Recruit Holdings Co., Ltd.

Annual Report

translated from *Yukashouken Houkokusho*

April 1, 2019 - March 31, 2020

This document has been translated from the original document in Japanese ("*Yukashouken Houkokusho*"), which is legally required for Recruit Holdings as a listed company in Japan to support investment decision by providing the Company's certain information for the fiscal year ended March 31, 2020 ("FY2019"), under Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

Japanese original document was filed to the Director-General of the Kanto Local Finance Bureau in Japan on June 30, 2020. Please refer to "Note Regarding Reference Translation" below as a general warning for this translation document.

Document Name	Annual Report translated from *Yukashouken Houkokusho*
Filing Date	June 30, 2020
Fiscal Year	FY2019 (From April 1, 2019 to March 31, 2020)
Company Name in English	Recruit Holdings Co., Ltd.
Title and Name of Representative	Masumi Minegishi CEO, President, and Representative Director of the Board
Address of Head Office	8-4-17 Ginza, Chuo-ku, Tokyo, Japan (The above address is a registered headquarters. Actual headquarters operation is conducted in the Contact Place below)
Telephone Number	+81-3-6835-1111
Contact Person	Junichi Arai Corporate Executive Officer
Contact Place	1-9-2 Marunouchi, Chiyoda-ku, Tokyo, Japan

In this document, the terms the “Company,” “Recruit Group,” “we,” and “our” refer to Recruit Holdings Co., Ltd. and its consolidated subsidiaries unless the context indicates otherwise. The “Holding Company” refers to Recruit Holdings Co., Ltd. (“Recruit Holdings”) on a standalone basis.

The Company’s fiscal year starts on April 1 and ends on March 31 of each year. Accordingly, “FY2019” refers to the period from April 1, 2019 to March 31, 2020. References to “FY” or “fiscal year” for prior and subsequent are to 12-month periods commencing in each case on April 1 of the year indicated and ending on March 31 of the following year.

Q1 refers to the three-month period from April 1 to June 30, Q2 refers to the three-month period from July 1 to September 30, Q3 refers to the three-month period from October 1 to December 31, and Q4 refers to the three-month period from January 1 to March 31.

Forward-Looking Statements

This document contains forward-looking statements, which reflect the Company's assumptions, estimates and outlook for the future based on the Company's plans and expectations as of March 31, 2020 unless the context otherwise indicates. There can be no assurance that the relevant forward-looking statements will be achieved. Please note that significant differences between such forward-looking statements and actual results may arise due to various factors, including changes in economic conditions, changes in individual users' preferences and enterprise clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other factors. Accordingly, readers are cautioned against placing undue reliance on any such forward-looking statements. The Company has no obligation to update or revise any information contained in this document based on any subsequent developments except as required by applicable law or stock exchange rules and regulations.

Note Regarding Reference Translation

This document has been translated from the Japanese language original for reference purposes only and may not be used or disclosed for any other purpose without the Company’s prior written consent. In the event of any conflict or discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail in all respects. The Company makes no representations regarding the accuracy or completeness of this translation and assumes no responsibility for any losses or damages arising from the use of this translation.

Third-Party Information

This document includes information derived from or based on third-party sources, including information about the markets in which we operate. These statements are based on statistics and other information from third-party sources as cited herein, and the Company has not independently verified and cannot assure the accuracy or completeness of any information derived from or based on third-party sources.

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Company Overview

Key Performance Indicators

The Company - Consolidated Basis

(In millions of yen, unless otherwise indicated)

