Group retains neither continuing involvement nor effective managerial control over the goods sold, (iii) it is probable that the economic benefits related to the transaction will flow to the Group, and (iv) the amount of costs and revenue arising from the transaction can be measured reliably.

(17) Income taxes

Income taxes are the sum of current tax expenses and deferred tax expenses and recognized in profit or loss, except for taxes arising from items that are directly recognized in other comprehensive income or in equity and taxes arising from business combinations.

1) Current tax expenses

Current tax expenses are measured at the amount expected to be paid to or refunded from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the closing date.

2) Deferred tax expenses

Deferred tax expenses are calculated based on the temporary differences between the tax base for assets and liabilities and their carrying amount for accounting purposes at the closing date. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized, in principle, for all taxable temporary differences.

Deferred tax assets are not recognized for the following temporary differences:

· temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit (tax loss) at the time of transaction, and
· deductible temporary differences arising from investments in subsidiaries and associates where it is probable that the temporary difference will not reverse in the foreseeable future or it is not probable that future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities are not recognized for the following temporary differences:

· temporary differences arising from the initial recognition of goodwill,
· temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit (tax loss) at the time of transaction, and
· taxable temporary differences arising from investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, using the tax rates that have been enacted or substantively enacted by the closing date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the assets and liabilities relate to income taxes are levied by the same taxation authority on the same taxable entity.

4. Significant Accounting Judgments, Accounting Estimates and Assumptions

In preparing the consolidated financial statements, management makes judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on management’s best judgments in light of historical experience and various factors deemed to be reasonable according to each situation. By their nature, however, actual results may differ from these estimates and assumptions, leading to material effects on the amounts recognized in the consolidated financial statements of future periods due to changes in uncertain future economic conditions.
Estimates and their underlying assumptions are continuously reviewed. The effects of any revisions to these estimates are recognized in the period of the revision and future periods.
Estimates and assumptions that significantly affect the amounts recognized in the consolidated financial statements are as follows:

(1) Fair value estimation of assets acquired and liabilities assumed in business combinations

The Group measures identifiable assets acquired and liabilities assumed in a business combination at their acquisition-date fair values. In determining fair values, assumptions about estimated future cash flows, discount rates and other factors are used. These assumptions represent management’s best estimates. However, they may be affected by changes in uncertain future economic conditions.

(2) Method of fair value measurement of financial instruments

When measuring the fair values of particular financial instruments, the Group uses a valuation technique that includes unobservable inputs. The unobservable inputs may be affected by changes in uncertain future economic conditions.

(3) Impairment of property, plant and equipment, goodwill and intangible assets

The Group tests property, plant and equipment, goodwill and intangible assets for impairment in accordance with ”3. Significant Accounting Policies.”
When determining recoverable amounts in an impairment test, assumptions about estimated future cash flows, discount rates and other factors are used. These assumptions represent management’s best estimates and judgments. However, they may be affected by changes in uncertain future economic conditions.

(4) Provisions

Provisions are measured based on management’s best estimates and judgments at the reporting date of the expenditures expected to be required to settle the obligations in the future.
The expenditures expected to be required to settle the obligations in the future are determined by considering possible future outcomes comprehensively. However, they may be affected by the occurrence of unforeseeable events or other changes in circumstances.

(5) Assessment of defined benefit obligations

The Group has defined benefit plans as retirement benefit plans. For each defined benefit plan, the present value of defined benefit obligations and the related costs including service cost are determined based on the actuarial assumptions on discount rates, mortality rates and other factors.
These assumptions represent management’s best estimates and judgments. However, they may be affected by changes in uncertain future economic conditions.

(6) Recoverability of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences, operating losses and tax credit carryforwards, based on the period in which it is probable that sufficient amount of future taxable income will be available against which the deductible temporary differences can be utilized.
The period in which it is probable that sufficient amount of taxable income will be available represent management’s best estimates and judgments. However, they may be affected by changes in uncertain future economic conditions.

5. Operating Segments

(1) Overview of Reportable Segments

The Group's reportable segments are those components of the Group for which discrete 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 three reportable segments by type of business, namely, (1) HR Technology segment, (2) Media & Solutions segment, and (3) Staffing segment.
The HR Technology segment consists of the operations of *Indeed*, an online job search engine and its related businesses.
The Media & Solutions segment consists of two business operations, namely, the Marketing Solutions and the HR Solutions.
The Staffing segment consists of two business operations, namely, Japan and Overseas.

