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February 14, 2018

Recruit Holdings Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Nine Months Ended December 31, 2017
(IFRS, Unaudited)

Tokyo, February 14, 2018—Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") announced today its consolidated financial results for the nine months ended December 31, 2017.

(Amounts are rounded to the nearest million yen)

Consolidated Operating Results for the Nine Months Ended December 31, 2017 (April 1 to December 31, 2017)

	Nine Months Ended December 31,		% change
	2016	2017	
	(in millions of yen)		
Revenue	1,422,982	1,616,897	13.6%
EBITDA[1]	189,534	215,659	13.8%
Operating income	167,964	166,679	-0.8%
Profit before tax	171,678	171,853	0.1%
Profit for the period	119,498	129,144	8.1%
Profit attributable to owners of the parent	119,005	128,613	8.1%
Profit available for dividends[2]	103,527	113,207	9.4%
Total comprehensive income	119,323	155,041	29.9%
Earnings per share –Basic (yen)	70.69	76.99	-
Earnings per share –Diluted (yen)	70.57	76.83	-
Adjusted EPS (yen)[3]	67.02	73.48	9.6%

Selected Consolidated Balance Sheet Information

	As of March 31, 2017	As of December 31, 2017
	(in millions of yen)	
Total assets	1,462,903	1,534,887
Total equity	742,765	840,798
Equity attributable to owners of the parent	737,575	835,725
Ratio of equity attributable to owners of the parent (%)	50.4%	54.4%

Dividends for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018) ("Fiscal Year 2017" or "FY2017")

The Company's dividend forecast for Fiscal Year 2017 has remained unchanged since May 12, 2017.

	FY2016	FY2017
Annual amount of dividends		
At the end of Q1	-	-
At the end of Q2	0.00	11.00
At the end of Q3	-	-
At the end of Q4	65.00*	Not Available
Total	65.00*	22.00 (Forecast)

Note: See the note for the three-for-one stock split on page 2.

Outlook for Fiscal Year 2017

The Company's consolidated earnings forecasts for Fiscal Year 2017 have been revised upward on February 14, 2018.

	FY2016	FY2017 (Forecast)	% change
	(in millions of yen)		
Revenue	1,941,922	2,166,000	11.5%
EBITDA	232,205	258,000	11.1%
Operating income	193,513	191,500	-1.0%
Profit attributable to owners of the parent	136,654	149,000	9.0%
Profit available for dividends	122,131	129,500	6.0%
Earnings per share –Basic (yen)	81.33	89.19	-
Adjusted EPS (yen)	80.06	85.30	6.5%

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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 December 31, 2017
Number of shares issued including treasury shares	1,695,960,030	1,695,960,030
Number of treasury shares	25,375,680	25,436,967

	Nine Months Ended December 31,	
	2016	2017
Average number of shares during the period	1,683,519,901	1,670,436,113

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 such as basic EPS, diluted EPS, and dividends is also calculated based on the same assumption. The annual dividend forecast for Fiscal Year 2017 without considering the stock split will be ¥66.

Definition of the Management KPIs

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. 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

Appropriate Use of Financial Results Forecast and Other Special Notes

The Company has adopted the International Financial Reporting Standards ("IFRS") from the first quarter of the fiscal year ending March 31, 2018. For differences between IFRS-based and Japanese GAAP-based financial figures, please refer to "2. Condensed Consolidated Financial Statements and Primary Notes, (7) Notes to Condensed Consolidated Financial Statements, 6. First-time Adoption."

The figures for the year ended March 31, 2017 used for calculating the percentage of year-on-year changes are finalized figures based on IFRS in this document. Since the IFRS figures reported in the consolidated financial results for the year ended March 31, 2017 were approximations, the percentage of year-on-year changes were amended as appropriate.

The consolidated earnings forecast mentioned in this document includes future assumptions and projections as well as forecasts based on plans as of the disclosure date of this document. There are possibilities that actual results may differ significantly from this forecast due to various factors in the future.

Link for Slides and Video of FY 2017 Q3 Financial Results in English

http://www.recruit-rgf.com/ir/library/report/

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1. Management's Discussion and Analysis for the Three Months and Nine Months Ended December 31, 2017

Adoption of IFRS

The Company has adopted International Financial Reporting Standards in place of Japanese GAAP from the beginning of 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 "2. Condensed Consolidated Financial Statements, (7) Notes to Condensed Consolidated Financial Statements and Primary Notes, 6. First-time Adoption."

Consolidated Results of Operations

	Three Months Ended December 31,		Variance	% change	Nine Months Ended December 31,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Consolidated operating results								
Revenue[1]	498.2	553.8	55.5	11.2%	1,422.9	1,616.8	193.9	13.6%
HR Technology	34.3	57.4	23.0	67.3%	93.3	156.6	63.2	67.7%
Media & Solutions	159.7	166.7	7.0	4.4%	482.2	498.7	16.4	3.4%
Staffing	308.6	336.2	27.5	8.9%	861.4	978.9	117.4	13.6%
Operating income	50.4	58.2	7.8	15.5%	167.9	166.6	(1.2)	-0.8%
Profit before tax	52.3	58.6	6.3	12.1%	171.6	171.8	0.1	0.1%
Profit for the period	35.1	46.6	11.5	32.8%	119.4	129.1	9.6	8.1%
Profit attributable to the owners of the parent	35.0	46.5	11.5	32.9%	119.0	128.6	9.6	8.1%
Management KPI								
EBITDA	67.7	76.4	8.6	12.7%	189.5	215.6	26.1	13.8%
HR Technology	4.6	7.0	2.4	51.3%	12.9	23.2	10.3	80.1%
Media & Solutions	45.6	46.1	0.5	1.2%	127.0	128.3	1.3	1.0%
Staffing	17.7	22.1	4.4	25.0%	50.2	62.8	12.6	25.2%
Adjusted EPS (yen)	23.55	25.18	1.63	6.9%	67.02	73.48	6.46	9.6%
Average exchange rate (yen)								
USD	-	-	-	-	106.60	111.69	5.09	4.8%
EUR	-	-	-	-	117.98	128.55	12.15	10.4%
AUD	-	-	-	-	80.00	85.96	5.96	7.5%
Exchange rate effects on revenues[2,3,4]								
Consolidated	-	19.0	-	-	-	51.5	-	-
Staffing segment: Overseas	-	15.6	-	-	-	42.7	-	-

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: revenues 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.
4. The amount for this quarter is calculated by deducting the amount for the second quarter from that for the nine-month period.