Fiscal year	IFRS				
	April 1, 2016 (Transition date to IFRS)	FY2016	FY2017	FY2018	FY2019
Fiscal year end		March 2017	March 2018	March 2019	March 2020
Revenue	―	1,941,922	2,173,385	2,310,756	2,399,465
Profit before tax	―	198,929	199,228	239,814	226,149
Profit for the year	―	137,260	152,329	175,381	181,249
Profit attributable to owners of the parent	―	136,654	151,667	174,280	179,880
Comprehensive income attributable to owners of the parent	―	132,135	154,405	172,216	151,649
Equity attributable to owners of the parent	663,755	737,575	835,605	965,775	988,449
Total assets	1,098,049	1,462,903	1,574,032	1,748,982	1,998,917
Equity attributable to owners of the parent per share (Yen)	391.78	441.51	500.20	578.04	599.65
Basic earnings per share (Yen)	―	81.33	90.79	104.31	108.27
Diluted earnings per share (Yen)	―	81.19	90.60	104.11	108.07
Ratio of equity attributable to owners of the parent (%)	60.4	50.4	53.1	55.2	49.4
Return on equity attributable to owners of the parent (%)	―	19.5	19.3	19.3	18.4
Price earnings ratio (Times)	―	23.3	29.1	30.3	25.8
Cash flows from operating activities	―	154,373	194,117	276,960	303,325
Cash flows from investing activities	―	(213,886)	(65,937)	(204,619)	(88,993)
Cash flows from financing activities	―	107,152	(83,169)	(68,521)	(192,721)
Cash and cash equivalents at the end of the year	309,860	355,196	389,822	402,911	421,253
Number of employees [Average number of contract employees]	38,451 [1,334]	45,688 [2,278]	40,152 [2,331]	45,856 [2,449]	49,370 [2,530]

1 The consolidated financial statements have been prepared based on International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) from FY2017.

2 Revenue does not include consumption taxes, etc.

3 A three-for-one stock split of Recruit Holdings’ common stock was implemented on July 1, 2017.
Equity attributable to owners of the parent per share, basic earnings per share and diluted earnings per share are calculated on the assumption that this stock split took place on the transition date to IFRS.

(In millions of yen, unless otherwise indicated)

Fiscal year	JGAAP		
	FY2015	FY2016	FY2017
Fiscal year end	March 2016	March 2017	March 2018
Net sales	1,588,623	1,839,987	2,173,385
Ordinary income	119,336	131,718	152,547
Profit attributable to owners of the parent	64,535	85,422	99,513
Comprehensive income	47,598	61,219	93,362
Net assets	777,000	778,540	774,143
Total assets	1,150,681	1,449,614	1,541,543
Net assets per share (Yen)	454.65	461.39	463.41
Earnings per share (Yen)	38.09	50.84	59.97
Diluted earnings per share (Yen)	38.04	50.76	59.84
Capital adequacy ratio (%)	66.9	53.2	49.8
Return on equity (%)	8.5	11.1	13.0
Price earnings ratio (Times)	30.1	37.2	44.1
Cash flows from operating activities	162,511	142,161	194,403
Cash flows from investing activities	(109,613)	(214,257)	(66,223)
Cash flows from financing activities	(53,546)	110,557	(83,178)
Cash and cash equivalents at the end of the period	310,322	345,676	389,813
Number of employees [Average number of contract employees]	38,451 [1,334]	45,688 [2,278]	40,152 [2,331]

1 Audit based on the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan has not been performed for the JGAAP figures for FY2017.

2 Net sales does not include consumption taxes, etc.

3 A three-for-one stock split of Recruit Holdings' common stock was implemented onJuly 1, 2017.
Net assets per share, earnings per share, and diluted earnings per share are calculated based on the assumption that this stock split took place at the beginning of FY2015.

4 A Board Incentive Plan (BIP) trust has been introduced in FY2016, and the shares of Recruit Holdings held in this trust have been recorded as treasury stock in the consolidated financial statements. Accordingly, in the calculation of earnings per share and diluted earnings per share, shares of the Recruit Holdings held in this trust is included in treasury stock to be deducted for the calculation of the average number of shares during the period. In addition, in the calculation of equity per share, shares of Recruit Holdings held in this trust are included in treasury stock to be deducted from the total number of issued shares at the end of the period.

The Holding Company - Standalone Basis

(In millions of yen, unless otherwise indicated)