Matters concerning changes, etc. in reportable segments

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, the Group has worked to expand its business value based on the three Strategic Business Units (SBUs) of HR Technology, Media & Solutions and Staffing.
In order to further enhance these initiatives and because the aforementioned SBUs have become the units based on which the Board of Directors decide on the allocation of operating resources and assess business performance, effective from April 1, 2017, the previous reportable segments of “Marketing Media,” “HR Media,” “Staffing” and “Other” have been changed.
Segment information for the fiscal year ended March 31, 2017 was prepared and disclosed in accordance with the current classification method for reportable segments.

(2) Information on Reportable Segments

Income of reportable segments is EBITDA (operating income + depreciation and amortization ± other operating income/expenses). Segment profit of corporate expenses/eliminations includes management consulting fees from the Group companies and corporate expenses not allocated to any reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not allocable to the segments. Intersegment revenue or transfers are calculated based on a price used in transactions with third parties. Segment assets are not stated as they are not calculated.

Fiscal Year Ended March 31, 2017

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	129,254	654,396	1,158,271	1,941,922	-	1,941,922
Intersegment revenue or transfers	3,453	3,805	12,612	19,870	(19,870)	-
Total	132,707	658,201	1,170,883	1,961,792	(19,870)	1,941,922
Segment profit (loss)	16,704	151,529	65,652	233,886	(1,681)	232,205
Depreciation and amortization						52,425
Other operating income						24,317
Other operating expenses						10,583
Operating income						193,513
Share of profit of associates and joint ventures						4,432
Finance income						3,046
Finance costs						2,062
Profit before tax						198,929

Fiscal Year Ended March 31, 2018

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	213,260	674,539	1,285,585	2,173,385	-	2,173,385
Intersegment revenue or transfers	5,272	5,454	13,286	24,013	(24,013)	-
Total	218,533	679,994	1,298,871	2,197,399	(24,013)	2,173,385
Segment profit (loss)	30,621	156,154	72,724	259,500	(1,086)	258,413
Depreciation and amortization						61,363
Other operating income						5,760
Other operating expenses						11,015
Operating income						191,794
Share of profit of associates and joint ventures						2,918
Finance income						5,618
Finance costs						1,102
Profit before tax						199,228

(3) Information on Products and Services

This information is omitted because the products and services are segmented by reportable segment.

(4) Information on Regions

1) Revenue from third parties

(in millions of yen)

	Fiscal year ended March 31, 2017	Fiscal Year Ended March 31, 2018
Japan	1,099,575	1,172,254
The United States	332,497	381,632
Others	509,850	619,499
Total	1,941,922	2,173,385

Revenue is classified based on locations where third parties reside.

2) Non-current assets (excluding financial assets and deferred tax assets)

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of March 31, 2017	As of March 31, 2018
Japan	132,719	148,682	162,859
The United States	155,813	156,320	144,255
The Netherlands	2,114	182,409	193,863
Others	62,368	100,174	104,511
Total	353,017	587,587	605,490

(5) Information on Major Customers

This information is omitted because among revenue from third parties there are no counterparties who account for 10% or more of revenue in the consolidated statement of profit or loss for the fiscal years ended March 31, 2017 and 2018.

6. Per Share Information

(1) The amount of basic earnings per share and the basis for its calculation are as follows:

(in millions of yen, unless otherwise stated)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Basic earnings per share (yen)	81.33	90.79
Basis for calculation:		
Profit (loss) attributable to owners of the parent	136,654	151,667
Amount not attributable to common shareholders of the parent	-	-
Profit (loss) used in the calculation of basic earnings per share	136,654	151,667
Weighted average number of shares of common stock outstanding (thousand shares)	1,680,329	1,670,462

(2) The amount of diluted earnings per share and the basis for its calculation are as follows:

(in millions of yen, unless otherwise stated)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018
Diluted earnings per share (yen)	81.19	90.60
Basis for calculation:		
Profit (loss) used in the calculation of diluted earnings per share		
Profit (loss) used in the calculation of basic earnings per share	136,654	151,667
Adjustment on profit (loss)	-	-
Profit (loss) used in the calculation of diluted earnings per share	136,654	151,667
Weighted average number of shares of common stock outstanding used in the calculation of diluted earnings per share		
Weighted average number of shares of common stock outstanding used in the calculation of basic earnings per share (thousand shares)	1,680,329	1,670,462
Effect of dilutive potential common stock (thousand shares)	2,899	3,534
Weighted average number of shares of common stock outstanding used in the calculation of diluted earnings per share (thousand shares)	1,683,229	1,673,997

Note: The Company implemented a three-for-one stock split of its common stock effective on July 1, 2017. The amounts of basic earnings per share and diluted earnings per share are calculated assuming that the stock split was implemented at the beginning of the previous fiscal year.

7. Subsequent Events

Acquisition of Companies, etc. through Share Purchase

The Company has entered into a definitive agreement on May 9, 2018 to acquire Glassdoor, Inc., an unlisted US company, in cash through RGF OHR USA Merger Sub Inc., a subsidiary of the Company. The outline of this acquisition is set out below.

(1) Outline of the acquisition

1) Name of the acquiree and description of its business

Name of the acquiree: Glassdoor, Inc.

Description of business: Job site known for its large repository of company reviews and salary information

2) Purpose of the acquisition

The Company believes that there are significant opportunities to use technology to achieve innovation in the HR industry. In 2012, the Company acquired Indeed, a leading job search site to be the platform for global online recruiting. In the mid-term, the Company seeks to further expand in the US and globally through both organic growth and M&A investments.

In line with this growth strategy, the Company has decided to enter into an agreement to acquire Glassdoor, Inc. (“Glassdoor”), one of the largest and fastest growing job sites in the world. The Company foresees significant opportunities for growth as Glassdoor and Indeed 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 aggregation, job seeker and employer matching, and utilizing direct job seeker input to improve the overall job search experience.

3) Date of acquisition

In the second quarter of the fiscal year ending March 31, 2019 (from July 1, 2018 to September 30, 2018)

4) Legal form of acquisition

Purchase of shares

5) Name of the entity after the acquisition

There will be no change to the name of the entity after the acquisition.

6) Percentage of voting rights acquired

The percentage of voting rights held after the acquisition is 100%.

7) Financing

Scheduled to be financed through cash on hand.

(2) Acquisition cost of the acquiree

Purchase price for the acquisition of shares in Glassdoor, Inc.: US$1.2 billion (approximately ¥127.2 billion)

(3) Amount of and reason for goodwill recognized, and amounts of assets acquired and liabilities assumed on the date of the business combination

In the process of calculation at the time of this report.

8. First-time Adoption

The Group has disclosed the consolidated financial statements in conformity with IFRS from the current fiscal year ended March 31, 2018. The most recent consolidated financial statements prepared in conformity with accounting standards generally accepted in Japan ("JGAAP") are for those for the fiscal year ended March 31, 2017 and the date of transition to IFRS is April 1, 2016.
The effect of the transition from JGAAP to IFRS on the financial position, operating results and cash flows is presented in the following reconciliation sheets and notes regarding reconciliation. In the reconciliation tables, "Reclassifications" includes items that that do not have an effect on retained earnings or comprehensive income, and "Difference in recognition and measurement" includes items that do have an effect on retained earnings or comprehensive income.

IFRS 1 requires that, in principle, first-time adopters retrospectively apply the requirements of IFRS. However, IFRS 1 prohibits retrospective application of certain requirements of IFRS. For "Estimates," "Derecognition of financial assets and financial liabilities," "Hedge accounting" and "Non-controlling interests," the Group only applies IFRS to transactions occurring on or after the date of transition to IFRS. In addition, IFRS 1 permits exemptions of certain requirements of IFRS (IFRS 1 Exemptions). In accordance with these provisions, effects of the transition to IFRS are reconciled in retained earnings or other components of equity as of the date of transition to IFRS.

Stated below are the exemptions under IFRS 1 that the Group has elected to use in transitioning from JGAAP to IFRS.

・ The Group has not applied IFRS 3 "Business Combinations" to business combinations that occurred prior to the date of transition to IFRS.
・ The Group has not applied IAS 21 "The Effects of Changes in Foreign Exchange Rates" to the cumulative amount of the exchange differences relating to investments in foreign operations that occurred prior to the date of transition to IFRS and the differences for foreign operations are deemed to be zero as of the date of transition to IFRS.
・ The Group applied IFRS 9 "Financial Instruments" to the financial instruments held by the Group and designated equity financial assets as financial assets measured at fair value through other comprehensive income.