Overview

Recruit Holdings' consolidated revenue for the three months ended December 31, 2017 (hereinafter quarterly, or the third quarter) was ¥553.8 billion, an increase of 11.2% from the same period of the previous year. This was mainly due to continued growth of its HR Technology and Staffing segments. The exchange rate movements positively impacted the consolidated revenue during the period by ¥19.0 billion. As a result, consolidated revenue for the nine months ended December 31, 2017 was ¥1.61 trillion, an increase of 13.6% year on year. The growth rate for the nine-month period was higher than that of the third quarter since USG People B.V. (renamed Recruit Global Staffing B.V. in January 2018; hereinafter "USG People") in the Staffing segment, contributed to the consolidated results for a full nine months, two months longer than in the previous corresponding period.

Consolidated operating income for the third quarter was ¥58.2 billion, an increase of 15.5% from the same period of the previous year. This was mainly due to the income increase accompanied by revenue growth in all three segments, and a non-recurring gain from the sale of a subsidiary in the Housing and Real Estate subsegment in the third quarter. Meanwhile, operating income for the nine-month period was ¥166.6 billion, a decrease of 0.8% year on year. This decline was mainly due to a non-recurring gain of ¥21.9 billion which was recorded in the second quarter of Fiscal Year 2016 resulting from the sale of a subsidiary in the Travel subsegment.

Profit before tax for the third quarter was ¥58.6 billion, an increase of 12.1% from the same period of the previous year. Profit before tax for the nine-month period was ¥171.8 billion, an increase of 0.1% year on year.

Quarterly profit was ¥46.6 billion, an increase of 32.8% from the same period of the previous year, and profit for the nine-month period was ¥129.1 billion, an increase of 8.1% year on year. Quarterly profit attributable to owners of the parent was ¥46.5 billion, an increase of 32.9% from the same period of the previous year, and that for the nine-month period was ¥128.6 billion, an increase of 8.1% year on year. Both quarterly profit and quarterly profit attributable to owners of the parent benefited from lower income tax expense mainly resulting from tax reforms in the United States and European countries.

Management Key Performance Indicators

Consolidated EBITDA for the third quarter was ¥76.4 billion, an increase of 12.7% from the same period of the previous year. This increase was mainly a result of the increased segment profit in all three segments: HR Technology, Media & Solutions and Staffing. Consolidated EBITDA for the nine-month period was ¥215.6 billion, an increase of 13.8% year on year.

Adjusted EPS for the third quarter was ¥25.18, an increase of 6.9% from the same period of the previous year and adjusted EPS for the nine-month period was ¥73.48, an increase of 9.6% year on year. Quarterly profit available for dividends was ¥38.7 billion, an increase of 6.8% from the same period of the previous year, and for the nine-month period was ¥113.2 billion, an increase of 9.4% year on year.

Regarding the financial results of the existing businesses, which exclude earnings from subsidiaries newly consolidated during the reporting fiscal year, quarterly revenue and EBITDA was ¥553.4 billion and ¥76.4 billion, respectively. For the nine-month period, revenue was ¥1,616.5 billion and EBITDA was ¥215.7 billion.

Management Measures during the Third Quarter of Fiscal Year 2017

Progress in the Group Reorganization

The Company has been proceeding with its Group Reorganization with the aim to promote and accelerate strategy execution by the three individual Strategic Business Units (hereinafter “SBUs”).

Global Staffing SBU (Staffing segment) established its SBU headquarters, an intermediate holding company. Overseas staffing subsidiaries became affiliated under the SBU headquarters on January 1, 2018 and Japanese staffing subsidiaries will be affiliated from March 31, 2018.

Media & Solutions SBU (Media & Solutions segment) will also begin to operate under a new structure with Recruit Co., Ltd., which will be renamed from Recruit Administration Co., Ltd (“RAD”), as its SBU headquarters. Media & Solutions subsidiaries will be affiliated under Recruit Co., Ltd. from April 1, 2018, in accordance with the approval of the absorption-type split agreement between the Company and RAD at the Company’s Extraordinary General Meeting of Shareholders held on January 17, 2018.

For Global Online HR SBU (HR Technology segment), the Company has been reviewing its structures, considering changes in future business environment such as the impact of the tax reform in the United States.

Under the new management structure established through the Group Reorganization, SBU headquarters will further strengthen their management capabilities to execute their independent strategy in a self-sustaining manner. Recruit Holdings will focus on and strengthen its holding company functions.

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:
http://recruit-holdings.com/ir/ir_news/2017/0927_7911.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:
http://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:
http://recruit-holdings.com/ir/ir_news/2018/0117_8098.html

Results of Operations by Segment

HR Technology

This reportable segment consists of a single business operation, namely, "Indeed," a job search engine website and its related businesses.

Quarterly revenue in the HR Technology segment was ¥57.4 billion, an increase of 67.3% 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 for the nine-month period was ¥156.6 billion, an increase of 67.7% year on year. On a US dollar basis, year-on-year revenue growth was 62.9% for the third quarter, and 60.6% for the nine-month period.

Quarterly segment EBITDA was ¥7.0 billion, an increase of 51.3% from the same period of the previous year. EBITDA growth was primarily due to the revenue growth. To support future revenue growth, the HR Technology segment continued to invest in its sales force in 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. Segment EBITDA for the nine-month period was ¥23.2 billion, an increase of 80.1% year on year.

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

	Three Months Ended December 31,		Variance	% change	Nine Months Ended December 31,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Segment revenue	34.3	57.4	23.0	67.3%	93.3	156.6	63.2	67.7%
Segment EBITDA	4.6	7.0	2.4	51.3%	12.9	23.2	10.3	80.1%
Indeed net sales (in millions of USD)	312	509	196	62.9%	873	1,403	529	60.6%

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Media & Solutions

In this reportable segment, a number of vertical platforms and related businesses are operated in two major domains: 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.

Quarterly revenue in the Media & Solutions segment was ¥166.7 billion, an increase of 4.4% from the same period of the previous year. This was primarily driven by a solid trend in the Beauty business in Marketing Solutions, and continued steady revenue growth in HR Solutions. As a result, revenue for the nine-month period was ¥498.7 billion, an increase of 3.4% year on year.