Fiscal year	FY2015	FY2016	FY2017	FY2018	FY2019
Fiscal year end	March 2016	March 2017	March 2018	March 2019	March 2020
Net sales or operating revenue	538,417	569,645	576,243	62,748	102,061
Ordinary income	76,850	82,358	429,431	55,413	94,065
Net income	54,956	73,142	444,077	34,247	85,854
Common stock	10,000	10,000	10,000	10,000	40,000
Total number of shares issued (Shares)	565,320,010	565,320,010	1,695,960,030	1,695,960,030	1,695,960,030
Equity	562,751	558,812	946,487	932,667	872,799
Total assets	1,128,936	1,437,740	1,493,380	1,424,884	1,409,458
Equity per share (Yen)	330.90	333.28	565.50	557.35	528.44
Dividend per share (Yen) (Interim dividend per share) (Yen)	50 (—)	65 (—)	23 (11.0)	28 (13.5)	30 (15.0)
Earnings per share(Yen)	32.44	43.53	265.84	20.50	51.68
Diluted earnings per share (Yen)	32.39	43.46	265.28	20.46	51.58
Capital adequacy ratio (%)	49.7	38.7	63.3	65.4	61.8
Return on equity (%)	10.0	13.1	59.2	3.7	9.5
Price earnings ratio (Times)	35.3	43.5	9.9	154.2	54.1
Payout ratio (%)	51.4	49.8	8.7	136.6	58.1
Number of employees [Average number of contract employees]	456 [14]	512 [24]	609 [17]	181 [8]	158 [9]
Total shareholder return (%)	92.9	154.5	216.5	260.0	233.2
(Comparative indicator: TOPIX total return index) (%)	(89.2)	(102.3)	(118.5)	(112.5)	(101.9)
Highest share price (yen)	4,315	5,920	6,340 *2,877.5	3,845	4,615
Lowest share price (Yen)	3,190	3,225	5,500 *1,851	2,523	2,442.5

1 Net sales or operating revenue does not include consumption taxes, etc.

2 A three-for-one stock split of Recruit Holdings' common stock was implemented on July 1, 2017. As a result, the total number of shares issued stood at 1,695,960,030 shares.

3 A three-for-one stock split of Recruit Holdings' common stock was implemented on July 1, 2017. Equity per share, earnings per share, and diluted earnings per share are calculated on the assumption that this stock split took place at the beginning of FY2015.

4 A Board Incentive Plan (BIP) trust has been introduced in FY2016 and shares of the Recruit Holdings held in this trust have been recorded as treasury stock in the non-consolidated financial statements. Accordingly, in the calculation of earnings per share and diluted earnings per share, shares of Recruit Holdings held in this trust is included in treasury stock to be deducted for the calculation of the average number of shares during the period. In addition, in the calculation

of equity per share, shares of Recruit Holdings held in this trust are included in treasury stock to be deducted from the total number of issued shares at the end of the period.

5 The method for attributing projected retirement benefits to individual period of service and standards for revenue recognition have been changed in FY2017. The figures for FY2016 have been retrospectively reclassified to reflect these changes. Cumulative effects in and before FY2015 are reflected in equity at the beginning of FY2016.

6 Effective April 1, 2018, the Holding Company transitioned to a pure holding company structure by way of a company split. Accordingly, major KPIs for FY2018 differ significantly from those before FY2017.

7 The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, issued February 16, 2018) have been adopted from the beginning of FY2018. Major KPIs and other figures for FY2017 have been retrospectively adjusted to reflect the adoption of the said accounting standard.

8 The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange.

The share prices marked with an asterisk (*) are those after the rights-off due to the three-for-one stock split implemented on July 1, 2017.

History

Organizational transitions

The Company was founded in March 1960 in Minato-ku, Tokyo, Japan, as the University Newspaper Advertising Company, publishing job advertisements in university newspapers. Following that, we began handling advertising for multiple university newspapers, and in October 1960, we established the University Advertising Co., Ltd. as a corporate organization. In April 1963 we changed the company name to the Japan Recruitment Center.

Business fields expansion

We first established ourselves in the field of university newspaper advertising in HR field. Two years later, we started to publish the magazine called "Invitation to Companies" developing our business model "Ribbon Model," which continues to guide us today. Since then, we have widened our range of HR business, while also expanding into the life events field, including education, housing, automobiles, bridal, and the lifestyle field including travel, dining, and beauty. Recently, we have introduced software as a service (SaaS) business tools to support operations within small and medium-sized enterprises (SMEs), such as retailers and restaurants.

Digital transformation

The Company began using computers at a time when their use was still limited, putting digitization into practice for increased efficiency. Following the introduction of a supercomputer in the 1980s, we transitioned from paper magazines to online media in the 1990s, and then to mobile platforms. Not only did this allow for faster and more convenient delivery of information, but it also transformed how individual users and enterprise clients interact, through the development of groundbreaking tools such as online reservation systems. Today we are accelerating our businesses utilizing digital solutions including SaaS.