Reconciliation of Equity as of the Date of Transition to IFRS (April 1, 2016)

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	257,741	52,581	(461)	309,860		Cash and cash equivalents
Notes and accounts receivable-trade	222,288	(1,534)	1,245	221,998	6	Trade and other receivables
Securities	53,176	(32,147)	763	21,792		Other financial assets
Deferred tax assets	23,264	(23,264)				
Other current assets	37,524	(23,155)	84	14,454		Other current assets
Allowance for doubtful accounts	(4,256)	4,256				
Total current assets	589,739	(23,264)	1,632	568,106		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment						
Buildings and structures, net	9,767	22,664	7,082	39,515	1	Property, plant and equipment
Land	7,743	(7,743)				
Other, net	14,921	(14,921)				
Intangible assets						
Goodwill	213,051	-	(43,787)	169,264	2, 10	Goodwill
Software	70,938	77,604	(9,858)	138,684	10	Intangible assets
Other	77,604	(77,604)				
Investments and other assets						
Investment securities	120,854	(84,817)	(1,838)	34,199		Investments in associates and joint ventures
		110,145	(282)	109,862	3	Other non-current financial assets
Deferred tax assets	11,757	23,264	(2,158)	32,864	11	Deferred tax assets
Net defined benefit asset	3	8,971	(3,421)	5,552	7	Other non-current assets
Other non-current assets	34,588	(34,588)				
Allowance for doubtful accounts	(288)	288				
Total noncurrent assets	560,942	23,264	(54,264)	529,942		Total non-current assets
Total assets	1,150,681	-	(52,631)	1,098,049		Total assets

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	60,104	94,933	(1,763)	153,274	7	Trade and other payables
Current portion of long-term debt	15,000	44	0	15,044		Bonds and borrowings
Accrued expenses	85,354	(79,165)	265	6,453		Other financial liabilities
Income tax payables	40,050	(1,380)	567	39,237		Income tax payables
Accrued employees' bonuses	24,728	(24,728)				
Other current liabilities	56,758	(52,560)	14	4,212		Provisions
		58,477	53,553	112,030	4, 6	Other current liabilities
Total current liabilities	281,997	(4,380)	52,637	330,253		Total current liabilities
Long-term liabilities						Non-current liabilities
Other long-term liabilities	4,568	(4,400)	3,669	3,837		Other financial liabilities
		238	2,972	3,210		Provisions
Net defined benefit liability	28,750	1,808	13,460	44,019	5	Net defined benefit liability
Deferred tax liabilities	49,693	18	(13,629)	36,082	11	Deferred tax liabilities
Workers' compensation liability	8,671	6,715	(2,985)	12,401		Other non-current liabilities
Total long-term liabilities	91,683	4,380	3,488	99,553		Total non-current liabilities
Total liabilities	373,680	-	56,125	429,806		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	53,756	-	-	53,756		Share premium
Retained earnings	596,305	-	1,883	598,188		Retained earnings
Treasury stock	(495)	-	-	(495)		Treasury shares
Accumulated other comprehensive income	110,712	2,137	(110,543)	2,306	3, 8	Other components of equity
Stock acquisition rights	2,137	(2,137)				
		-	(108,660)	663,755		Total equity attributable to owners of the parent
Non-controlling interests	4,585	-	(97)	4,487		Non-controlling interests
Total equity	777,000	-	(108,757)	668,243		Total equity
Total liabilities and equity	1,150,681	-	(52,631)	1,098,049		Total liabilities and equity