Quarterly segment EBITDA was ¥46.1 billion, an increase of 1.2% from the same period of the previous year. This was mainly due to the increased profit in Marketing Solutions. The breakdown of the segment profit was as follows: ¥29.7 billion, an increase of 10.4% from the same period of the previous year in Marketing Solutions, and ¥19.8 billion, a decrease of 3.8% in HR Solutions. This decrease in HR Solutions was mainly due to increased marketing investment in the third quarter compared to that in the same period of the previous year. As a result, segment profit for the nine-month period was ¥128.3 billion, an increase of 1.0% year on year. The breakdown of the segment profit was as follows: ¥79.7 billion from Marketing Solutions, an increase of 4.6% year on year and ¥58.0 billion from HR Solutions, an increase of 5.1%.

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

	Three Months Ended December 31,		Variance	% change	Nine Months Ended December 31,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Segment revenue	159.7	166.7	7.0	4.4%	482.2	498.7	16.4	3.4%
Marketing Solutions	89.9	93.4	3.4	3.9%	272.5	282.0	9.4	3.5%
Housing and Real Estate	24.4	23.5	(0.8)	-3.6%	74.0	73.3	(0.6)	-0.9%
Bridal	14.2	14.4	0.2	1.7%	41.5	42.2	0.7	1.8%
Travel	13.3	14.0	0.7	5.3%	44.4	44.6	0.2	0.6%
Dining	10.0	9.9	(0.1)	-1.3%	27.9	27.6	(0.3)	1.1%
Beauty	14.2	16.2	1.9	14.0%	42.1	47.0	4.8	11.6%
Others	13.6	15.1	1.5	11.3%	42.4	47.0	4.5	10.8%
HR Solutions	67.8	71.3	3.4	5.1%	203.6	211.3	7.7	3.8%
Domestic Recruiting	62.3	65.1	2.8	4.6%	187.3	193.7	6.4	3.4%
Others	5.5	6.1	0.6	11.1%	16.2	17.6	1.3	8.6%
Corporate Expenses/Eliminations	1.8	1.9	0.0	4.1%	6.1	5.2	(0.8)	-13.8%
Segment EBITDA	45.6	46.1	0.5	1.2%	127.0	128.3	1.3	1.0%
Marketing Solutions	26.9	29.7	2.7	10.4%	76.2	79.7	3.4	4.6%
HR Solutions	20.6	19.8	(0.7)	-3.8%	55.2	58.0	2.8	5.1%
Corporate Expenses/Eliminations	(1.9)	(3.3)	(1.4)	-	(4.4)	(9.4)	(4.9)	-

	FY2016				FY2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Business KPI							
Online restaurant seat reservations (Dining)[1,2]	9.63	19.40	36.92	51.53	14.48	28.28	52.75
Online salon reservations (Beauty)[1,2]	13.88	29.44	44.93	61.38	18.24	37.95	57.58
AirREGI registered accounts[3]	244	255	267	279	292	305	318
Paid *Study Sapuri* users (Others, Marketing Solutions)[3]	215	230	237	244	318	333	336
Statistical data							
Number of new housing starts[4](Housing)	247,079	253,072	250,696	223,290	249,916	246,924	244,511
Job-offers to applicants ratio[5] (Domestic Recruiting)	1.35	1.37	1.41	1.44	1.49	1.52	1.56

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 the 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 declined primarily due to the sale of a subsidiary during the third quarter. As a result, quarterly revenue decreased by 3.6% to ¥23.5 billion from the same period of the previous year. Excluding the one-time effect of the sale of the subsidiary, quarterly revenue increased by 3.2% from the same period of the previous year. Revenue for the nine-month period was ¥73.3 billion, a decrease of 0.9% year on year, mainly due to the absence of the subsidiary's revenue as mentioned above as well as the absence of a one-time revenue increase associated with the contract change in the over-the-counter business in the first quarter of Fiscal Year 2016. Excluding these one-time factors, revenue for the nine-month period increased by 5.1% year on year.

Bridal

Although the number of marrying couples and the number of couples who hold wedding receptions have been declining in Japan, the Bridal subsegment focused on responding to the high demand by major wedding venue operator clients to attract marrying couples. As a result, quarterly revenue was solid at ¥14.4 billion, an increase of 1.7% from the same period of the previous year. Revenue for the nine-month period was ¥42.2 billion, an increase of 1.8% year on year.

Travel

The uptrend in the Travel subsegment continued, driven by an increased number of hotel guests through its online reservation platform. As a result, quarterly revenue was favorable at ¥14.0 billion, an increase of 5.3% from the same period of the previous year. Revenue for the nine-month period was ¥44.6 billion, an increase of 0.6% year on year. Excluding the impact of the transfer of a subsidiary in the second quarter of Fiscal Year 2016, revenue increased by 6.4% 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 major clients were forced to limit their spending on sales promotion. Meanwhile, the subsegment intensively focused on promoting *Air Platform*, a cloud-based operational support package, and strengthened its relationship with clients by providing operational solutions to them. Quarterly revenue stagnated at ¥9.9 billion, a decrease of 1.3% from the same period of the previous year. Revenue for the nine-month period was ¥27.6 billion, a decrease of 1.1% year on 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 introduction of *SALON BOARD,* a cloud-based beauty salon vacancy management and support package. In addition, with a continued effort to extend its reach to non-urban areas, the number of *SALON BOARD* clients has further increased. As a result, quarterly revenue was favorable at ¥16.2 billion, an increase of 14.0% from the same period of the previous year. Revenue for the nine-month period was ¥47.0 billion, an increase of 11.6% year on year.

Others

Others subsegment includes Automobile, Post-secondary Education, Overseas Marketing, and *Air Platform* businesses. Quarterly revenue was strong at ¥15.1 billion, an increase of 11.3% from the same period of the previous year. Revenue for the nine-month period was ¥47.0 billion, an increase of 10.8% year on year.

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 solid growth by enhancing their brand values, strengthening user attractiveness, and reinforcing their sales structure. As a result, quarterly revenue was solid at ¥65.1 billion, an increase of 4.6% from the same period of the previous year. Revenue for the nine-month period was ¥193.7 billion, an increase of 3.4% year on year.

Others

Others subsegment includes HR development business in Japan and placement service in the Asian region. Quarterly revenue was favorable at ¥6.1 billion, an increase of 11.1% from the same period of the previous year. Revenue for the nine-month period was ¥17.6 billion, an increase of 8.6% year on year.