Globalization

In the 2000s, the Company entered the global market with a bridal business in China. Although this ended as a withdrawal, the failure helped us to shape our mergers and acquisitions (M&A) strategy, and we later succeeded in expanding in the US, Europe, Australia and beyond. The acquisitions of Indeed in 2012 and Glassdoor in 2018 have led to the successful establishment of our HR Technology business, spearheading the growth of the Company as a whole and bringing the number of countries we serve to over 60.

1960 - 1999

Organizational transitions

March 1960
Foundation.

April 1963
Changed the company name to Japan Recruitment Center Inc.

August 1963
In accordance with the change in its scope of business and aiming to reform the organization's structure, established Japan Recruit Center Inc.

April 1984
Changed the Company name to Recruit Inc.

Business fields expansion

1960
Started as an advertising agency specializing in ads in university newspapers.

1962
Published **Invitation to Companies** which consolidated recruitment information for university students and established the two-sided marketplace business model as the "Ribbon Model."

1976
Launched operations in the **housing information** industry in response to the recession precipitated by the oil crisis, and achieved rapid growth.

1980
Launched ***"Travail,"*** Japan's first career change magazine for women, published 5 years prior to Japan's legislative enactment of The Equal Employment Opportunity Law.

1984
Launched the magazine ***Car Sensor,*** a business born from a training program for new employees, focused on the used car market.

1990
Launched ***Jalan,*** an innovative travel magazine.

1993
Launched ***Zexy,*** a bridal information magazine born from our new business competition, "Ring."

Digital transformation

1968
Introduced the **IBM 1130** Computing System, becoming the first company in Japan to use this groundbreaking computer.

1971
Established **Recruit Computer Print,** a company specializing in digitized pre-production processes focused on adopting leading-edge publishing technologies.

1985
Against the backdrop of the privatization of Japan's telecommunication industry, launched **Information Network Service** and **Remote Computing Service**. Hired many engineers.

1987
Established **Supercomputer Research Institute,** aimed at developing insights into how to meet the challenges and opportunities of the approaching era of a data-driven society.

1995
Launched ***Mix Juice*** (now ***ISIZE***) marking the start of our online media business.

1996
Digitized our job information magazines. Launched today's ***Rikunabi*** and ***Rikunabi NEXT***.

Globalization

1985
Established **Recruit U.S.A.** to support Japanese companies with local hiring in the US.

2000 - 2020

Organizational transitions

January 2008
Moved its headquarters to Gran Tokyo SOUTH TOWER (Marunouchi 1-9-2, Chiyoda-ku, Tokyo, Japan).

October 2012
Split the Company and established the holding Company named Recruit Holdings Co., Ltd.

Established the following companies through an incorporation-type company split:

- Recruit Sumai Company.,Ltd.*
- Recruit Marketing Partners Co., Ltd.*
- Recruit Lifestyle Co., Ltd.*
- Recruit Technologies Co., Ltd.*

Newly established Recruit Administration (Currently Recruit Co., Ltd.) through a joint incorporation-type company split by Recruit Office Support.

- Recruit Administration Co., Ltd. (Currently Recruit Co., Ltd.)

Transferred business to the Company's 100% subsidiaries including the below through an absorption split.

- Recruit Career Co., Ltd. (Formerly Recruit Agent Co., Ltd.)*
- Recruit Jobs Co., Ltd. (Formerly Recruit HR Marketing)*

October 2014
Listed publicly on the First Section of the Tokyo Stock Exchange.

April 2018
Split the Company and reformed the organization structure. Established a management company for each of the three Strategic Business Units (SBU) to oversee the operations of each SBU's subsidiaries.

- HR Technology SBU: RGF OHR USA, Inc.*
- Media & Solutions SBU: Recruit Co., Ltd. (Formerly Recruit Administration Co., Ltd.)
- Staffing SBU: RGF Staffing B.V.*

*Consolidated subsidiaries at present

Business fields expansion

2000
While the Company expanded its businesses in the field of life events such as housing and bridal, it launched lifestyle information magazine ***HotPepper*** (now ***HotPepper Gourmet***) which contains dining guides and coupons.

2011
Launched ***Juken Sapuri*** (now ***Study Sapuri***), an online learning service for college entrance exams, then expanded into languages and other fields, successfully growing into as affordable high-quality online learning platform.

2013
Released ***AirREGI***, a POS cash register app for SMEs such as retailers and restaurants, using smartphones and tablets to enhance operational efficiency of their businesses, contributing to the development of their core services.