Reconciliation of Equity as of March 31, 2017

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	261,342	84,334	9,520	355,196		Cash and cash equivalents
Notes and accounts receivable-trade	305,336	(2,506)	(8,373)	294,456	6	Trade and other receivables
Securities	85,000	(63,577)	(91)	21,330		Other financial assets
Deferred tax assets	25,079	(25,079)				
Other current assets	42,330	(22,907)	987	20,410		Other current assets
Allowance for doubtful accounts	(4,656)	4,656				
Total current assets	714,431	(25,079)	2,042	691,394		Total current assets
Noncurrent assets						
Property, plant and equipment						Non-current assets
Buildings and structures, net	18,127	24,085	6,945	49,158	1	Property, plant and equipment
Land	7,758	(7,758)				
Other, net	16,326	(16,326)				
Intangible assets						
Goodwill	282,555	-	20,718	303,273	2, 10	Goodwill
Software	88,940	151,900	(10,926)	229,914	10	Intangible assets
Customer related assets	95,307	(95,307)				
Other	56,593	(56,593)				
Investments and other assets						
Investment securities	121,800	(83,114)	(1,058)	37,627		Investments in associates and joint ventures
		112,679	733	113,413	3	Other non-current financial assets
Deferred tax assets	11,766	25,079	(3,965)	32,879	11	Deferred tax assets
Other noncurrent assets	36,377	(29,936)	(1,199)	5,241	7	Other non-current assets
Allowance for doubtful accounts	(371)	371				
Total noncurrent assets	735,183	25,079	11,245	771,508		Total non-current assets
Total assets	1,449,614	-	13,288	1,462,903		Total assets

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	68,029	108,618	(2,699)	173,947	7	Trade and other payables
Current portion of long-term debt	24,957	879	(869)	24,967		Bonds and borrowings
Accrued expenses	97,891	(94,945)	151	3,097		Other financial liabilities
Income tax payables	35,218	(2,875)	504	32,847		Income tax payables
Accrued employees' bonuses	26,022	(26,022)				
Other current liabilities	107,285	(97,843)	(328)	9,114		Provisions
		109,398	60,152	169,551	4, 6	Other current liabilities
Total current liabilities	359,404	(2,791)	56,912	413,524		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	50,000	137,366	(745)	186,620		Bonds and borrowings
Long-term debt	137,366	(137,366)				
Other long-term liabilities	16,573	(15,414)	801	1,960		Other financial liabilities
		1,115	3,083	4,198		Provisions
Net defined benefit liability	29,214	1,805	12,328	43,349	5	Net defined benefit liability
Deferred tax liabilities	69,973	193	(17,428)	52,739	11	Deferred tax liabilities
Workers' compensation liability	8,541	15,091	(5,888)	17,743		Other non-current liabilities
Total long-term liabilities	311,670	2,791	(7,849)	306,612		Total non-current liabilities
Total liabilities	671,074	-	49,062	720,137		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	52,874	-	(344)	52,529		Share premium
Retained earnings	653,490	-	60,564	714,055		Retained earnings
Treasury shares	(31,640)	-	-	(31,640)		Treasury shares
Accumulated other comprehensive income	86,062	2,042	(95,474)	(7,369)	3, 8	Other components of equity
Stock acquisition rights	2,042	(2,042)				
		-	(35,254)	737,575		Total equity attributable to owners of the parent
Non-controlling interests	5,710	-	(520)	5,190		Non-controlling interests
Total equity	778,540	-	(35,774)	742,765		Total equity
Total liabilities and equity	1,449,614	-	13,288	1,462,903		Total liabilities and equity

Reconciliation of Comprehensive Income for the Year Ended March 31, 2017

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	1,839,987	-	101,934	1,941,922	6, 9, 10	Revenue
Cost of sales	979,110	-	72,400	1,051,510	4, 5, 6, 9, 10	Cost of sales
Gross profit	860,876	-	29,534	890,411		Gross profit
Selling, general and administrative expenses	733,669	-	(23,037)	710,631	1, 2, 4, 5, 7, 9, 10	Selling, general and administrative expenses
		23,768	548	24,317		Other operating income
		11,051	(467)	10,583		Other operating expenses
Operating income	127,207	12,717	53,588	193,513		Operating income
Non-operating income	6,631	(6,631)				
Non-operating expenses	2,120	(2,120)				
Extraordinary income	28,570	(28,570)				
Extraordinary losses	11,028	(11,028)				
		3,823	609	4,432		Share of profit of associates and joint ventures
		7,609	(4,563)	3,046	3	Finance income
		2,096	(33)	2,062	3	Finance costs
Profit before taxes	149,260	-	49,668	198,929		Profit before tax
Income taxes	63,197	-	(1,527)	61,669	11	Income tax expense
Net income	86,063	-	51,196	137,260		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	2,121	-	3,007	5,129	3	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	912	-	10	923		Remeasurements of defined benefit plans
		188	-	188		Share of other comprehensive income of associates and joint ventures
		188	3,018	6,240		Subtotal
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(27,482)	(2,741)	18,726	(11,497)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	2,157	-	(1,533)	624		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income (loss) in affiliated companies	(2,553)	2,553				
		(188)	17,193	(10,873)		Subtotal
Total other comprehensive income (loss)	(24,844)	-	20,211	(4,632)		Other comprehensive income (loss) for the year, net of tax
Comprehensive income	61,219	-	71,408	132,627		Comprehensive income for the year