Staffing

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

Quarterly revenue in the Staffing segment was ¥336.2 billion, an increase of 8.9% from the same period of the previous year. This was mainly because of the increased revenue from the Japanese operations supported by its solid market environment. In addition, revenue from the overseas operations increased mainly due to the positive impact of exchange rate movements. As a result, revenue for the nine-month period was ¥978.9 billion, an increase of 13.6% year on year. The growth rate for the nine-month period was higher than that for the third quarter as USG People in the Staffing segment started to be consolidated in June 2016.

Quarterly segment EBITDA was ¥22.1 billion, an increase of 25.0% from the same period of the previous year. This was mainly due to the increased revenue from the Japanese operations. The breakdown of segment profit was as follows: ¥10.6 billion from the Japanese operations, an increase of 41.0% from the same period of the previous year, and ¥11.5 billion from the overseas operations, an increase of 13.2%. As a result, segment profit for the nine-month period was ¥62.8 billion, an increase of 25.2% year on year. Segment EBITDA was comprised of ¥31.0 billion from the Japanese operations, an increase of 40.5% year on year, and ¥31.7 billion from the overseas operations, an increase of 13.2%.

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

	Three Months Ended December 31,		Variance	% change	Nine Months Ended December 31,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Segment revenue	308.6	336.2	27.5	8.9%	861.4	978.9	117.4	13.6%
Japan	116.7	130.6	13.8	11.9%	340.7	380.3	39.6	11.6%
Overseas	191.9	205.6	13.6	7.1%	520.7	598.6	77.8	15.0%
Segment EBITDA	17.7	22.1	4.4	25.0%	50.2	62.8	12.6	25.2%
Japan	7.5	10.6	3.0	41.0%	22.1	31.0	8.9	40.5%
Overseas	10.1	11.5	1.3	13.2%	28.0	31.7	3.7	13.2%

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

Note:
Source: Japan Staffing Services Association. 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. Under this environment, the Japanese operations focused on extending existing staffing contracts. As a result, quarterly revenue was favorable at ¥130.6 billion, an increase of 11.9% from the same period of the previous year. Revenue for the nine-month period was ¥380.3 billion, an increase of 11.6% year on year.

Overseas

Quarterly revenue was ¥205.6 billion, an increase of 7.1% from the same period of the previous year. The exchange rate movements had a positive impact of ¥15.6 billion on revenue for this quarter. Excluding this effect, quarterly revenue declined by 1.2% from the same period of the previous year. This was primarily due to its profitability-focused operations based on the Unit management system. In addition, the 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.

As a result, revenue for the nine-month period was ¥598.6 billion, an increase of 15.0% year on year. The revenue growth rate for the nine-month period was higher than that for this quarter due to the timing of USG People’s consolidation as previously mentioned. The exchange rate movements for the nine-month period positively impacted revenue by ¥42.7 billion. Normalized revenue for the nine-month period, excluding the impact of USG People’s consolidation and the applied foreign exchange rates, declined by 3.3% year on year for the same reason as the growth rate of quarterly revenue.

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Analysis of Consolidated Balance Sheet

	As of March 31, 2017	As of December 31, 2017	Variance
		(in billions of yen)	
Assets			
Total current assets	691.3	714.6	23.2
Total non-current assets	771.5	820.2	48.7
Total assets	1,462.9	1,534.8	71.9
Liabilities			
Total current liabilities	413.5	383.2	(30.2)
Total non-current liabilities	306.6	310.8	4.2
Total liabilities	720.1	694.0	(26.0)
Equity			
Total equity attributable to owners of the parent	737.5	835.7	98.1
Non-controlling interests	5.1	5.0	(0.1)
Total equity	742.7	840.7	98.0
Total liabilities and equity	1,462.9	1,534.8	71.9

Assets

Total current assets as of December 31, 2017 were ¥714.6 billion, an increase of ¥23.2 billion, or 3.4%, from the end of the previous fiscal year. This was mainly due to an increase in other current assets of ¥16.9 billion and in cash and cash equivalents of ¥7.2 billion. Non-current assets were ¥820.2 billion, an increase of ¥48.7 billion, or 6.3%, from the end of the previous fiscal year. This was mainly because of an increase of ¥22.3 billion in goodwill mainly denominated in foreign currencies, due to weaker yen, an increase in intangible assets of ¥9.3 billion resulting from an increase in software, and an increase in property, plant and equipment of ¥8.3 billion mainly resulting from additions to buildings and structures. As a result, total assets as of December 31, 2017 were ¥1.53 trillion, an increase of ¥71.9 billion, or 4.9%, from the end of the previous fiscal year.

Liabilities

Current liabilities as of December 31, 2017 were ¥383.2 billion, a decrease of ¥30.2 billion, or 7.3%, from the end of the previous fiscal year. This was due to a decrease in income tax payables of ¥19.9 billion and in provisions of ¥5.2 billion. Non-current liabilities were ¥310.8 billion, an increase of ¥4.2 billion, or 1.4%, from the end of the previous fiscal year. This was mainly due to an increase in deferred tax liabilities of ¥7.2 billion, an increase in other non-current liabilities of ¥4.3 billion, an increase in net defined benefit liability of ¥2.1 billion, and an increase in other financial liabilities of ¥1.6 billion, while bonds and borrowings decreased by ¥11.8 billion. As a result, total liabilities as of December 31, 2017 were ¥694.0 billion, a decrease of ¥26.0 billion, or 3.6%, from the end of the previous fiscal year.

Equity

Total equity as of December 31, 2017 was ¥840.7 billion, an increase of ¥98.0 billion, or 13.2%, from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥74.6 billion, resulting from the recording of profit attributable to owners of the parent and payment of dividends, and an increase in other components of equity of ¥26.3 billion, mainly resulting from an increase in exchange differences on translation of foreign operations.

Analysis of Consolidated Cash Flows

	Nine Months Ended December 31,		Variance
	2016	2017	
		(in billions of yen)	
Net cash flows from operating activities	92.8	126.1	33.2
Net cash flows from investing activities	(203.3)	(51.0)	152.3
Net cash flows from financing activities	74.6	(70.3)	(145.0)
Effect of exchange rate changes on cash and cash equivalents	(0.5)	2.5	3.1
Net increase (decrease) in cash and cash equivalents	(36.4)	7.2	43.7
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	273.3	362.4	89.1

Cash and cash equivalents (hereinafter referred to as “cash”) as of December 31, 2017 was ¥362.4 billion, an increase of ¥7.2 billion from the end of the previous year, since cash inflows from operating activities exceeded cash outflows from investing and financing activities.