2015
Expanded the functions of ***AirREGI*** and launched ***AirPAY***, a payment system service that can handle various payment methods including credit cards, electronic money, QR Code* and loyalty points.
*"QR Code" is a registered trademark of DENSO WAVE INCORPORATED.

2016
Established **Recruit Finance Partners Co., Ltd.** Reinforced our expansion into the management support domain by providing loans to SMEs.

2018
Launched ***AirSHIFT,*** management of shift work using a SaaS solution, thereby contributing to operational efficiency in the service industry where labor shortages are a major problem.

Digital transformation

2000
Launched ***ISIZE Travel*** (now ***Jalan.net***), a platform for making accommodation reservations online.

2007
Launched ***HotPepper Beauty***, an online reservation service for beauty salons.

2012
Developed ***SALON BOARD***, a cloud-based online reservation management system that improves operational efficiency at beauty salons through digitization such as replacing paper-based reservation books.

2015
Established **Recruit Institute of Technology** (now **Megagon Labs**) to work with external organizations on research and development of AI, machine learning, sensors, and other new technologies.

2016
Established a **Fintech Promotion Division** and launched digital innovation efforts in the financial industry.
Launched ***Indeed Hire***, an innovative service that goes beyond the existing advertisement business.

Globalization

2004
Launched the bridal information magazine ***Zexy*** in China. Its failure a few years later helped shape a new M&A-focused strategy for global expansion.

2010
Acquired US-based staffing company, **The CSI Companies, Inc.** in July, and implemented our Unit Management System. From this acquisition, we started the global expansion through M&As.

2011
Acquired **Staffmark Group, LLC** (Oct.), **Advantage Resourcing Europe B.V.** (Dec.), expanding our business field in the US and Europe.

2015
Acquired the staffing companies **Peoplebank Australia Ltd** (Jan.) and **Chandler Macleod Group Limited** (Apr.) in Australia, companies with leading market positions and strong business fundamentals in this market.

2016
In June, acquired **USG People Holdings B.V.** (now **RGF Staffing B.V.**), a leading European staffing company with a presence in the Netherlands, France, Germany, and Belgium among other countries, marking our full entry into Europe.

2012
In October, acquired **Indeed, Inc.** (founded in 2004), which ran a job search engine in the US. This marked our full entry into the **HR Technology** business, which has revolutionized the HR industry with the use of disruptive digital innovations.

2018
In June, acquired **Glassdoor, Inc.** a leading online job and company information site founded in 2007. Glassdoor has developed a database of information and reviews posted by users, bringing transparency to the job seeking process and strengthening our HR Technology business.

2018
Launched ***Indeed Assessments***. Continued to introduce new services that improve efficiency in the recruiting and hiring process.

2019
Air BusinessTools: Accelerating the expansion of our SaaS solutions through ***Air BusinessTools,*** a group of cloud-based operational and management support services.

Business

As of March 31, 2020, Recruit Holdings had 366 subsidiaries and 10 associates. Recruit Holdings sets the management policy and oversees the operational management of the Company.

The Company started in 1960 as a business providing job information to students by placing job advertisements for its clients in university newspapers. Since then, the Company has consistently created and operated matching platform businesses connecting individual users and enterprise clients. Currently, the Company is engaged in a wide range of business and has achieved a leading market position by revenue in each.

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

HR Technology

HR Technology consists of *Indeed, Glassdoor*, and other related businesses. *Indeed* and *Glassdoor* are online platforms where people can find jobs and learn about companies. Both *Indeed* and *Glassdoor* have missions that are aligned towards achieving success for job seekers - *Indeed'*s mission is to help people get jobs and *Glassdoor'*s mission is to help people everywhere find a job and company they love.

Indeed created the job aggregation and search model that transformed the job search process for job seekers, and in doing so has become the leading job search engine in the world, attracting approximately 250[1] million monthly unique visitors. Glassdoor has reshaped the way people search for and evaluate jobs and companies, by increasing workplace transparency for job seekers by bringing together jobs with user-generated employer reviews, salaries and insights. As a result, *Glassdoor* has become the leader in company reviews and insights and is a preferred job search resource for career conscious candidates. Both *Indeed* and *Glassdoor* offer a suite of tools for job seekers that includes job search, resume posting, and company information and reviews.