RECRUIT

Notes on Reconciliation

(1) Reclassifications

The main reclassifications are as follows:

- Time deposits with maturities over three months included in cash and cash equivalents under JGAAP are presented as other financial assets (current under IFRS.
- Short-term investments due within three months of the date of acquisition included in securities under JGAAP are presented as cash and cash equivalents under IFRS.
- Financial assets and financial liabilities are presented separately in accordance with the presentation rules of IFRS.
- Deferred tax assets and deferred tax liabilities are reclassified to non-current assets and non-current liabilities under IFRS.
- Subscription rights to shares which were presented separately under JGAAP are presented as other components of equity under IFRS.
- Of the items that were presented as non-operating income, non-operating expenses, extraordinary income and extraordinary losses under JGAAP, finance-related items are presented as finance income or finance costs and other items are presented as other operating income, other operating expenses or share of profit (loss) of investments accounted for using the equity method under IFRS.

(2) Difference in recognition and measurement

1. Depreciation

Under JGAAP, the Group principally adopted the declining-balance method for depreciation of property, plant and equipment (excluding lease assets. Under IFRS, the Group adopts the straight-line method.

2. Goodwill

Under JGAAP, the Group conducted impairment assessments only when there was an indication of impairment, but under IFRS, the Group conducts impairment tests on goodwill annually.
As a result of the impairment test conducted on the transition date, the carrying amount of goodwill was reduced to the recoverable amount since the recoverable amount of goodwill fell below the carrying amount, and ¥33,055 million was recognized as an impairment loss.
The recoverable amount was determined based on the value in use and, a discount rate of 13.83% to 31.55% derived from the weighted average cost of capital before tax was used in estimating the value in use of goodwill for which an impairment loss was recognized. The material goodwill for which an impairment loss was recognized was generated from cash generating units relating to Quandoo GmbH and an impairment loss of ¥22,858 million was recognized for the entire amount of the goodwill.
The value in use is determined using the estimation of cash flows before tax for the next five years based on the business plans of each cash-generating unit approved by management. For periods beyond those covered by the business plans, a going concern value is determined.
The business plans represent management's assessment of future trends in the business and historical data, and were prepared based on external and internal information. In determining the going concern value, a growth rate of 2.00% to 4.92% was used for each cash-generating unit.
In addition, under JGAAP, goodwill was systematically amortized over a period in which the goodwill was reasonably expected to have an effect, but under IFRS, the Group has stopped amortizing goodwill since the date of transition to IFRS. Consequently, selling, general and administrative expenses decreased by ¥53,533 million for the year ended March 31, 2017.

3. Equity financial assets

Under JGAAP, the Group principally measured unlisted equity financial assets at cost, but under IFRS, they are principally measured at fair value, and therefore, the amount of other non-current financial assets fluctuates.
In addition, under JGAAP, gains or losses on sales and impairment losses of equity financial assets were recognized in profit or loss, but under IFRS, for financial assets designated to be measured at fair value through other comprehensive income, the changes in fair values are recognized as other comprehensive income and transferred to retained earnings.

4. Unused paid absences

Unused paid absences which was not required to be accounted for under JGAAP is recognized as a liability under IFRS.

5. Retirement benefit obligations for defined benefit plans

Under JGAAP, actuarial differences were amortized by the straight-line method over a definite period within the average remaining service years of employees at the time of occurrence and proportionately charged to income from the fiscal year following the fiscal year of occurrence and past service cost was amortized by the straight-line method over a period within the average remaining service years of employees at the time of occurrence and proportionately charged to income from the fiscal year of occurrence. Under IFRS, actuarial differences are recognized in other comprehensive income at the time of occurrence and past service cost is recognized in profit or loss at the time of occurrence.
In addition, under IFRS, retirement benefits are recalculated in accordance with the provisions of IFRS and the reconciliation of the difference arising principally from the inter-period allocation method of retirement benefit obligation is reflected in retained earnings.