Cash Flows from Operating Activities

Cash provided by operating activities during the nine months ended December 31, 2017 was ¥126.1 billion, a year-on-year increase of ¥33.2 billion, or 35.8%. The difference between this amount and profit before tax of ¥171.8 billion was mainly due to the addition of ¥45.3 billion in depreciation and amortization to, and the subtraction of ¥71.8 billion in income tax paid from, the latter.

Cash Flows from Investing Activities

Cash used in investing activities during the nine months ended December 31, 2017 was ¥51.0 billion, a year-on-year decrease of ¥152.3 billion, or 74.9%. This was mainly due to ¥15.2 billion of payment for purchase of property, plant and equipment and ¥33.5 billion of payment for purchase of intangible assets.

Cash Flows from Financing Activities

Cash used in financing activities during the nine months ended December 31, 2017 was ¥70.3 billion (¥74.6 billion inflow in the previous corresponding period). This was mainly due to repayment of long-term borrowings of ¥12.4 billion and dividends paid of ¥54.4 billion.

Outlook for Fiscal Year 2017

Revision to the Consolidated Earnings Forecasts

In view of the recent performance, the Company made the following revisions to its consolidated financial forecasts for the fiscal year ending March 31, 2018, announced on May 12, 2017.

	Revenue	Operating income	Profit attributable to owners of the parent	Earnings per share-Basic
		(in millions of yen)		(yen)
Previous forecasts (a)	2,084,000	185,500	122,000	73.03
Revised forecasts (b)	**2,166,000**	**191,500**	**149,000**	**89.19**
Variance (b-a)	82,000	6,000	27,000	-
% change (b/a)	3.9%	3.2%	22.1%	-
FY2016 Results (c)	1,941,922	193,513	136,654	81.33
% change (b/c)	11.5%	-1.0%	9.0%	-

	EBITDA	Profit available for dividends	Adjusted EPS
	(in million yen)		(yen)
Previous forecasts (a)	251,000	124,000	82.01
Revised forecasts (b)	**258,000**	**129,500**	**85.30**
Variance (b-a)	7,000	5,500	3.29
% change (b/a)	2.8%	4.4%	4.0%
FY2016 Results (c)	232,205	122,131	80.06
% change (b/c)	11.1%	6.0%	6.5%

Reason for the Revision

The Company's consolidated earnings forecasts for FY2017 have been revised upward based on the Q3 results announced today. The Company expects that consolidated revenue, operating income and EBITDA for FY2017 will exceed the previous forecast, reflecting favorable results especially in the HR Technology and Staffing segments. The Company also expects that profit attributable to owners of the parent will exceed the previous forecast due to lower income tax expense mainly resulting from tax reforms in the United States and European countries, in addition to the favorable results for the nine-month period of FY2017. Foreign exchange assumptions applied are as follows: USD=110 yen, EUR=129 yen, and AUD=86 yen.

The year-end dividend forecast for FY2017 remains unchanged as of today. The Company will review the dividend forecast when the full-year consolidated earnings results are finalized, based on its dividend policy to set its payout ratio at approximately 30% of profit available for dividends.

The above consolidated financial forecasts 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 the date of this release. These forward-looking statements are based on information available to and certain assumptions by the Company as of the date of this release, 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.

2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed 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 December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	309,860	355,196	362,469
Trade and other receivables	221,998	294,456	296,157
Other current financial assets	21,792	21,330	18,599
Other current assets	14,454	20,410	37,410
Total current assets	568,106	691,394	714,636
Non-current assets			
Property, plant and equipment	39,515	49,158	57,477
Goodwill	169,264	303,273	325,610
Intangible assets	138,684	229,914	239,223
Investments in associates and joint ventures	34,199	37,627	41,067
Other non-current financial assets	109,862	113,413	120,677
Deferred tax assets	32,864	32,879	29,531
Other non-current assets	5,552	5,241	6,662
Total non-current assets	529,942	771,508	820,251
Total assets	1,098,049	1,462,903	1,534,887

RECRUIT

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of March 31, 2017	As of December 31, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	153,274	173,947	173,778
Bonds and borrowings	15,044	24,967	25,981
Other financial liabilities	6,453	3,097	1,507
Income tax payables	39,237	32,847	12,937
Provisions	4,212	9,114	3,907
Other current liabilities	112,030	169,551	165,162
Total current liabilities	330,253	413,524	383,274
Non-current liabilities			
Bonds and borrowings	-	186,620	174,768
Other financial liabilities	3,837	1,960	3,608
Provisions	3,210	4,198	4,870
Net defined benefit liability	44,019	43,349	45,528
Deferred tax liabilities	36,082	52,739	59,953
Other non-current liabilities	12,401	17,743	22,084
Total non-current liabilities	99,553	306,612	310,814
Total liabilities	429,806	720,137	694,089
Equity			
Equity attributable to owners of the parent			
Common stock	10,000	10,000	10,000
Share premium	53,756	52,529	50,119
Retained earnings	598,188	714,055	788,689
Treasury shares	(495)	(31,640)	(32,089)
Other components of equity	2,306	(7,369)	19,006
Total equity attributable to owners of the parent	663,755	737,575	835,725
Non-controlling interests	4,487	5,190	5,072
Total equity	668,243	742,765	840,798
Total liabilities and equity	1,098,049	1,462,903	1,534,887

RECRUIT

(2) Condensed Consolidated Statement of Profit and Loss

For the Nine-Month Period

(in millions of yen)

	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2017
Revenue	1,422,982	1,616,897
Cost of sales	771,629	869,278
Gross profit	651,353	747,619
Selling, general and administrative expenses	499,766	577,307
Other operating income	23,717	4,293
Other operating expenses	7,339	7,925
Operating income	167,964	166,679
Share of profit (loss) of associates and joint ventures	2,935	938
Finance income	2,210	4,650
Finance costs	1,432	413
Profit before tax	171,678	171,853
Income tax expense	52,180	42,709
Profit for the period	119,498	129,144
Profit attributable to:		
Owners of the parent	119,005	128,613
Non-controlling interests	492	531
Profit for the period	119,498	129,144
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	70.69	76.99
Diluted earnings per share (yen)	70.57	76.83

For the Three-Month Period

(in millions of yen)

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2017
Revenue	498,231	553,802
Cost of sales	274,975	297,603
Gross profit	223,255	256,199
Selling, general and administrative expenses	169,161	195,601
Other operating income	829	3,444
Other operating expenses	4,455	5,754
Operating income	50,467	58,288
Share of profit (loss) of associates and joint ventures	873	(897)
Finance income	1,263	1,473
Finance costs	303	243
Profit before tax	52,301	58,620
Income tax expense	17,143	11,924
Profit for the period	35,158	46,696
Profit attributable to:		
Owners of the parent	35,017	46,544
Non-controlling interests	140	151
Profit for the period	35,158	46,696
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	20.96	27.86
Diluted earnings per share (yen)	20.92	27.80