For employers, *Indeed* and *Glassdoor* offer solutions to recruit and hire talent. Each company provides employers the opportunity to post and advertise jobs and build their company's employment brand. *Indeed* provides an efficient source of candidates through its pay-per-performance job advertising pricing model. *Indeed* also provides a range of products for employers to source and screen candidates including from its database of millions of resumes. *Glassdoor* helps employers attract candidates and hire talent through employer branding and job advertising products.

1 Source: Internal data based on Google Analytics service, Q4 FY2019

Media & Solutions

Media & Solutions consists of two businesses, Marketing Solutions and HR Solutions.

Marketing Solutions provides individual users a multitude of choices and information in areas of their life such as housing and real estate, bridal, travel, dining and beauty through its online platforms and print media. Marketing Solutions helps enterprise clients attract users through advertisements on its online platforms and print media, and offers services including software as a service ("SaaS"). SaaS products include *Air BusinessTools*, a comprehensive bundled suite of cloud-based solutions to support day-to-day management and operations. *Air BusinessTools* include reservations, CRM, POS system, payments, workforce management, hiring functions and other areas.

The Housing and Real Estate business operates *SUUMO*, an online platform and print media, which provides information related to home purchases, sales, rentals and renovation services. *SUUMO* Counter offers in-person consultation services for purchasing newly built condominiums and custom designed homes.

The Bridal business operates *Zexy,* a magazine and online platform, which provides comprehensive information to organize customized wedding events. *Zexy* also provides in-person consultation services for selecting wedding facilities.

The Travel business operates *Jalan,* an online platform and print media, which provides information about hotels, guided tours, and sightseeing locations in Japan. The *Jalan* online platform also offers an online booking service.

The Dining business operates *Hot Pepper Gourmet*, an online platform and print media, which provides information about restaurants as well as discount coupons. The *Hot Pepper Gourmet* online platform offers various services to individual users such as online reservations and a scheduling function for invited guests. *Restaurant BOARD*, a cloud-based reservation and customer management system, is provided to restaurant clients to improve their operational efficiency.

The Beauty business operates *Hot Pepper Beauty*, an online platform and print media, which provides individual users with information about hair treatments, relaxation, and other salon services. The *Hot Pepper Beauty* online platform offers an online booking service as well as a search function to find available time slots of selected hair stylists, nail technicians, etc. *SALON BOARD*, a cloud-based reservation and customer management system, is provided to beauty salon clients to improve their operational efficiency.

Others in Marketing Solutions include *Car Sensor*, an online platform and print media, providing information on pre-owned automobiles for potential buyers, *Study Sapuri Shinro*, an online platform and print media, which provides higher education and career information primarily for high school students, and *Study Sapuri*, an online learning support platform for students and adults. Also, *Air BusinessTools*, which are cloud-based operational support services such as *AirREGI* and *AirPAY,* are provided, primarily to dining and beauty enterprise clients, to improve their managerial and operational efficiency.

HR Solutions mainly supports enterprise clients' recruiting activities and individual users' job search activities through its online and offline job advertising services tailored to various types of employment. The services include online job boards (*Rikunabi* for new graduates and *Rikunabi Next* for professionals), employment placement service *Recruit Agent*, and an online platform and print media for part-time job seekers, *TOWNWORK.*

Others in HR Solutions include a consultation service for human resource and organizational development in Japan and placement services in Asia.

Staffing

Staffing consists of two major operations: Japan and Overseas. Staffing offers temporary staffing and other related services primarily for clerical, manufacturing, light industry and various professional positions across a multitude of industries. The Company selects appropriate agency workers, based on the skills needed by clients, from the large pool registered with the Company, then provides those agency workers to enterprise clients.

Both Japan and Overseas operations implement the Unit Management System, which divides an organization into smaller units based on differences in the markets they serve. Each unit is regarded as a distinct company, and the Unit Manager is given authority to make decisions to maximize each unit's profitability.

In its Japan operations, the Company 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 temporary staffing services primarily through Recruit Staffing Co., Ltd. and STAFF SERVICE HOLDINGS CO., LTD.

In its Overseas operations, the Company offers services through Staffmark Group, LLC and The CSI Companies, Inc. in North America, Chandler Macleod Group Limited mainly in Australia, and, in Europe, through ADVANTAGE RESOURCING UK LIMITED, Unique NV, USG People France SAS, USG People Germany GmbH, and USG People Holdings B.V., as well as other companies.