6. Revenue

While under JGAAP, the Group recognized revenue for online advertisements in its entirety upon their first time placement on the website, under IFRS, the Group records such revenue as deferred income under liabilities upon the placement of the advertisement on the website and recognizes the revenue over the period of the placement.
In addition, under JGAAP, revenue and cost of ticket sales at the discount ticket group purchasing website "Ponpare" were presented on a gross basis, but under IFRS, they are presented on a net basis.

7. Provision for contingent payments for business combinations

Under JGAAP, consideration paid to employees, etc. on condition of their continuing services after business combinations were included in the cost of the business combination, but under IFRS, the Group accounts for such consideration as a payment of remuneration to employees through a transaction separate from a business combination.
In addition, under JGAAP, consideration contributed to an escrow account in accordance with the share transfer agreement was recorded under investments and other assets until the payment was confirmed, but under IFRS, it is accounted for as a cost of the business combination at the date on which control is obtained.

8. Exchange difference on translation of foreign operations

The Group elected the exemption provided in IFRS 1 and the outstanding balance of cumulative exchange differences on translation of foreign operations is fully transferred to retained earnings on the date of transition to IFRS.

9. Business combinations related to Recruit Global Staffing B.V. (renamed from USG People B.V. in January 2018)

On June 1, 2016, the Group acquired Recruit Global Staffing B.V. and made the company a subsidiary. Under JGAAP, June 30, 2016 was considered to be the deemed acquisition date, but under IFRS, June 1, 2016 is the date on which the acquirer obtains control of the acquiree.
In addition, under JGAAP, for the business combination related to Recruit Global Staffing B.V., since the allocation of the cost was not completed as of June 30, 2016, goodwill was recognized and measured at the amount determined under provisional accounting based on reasonable information available at that time. Under IFRS, the amounts are retrospectively adjusted to the date on which control was obtained to reflect the finalization of accounting. Consequently, goodwill decreased by ¥61,988 million, and intangible assets and deferred tax liabilities increased by ¥88,089 million and ¥26,100 million, respectively.

10. Unification of reporting periods

Under JGAAP, a consolidated subsidiary whose difference between its closing date and that of the parent company is no more than three months was consolidated using the financial statements of the subsidiary by making adjustments for significant transactions between the closing date of the subsidiary and that of the parent company. Under IFRS, such subsidiary is consolidated using the provisional financial statements prepared as of the closing date of the parent company. As a result, goodwill decreased by ¥10,731 million mainly due to a change in the foreign exchange rate on the transition date. Further, revenue, cost of sales and selling, general and administrative expenses each increased as follows in line with the unification of the reporting period of Recruit Global Staffing B.V.

(in millions of yen)

	Year Ended March 31, 2017
Revenue	108,452
Cost of sales	87,063
Selling, general and administrative expenses	18,235

11. Reconciliation off deferred tax assets and deferred tax liabilities

The reconciliation of deferred tax assets and deferred tax liabilities are made mainly because of the temporary differences incurred in the process of reconciliations required in transitioning from JGAAP to IFRS.

(3) Reconciliation of retained earnings

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of March 31, 2017
1) Depreciation	4,015	4,389
2) Goodwill	(33,055)	20,914
3) Equity instruments	29,358	30,540
4) Unused paid absences	(20,428)	(23,136)
5) Retirement benefit obligations for defined benefit plans	(16,977)	(14,900)
6) Revenue	(31,490)	(33,038)
7) Provision for contingent payments for business combinations	(6,395)	(5,190)
8) Exchange differences on translation of foreign operations	70,077	70,077
Other	(9,380)	(8,493)
Impact of tax effects	16,160	19,402
Reconciliation of retained earnings	1,883	60,564

(4) Reconciliation of cash flows

The impacts on cash flows with the transition from JGAAP to IFRS are mainly due to (i) the unification of reporting periods of consolidated subsidiaries, (ii) difference of the date of accounting for business combinations due to the difference in the treatment of deemed acquisition date, and (iii) difference of certain treatment of contingent payments for business combinations.