RECRUIT

(3) Condensed Consolidated Statement of Comprehensive Income

For the Nine-Month Period

(in millions of yen)

	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2017
Profit for the period	119,498	129,144
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	3,082	81
Remeasurements of defined benefit plans	(36)	(44)
Share of other comprehensive income of associates and joint ventures	-	2
Subtotal	3,046	38
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(3,881)	25,476
Effective portion of the change in the fair value of cash flow hedges	660	380
Subtotal	(3,220)	25,857
Other comprehensive income (loss) for the period, net of tax	(174)	25,896
Comprehensive income for the period	119,323	155,041
Comprehensive income attributable to:		
Owners of the parent	118,803	154,485
Non-controlling interests	520	555
Total comprehensive income	119,323	155,041

For the Three-Month Period

(in millions of yen)

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2017
Profit for the period	35,158	46,696
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	8,157	1,501
Remeasurements of defined benefit plans	(36)	(44)
Share of other comprehensive income of associates and joint ventures	-	5
Subtotal	8,121	1,462
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	46,000	3,058
Effective portion of the change in the fair value of cash flow hedges	641	380
Subtotal	46,641	3,439
Other comprehensive income (loss) for the period, net of tax	54,762	4,901
Comprehensive income for the period	89,921	51,597
Comprehensive income attributable to:		
Owners of the parent	89,398	51,445
Non-controlling interests	522	152
Total comprehensive income	89,921	51,597

(4) Condensed Consolidated Statement of Changes in Equity

For the Nine Months Ended December 31, 2016

(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 period			119,005				
Other comprehensive income						(3,909)	660
Comprehensive income for the period	-	-	119,005	-	-	(3,909)	660
Transfer from other components of equity to retained earnings			3,046				
Purchase of treasury shares		(77)		(31,226)			
Disposal of treasury shares		60		58	(118)		
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)	(23,982)	(31,167)	1,106	-	-
Balance at December 31, 2016	10,000	52,529	693,212	(31,663)	3,244	(3,909)	829

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total			
Balance at April 1, 2016	-	-	2,306	663,755	4,487	668,243
Profit for the period			-	119,005	492	119,498
Other comprehensive income	3,082	(36)	(202)	(202)	28	(174)
Comprehensive income for the period	3,082	(36)	(202)	118,803	520	119,323
Transfer from other components of equity to retained earnings	(3,082)	36	(3,046)	-		-
Purchase of treasury shares			-	(31,304)		(31,304)
Disposal of treasury shares			(118)	0		0
Dividends			-	(28,236)		(28,236)
Share-based payments			1,225	1,225		1,225
Equity transactions with non-controlling interests			-	(1,208)	(554)	(1,763)
Increase (decrease) by business combination			-	-	797	797
Other			-	1,208	(24)	1,183
Transactions with owners - total	(3,082)	36	(1,939)	(58,315)	217	(58,097)
Balance at December 31, 2016	-	-	164	724,243	5,225	729,469

For the Nine Months Ended December 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, 2017	10,000	52,529	714,055	(31,640)	3,221	(11,383)	792
Profit for the period			128,613				
Other comprehensive income						25,452	380
Comprehensive income for the period	-	-	128,613	-	-	25,452	380
Transfer from other components of equity to retained earnings			38				
Purchase of treasury shares		(17)		(1,063)			
Disposal of treasury shares		(131)		614	(483)		
Dividends			(54,571)				
Share-based payments					1,026		
Equity transactions with non-controlling interests		(2,245)					
Increase (decrease) by business combination							
Other		(16)	552				
Transactions with owners - total	-	(2,410)	(53,980)	(449)	543	-	-
Balance at December 31, 2017	10,000	50,119	788,689	(32,089)	3,764	14,068	1,173

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2017	-	-	(7,369)	737,575	5,190	742,765
Profit for the period			-	128,613	531	129,144
Other comprehensive income	83	(44)	25,872	25,872	24	25,896
Comprehensive income for the period	83	(44)	25,872	154,485	555	155,041
Transfer from other components of equity to retained earnings	(83)	44	(38)	-		-
Purchase of treasury shares			-	(1,081)		(1,081)
Disposal of treasury shares			(483)	0		0
Dividends			-	(54,571)		(54,571)
Share-based payments			1,026	1,026		1,026
Equity transactions with non-controlling interests			-	(2,245)	(836)	(3,082)
Increase (decrease) by business combination			-	-		-
Other			-	536	163	700
Transactions with owners - total	(83)	44	504	(56,335)	(672)	(57,008)
Balance at December 31, 2017	-	-	19,006	835,725	5,072	840,798

(5) Condensed Consolidated Statement of Cash Flows

(in millions of yen)

	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2017
Cash flows from operating activities		
Profit before tax	171,678	171,853
Depreciation and amortization	37,947	45,348
Gain on sales of investments in subsidiaries	(21,977)	(3,486)
(Increase) decrease in trade and other receivables	1,832	7,539
Increase (decrease) in trade and other payables	(15,774)	(7,617)
Other	(5,558)	(18,049)
Subtotal	168,148	195,588
Interest and dividends received	1,475	2,519
Interest paid	(1,221)	(136)
Income tax paid	(75,539)	(71,820)
Net cash flows from operating activities	92,863	126,151
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(14,253)	(15,208)
Payment for purchase of intangible assets	(38,777)	(33,557)
Payment for purchase of shares of subsidiaries and associates	(172,462)	(5,358)
Proceeds from sales of shares of subsidiaries and associates	22,885	6,799
Other	(777)	(3,740)
Net cash flows from investing activities	(203,385)	(51,065)
Cash flows from financing activities		
Proceeds from long-term borrowings	174,705	-
Repayments of long-term borrowings	(35,694)	(12,479)
Payments of purchase of treasury shares	(31,305)	(1,081)
Dividends paid	(28,502)	(54,451)
Other	(4,583)	(2,385)
Net cash flows from financing activities	74,619	(70,397)
Effect of exchange rate changes on cash and cash equivalents	(593)	2,583
Net increase (decrease) in cash and cash equivalents	(36,495)	7,272
Cash and cash equivalents at the beginning of the period	309,860	355,196
Cash and cash equivalents at the end of the period	273,365	362,469

(6) Going Concern Assumption

Not applicable.