Main Companies, Brands and Services for Each Reportable Segment

(As of March 31, 2020)

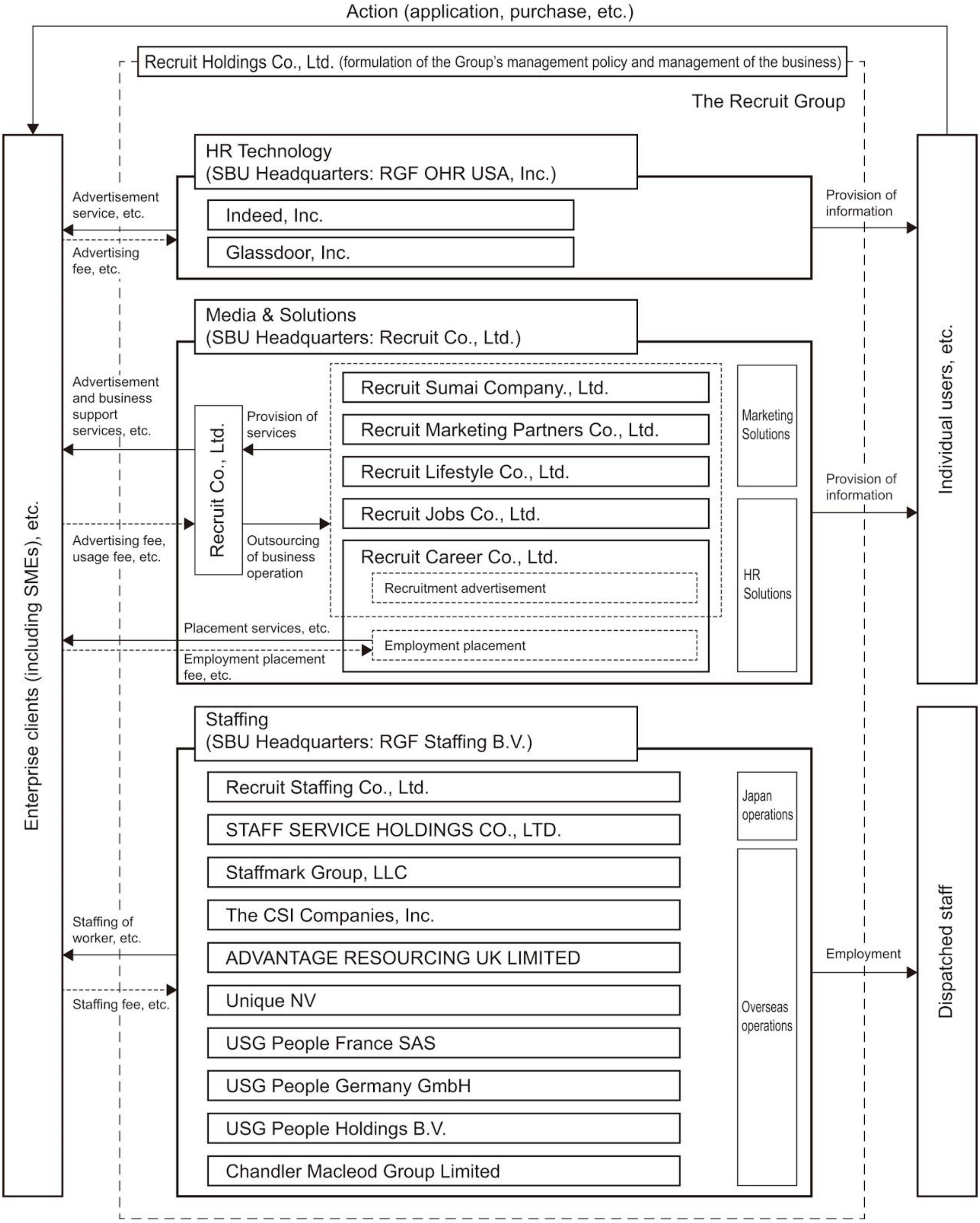
Segment/ SBU Headquarters	Operations	Business Description	Subsidiaries	Brands and Services
HR Technology RGF OHR USA, Inc.	-	Global job search platform offering advertising services and recruiting solutions	Indeed, Inc. Glassdoor, Inc.	***Indeed*** Online job platform and company information site
				Glassdoor Online job platform and company information site
Media & Solutions Recruit Co., Ltd.	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	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 wedding planning
				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
				Study Sapuri Online learning support platform for students and adults
				Air BusinessTools Cloud-based operational and management support services for enterprise 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	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
				TOWNWORK Online platform and print media for part-time and full-time jobs