(7) Notes to Condensed 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 (http://www.recruit.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 condensed consolidated financial statements with IFRS and matters regarding the first-time adoption thereof

The Company's condensed consolidated financial statements are prepared in conformity with International Accounting Standards 34 "Interim Financial Reporting" (hereinafter "IAS 34"). The Company applies the provisions of Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Financial Statements, etc. (Cabinet Office Ordinance No. 64 of 2007) (hereinafter "Ordinance on Quarterly Financial Statements") 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 year ending March 31, 2018 and prepares the condensed consolidated financial statements in conformity with IAS 34 from the first quarter ended June 30, 2017. 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 Note "6. First-time Adoption."

(2) Basis of measurement

The condensed consolidated financial statements of the Company are prepared on the historical cost basis except for certain financial instruments and other assets that are measured at fair value.

(3) Functional currency and presentation currency

The condensed 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 condensed consolidated financial statements are as follows. The Group did not early adopt them in the third quarter ended December 31, 2017. The Company is currently evaluating the effects of the adoption of these standards on the Company's condensed consolidated financial statements and they cannot be estimated at the time of this report.

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

3. Significant Accounting Policies

Significant accounting policies that the Group adopted in preparing the accompanying condensed consolidated financial statements are the same as those that were adopted in the condensed consolidated financial statements for the first quarter ended June 30, 2017.

4. Significant Accounting Judgments, Accounting Estimates and Assumptions

In preparing the condensed 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 condensed consolidated financial statements of future quarterly 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. Significant accounting estimates and assumptions in the accompanying condensed consolidated financial statements are the same as those in the condensed consolidated financial statements for the first quarter ended June 30, 2017.

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 a single business operation, namely, "Indeed," a job search engine website operated by Indeed, Inc., 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 Global Online HR, Media & Solutions and Global 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 to the "HR Technology," "Media & Solutions" and "Staffing" segments.
Segment information for the nine months ended December 31, 2016 and for the three months ended December 31, 2016 was prepared and disclosed in accordance with the current classification method for reportable segments.

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(2) Information on Reportable Segments

Income of reportable segments is EBITDA (operating income – other operating income + other operating expenses + depreciation and amortization). 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.

For the Nine Months Ended December 31, 2016

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	91,043	479,703	852,234	1,422,982	-	1,422,982
Intersegment revenue or transfers	2,344	2,577	9,227	14,149	(14,149)	-
Total	93,388	482,281	861,462	1,437,132	(14,149)	1,422,982
Segment profit (loss)	12,923	127,024	50,231	190,179	(645)	189,534
Depreciation and amortization						37,947
Other operating income						23,717
Other operating expenses						7,339
Operating income						167,964
Share of profit (loss) of associates and joint ventures						2,935
Finance income						2,210
Finance costs						1,432
Profit before tax						171,678

, For the Nine Months Ended December 31, 2017

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	152,901	494,844	969,150	1,616,897	-	1,616,897
Intersegment revenue or transfers	3,712	3,878	9,798	17,390	(17,390)	-
Total	156,614	498,723	978,949	1,634,287	(17,390)	1,616,897
Segment profit (loss)	23,280	128,352	62,889	214,522	1,136	215,659
Depreciation and amortization						45,348
Other operating income						4,293
Other operating expenses						7,925
Operating income						166,679
Share of profit (loss) of associates and joint ventures						938
Finance income						4,650
Finance costs						413
Profit before tax						171,853

For the Three Months Ended December 31, 2016

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	33,517	159,081	305,632	498,231	-	498,231
Intersegment revenue or transfers	803	634	3,067	4,505	(4,505)	-
Total	34,320	159,716	308,699	502,736	(4,505)	498,231
Segment profit (loss)	4,683	45,607	17,707	67,999	(207)	67,791
Depreciation and amortization						13,697
Other operating income						829
Other operating expenses						4,455
Operating income						50,467
Share of profit (loss) of associates and joint ventures						873
Finance income						1,263
Finance costs						303
Profit before tax						52,301

For the Three Months Ended December 31, 2017

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	56,147	164,695	332,959	553,802	-	553,802
Intersegment revenue or transfers	1,270	2,026	3,311	6,608	(6,608)	-
Total	57,418	166,721	336,271	560,411	(6,608)	553,802
Segment profit (loss)	7,085	46,141	22,140	75,366	1,060	76,427
Depreciation and amortization						15,829
Other operating income						3,444
Other operating expenses						5,754
Operating income						58,288
Share of profit (loss) of associates and joint ventures						(897)
Finance income						1,473
Finance costs						243
Profit before tax						58,620

6. First-time Adoption

The Group has adopted International Financial Reporting Standards ("IFRS") from the current fiscal year and prepared the accompanying condensed consolidated financial statements for the third quarter of the fiscal year ending March 31, 2018 in conformity with IAS 34. 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 was 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 current 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 shares	(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 December 31, 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	245,241	51,487	(23,363)	273,365		Cash and cash equivalents
Notes and accounts receivable-trade	243,903	(2,092)	24,357	266,167	6	Trade and other receivables
Securities	52,000	(30,096)	2,254	24,158		Other current financial assets
Other current assets	62,370	(41,647)	483	21,206		Other current assets
Allowance for doubtful accounts	(4,396)	4,396				
Total current assets	599,118	(17,951)	3,731	584,898		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	41,004	-	7,667	48,672	1	Property, plant and equipment
Intangible assets						
Goodwill	270,206	-	40,786	310,992	2, 9, 10	Goodwill
Other	228,769	-	6,611	235,380	9, 10	Intangible assets
Investments and other assets						
Investment securities	118,661	(85,535)	(985)	32,140		Investments in associates and joint ventures
		115,311	2,808	118,120	3	Other non-current financial assets
Other noncurrent assets	49,196	(19,902)	1,739	31,033	11	Deferred tax assets
		7,788	(2,341)	5,447	7	Other non-current assets
Allowance for doubtful accounts	(288)	288				
Total noncurrent assets	707,548	17,951	56,285	781,785		Total non-current assets
Total assets	1,306,666	-	60,017	1,366,684		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	60,209	97,318	(5,494)	152,033	7	Trade and other payables
Current portion of long-term debt	52,513	474	(22,934)	30,053	10	Bonds and borrowings
Other current liabilities	184,586	(181,862)	(20)	2,703		Other financial liabilities
Income tax payables	17,492	(1,909)	872	16,455		Income tax payables
Accrued employees' bonuses	16,947	(16,947)				
		4,437	(732)	3,704		Provisions
		98,036	50,619	148,655	4, 6	Other current liabilities
Total current liabilities	331,749	(453)	22,309	353,606		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term debt	149,837	-	2,782	152,620		Bonds and borrowings
Other long-term liabilities	86,300	(85,205)	1,117	2,213		Other financial liabilities
		1,497	2,523	4,021		Provisions
Net defined benefit liability	29,308	1,804	13,571	44,685	5	Net defined benefit liability
		65,657	(4,532)	61,124	9, 11	Deferred tax liabilities
		16,698	2,244	18,943		Other non-current liabilities
Total long-term liabilities	265,447	453	17,707	283,608		Total non-current liabilities
Total liabilities	597,197	-	40,017	637,215		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	52,646	-	(116)	52,529		Share premium
Retained earnings	635,732	-	57,480	693,212		Retained earnings
Treasury shares	(31,663)	-	-	(31,663)		Treasury shares
Accumulated other comprehensive income	35,726	2,042	(37,604)	164	3, 8	Other components of equity
Stock acquisition rights	2,042	(2,042)				
		-	19,759	724,243		Total equity attributable to owners of the parent
Non-controlling interests	4,985	-	240	5,225		Non-controlling interests
Total equity	709,469	-	19,999	729,469		Total equity
Total liabilities and equity	1,306,666	-	60,017	1,366,684		Total liabilities and equity

RECRUIT

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 current 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						Non-current assets
Property, plant and equipment						
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

RECRUIT

(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 Nine Months Ended December 31, 2016

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	1,300,772	-	122,210	1,422,982	6, 9, 10	Revenue
Cost of sales	692,371	-	79,257	771,629	4, 5, 6, 9, 10	Cost of sales
Gross profit	608,400	-	42,952	651,353		Gross profit
Selling, general and administrative expenses	516,146	-	(16,379)	499,766	1, 2, 4, 5, 7, 9, 10	Selling, general and administrative expenses
		23,726	(8)	23,717		Other operating income
		6,256	1,083	7,339		Other operating expenses
Operating income	92,254	17,470	58,240	167,964		Operating income
Non-operating income	5,385	(5,385)				
Non-operating expenses	1,076	(1,076)				
Extraordinary income	25,139	(25,139)				
Extraordinary losses	5,997	(5,997)				
		2,439	495	2,935		Share of profit (loss of associates and joint ventures
		4,359	(2,148)	2,210	3	Finance income
		817	615	1,432	3	Finance costs
Profit before taxes	115,705	-	55,972	171,678		Profit before tax
Income taxes	47,529	-	4,650	52,180	11	Income tax expense
Net income	68,176	-	51,321	119,498		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	1,534	-	1,548	3,082	3	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	649	-	(686)	(36)		Remeasurements of defined benefit plans
		-	861	3,046		Subtotal
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(73,955)	(5,923)	75,997	(3,881)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	2,157	-	(1,497)	660		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income (loss) in affiliated companies	(5,923)	5,923				
		-	74,500	(3,220)		Subtotal
Total other comprehensive income (loss)	(75,536)	-	75,362	(174)		Other comprehensive income (loss) for the period, net of tax
Comprehensive income (loss)	(7,360)	-	126,684	119,323		Comprehensive income (loss) for the period

Reconciliation of Comprehensive Income for the Three Months Ended December 31, 2016

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	486,266	-	11,964	498,231	6, 9	Revenue
Cost of sales	273,163	-	1,812	274,975	4, 5, 6, 9	Cost of sales
Gross profit	213,103	-	10,152	223,255		Gross profit
Selling, general and administrative expenses	179,251	-	(10,090)	169,161	1, 2, 4, 5, 7, 9	Selling, general and administrative expenses
		1,350	(520)	829		Other operating income
		1,492	2,962	4,455		Other operating expenses
Operating income	33,851	(142)	16,758	50,467		Operating income
Non-operating income	2,326	(2,326)				
Non-operating expenses	238	(238)				
Extraordinary income	2,824	(2,824)				
Extraordinary losses	1,677	(1,677)				
		738	134	873		Share of profit (loss) of associates and joint ventures
		3,742	(2,478)	1,263	3	Finance income
		1,103	(800)	303	3	Finance costs
Profit before taxes	37,086	-	15,215	52,301		Profit before tax
Income taxes	17,120	-	22	17,143	11	Income tax expense
Net income	19,965	-	15,193	35,158		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	5,821	-	2,336	8,157	3	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	263	-	(300)	(36)		Remeasurements of defined benefit plans
		-	2,036	8,121		Subtotal
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(5,682)	(650)	52,332	46,000		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	-	-	641	641		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income loss in affiliated companies	(650)	650				
		-	52,973	46,641		Subtotal
Total other comprehensive income (loss)	(247)	-	55,010	54,762		Other comprehensive income (loss) for the period, net of tax
Comprehensive income	19,717	-	70,203	89,921		Comprehensive income for the period

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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 (loss) 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

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 represents 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 ¥39,192 million, ¥15,148 million and ¥53,533 million for the nine months ended December 31, 2016, the three months ended December 31, 2016 and the year ended March 31, 2017, respectively.

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.

RECRUIT

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 USG People B.V. (Renamed Recruit Global Staffing B.V. in January 2018)

On June 1, 2016, the Group acquired USG People 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 USG People 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 USG People B.V.

(in millions of yen)

	Nine Months Ended December 31, 2016	Year Ended March 31, 2017
Revenue	110,654	108,452
Cost of sales	89,119	87,063
Selling, general and administrative expenses	17,872	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 December 31, 2016	As of March 31, 2017
1) Depreciation	4,015	4,181	4,389
2) Goodwill	(33,055)	6,137	20,914
3) Equity instruments	29,358	30,978	30,540
4) Unused paid absences	(20,428)	(22,189)	(23,136)
5) Retirement benefit obligations for defined benefit plans	(16,977)	(16,065)	(14,900)
6) Revenue	(31,490)	(16,626)	(33,038)
7) Provision for contingent payments for business combinations	(6,395)	(5,494)	(5,190)
8) Exchange differences on translation of foreign operations	70,077	70,077	70,077
Other	(9,380)	(6,475)	(8,493)
Impact of tax effects	16,160	12,957	19,402
Reconciliation of retained earnings	1,883	57,480	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.