Staffing RGF Staffing B.V.	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 Group, LLC The CSI Companies, Inc. ADVANTAGE RESOURCING UK LIMITED Unique NV USG People France SAS USG People Germany GmbH USG People Holdings B.V. Chandler Macleod Group Limited	-

Since Recruit Holdings falls under the category of Specified Listed Company under the insider trading regulations, the criteria for determining the insignificance of material facts relative to the size of the Company with respect to insider trading regulations are decided based on the figures on a consolidated basis..

Operational Chart

An overview of the business models of the major subsidiaries is as follows.



Major Subsidiaries and Associates

Name	Address	Capital stock or capital	Description of major operations[1]	Ratio of voting rights held (%)	Relationship
(Consolidated subsidiaries)					
RGF OHR USA, Inc.	Delaware, United States	USD 10	HR Technology	100.0	Concurrent directorships Receipt of dividends
Indeed, Inc.[6]	Delaware, United States	USD 10	HR Technology	100.0 (100.0)	Concurrent directorships Obligation guarantee
Glassdoor, Inc.	Delaware, United States	USD 10	HR Technology	100.0 (100.0)	Concurrent directorships
Recruit Co., Ltd.[3, 6]	Chuo-ku, Tokyo	JPY 350 million	Media & Solutions	100.0	Concurrent directorships Lending of funds Receipt of royalties Receipt of dividends
Recruit Sumai Company Ltd.	Chuo-ku, Tokyo	JPY 150 million	Media & Solutions	100.0 (100.0)	Borrowing of funds Receipt of royalties
Recruit Marketing Partners Co., Ltd.	Chuo-ku, Tokyo	JPY 150 million	Media & Solutions	100.0 (100.0)	Borrowing of funds Receipt of royalties
Recruit Lifestyle Co., Ltd.	Chuo-ku, Tokyo	JPY 150 million	Media & Solutions	100.0 (100.0)	Borrowing of funds Receipt of royalties
Recruit Career Co., Ltd.[3]	Chuo-ku, Tokyo	JPY 643 million	Media & Solutions	100.0 (100.0)	Borrowing of funds Receipt of royalties
Recruit Jobs Co., Ltd.	Chuo-ku, Tokyo	JPY 150 million	Media & Solutions	100.0 (100.0)	Borrowing of funds
RGF Staffing B.V.	Flevoland, Netherlands	EUR 1.5	Staffing	100.0	Concurrent directorships
Recruit Staffing Co., Ltd.	Chuo-ku, Tokyo	JPY 1,939 million	Staffing	100.0 (100.0)	Borrowing of funds Receipt of royalties
STAFF SERVICE HOLDINGS CO., LTD.	Chiyoda-ku, Tokyo	JPY 500 million	Staffing	100.0 (100.0)	Lending of funds
Staffmark Group, LLC	Ohio, United States	USD 117,514 thousand	Staffing	100.0 (100.0)	—
The CSI Companies, Inc.	Florida, United States	USD 2.0	Staffing	70.0 (70.0)	—
ADVANTAGE RESOURCING UK LIMITED[3]	London, United Kingdom	GBP 11,172 thousand	Staffing	100.0 (100.0)	—
Unique NV[3]	Antwerp, Belgium	EUR 50,082 thousand	Staffing	100.0 (100.0)	—
USG People France SAS[3]	Moselle, France	EUR 48,431 thousand	Staffing	100.0 (100.0)	—
USG People Germany GmbH	Bayern, Germany	EUR 500 thousand	Staffing	100.0 (100.0)	—
USG People Holdings B.V.	Flevoland, Netherlands	EUR 1 thousand	Staffing	100.0 (100.0)	—
Chandler Macleod Group Limited[3]	New South Wales, Australia	AUD 191,490 thousand	Staffing	100.0 (100.0)	—

RGF International Recruitment Holdings Limited[3]	Hong Kong, China	HKD 836,224 thousand	Media & Solutions	100.0 (100.0)	—
Staff Service Co., Ltd.[6]	Chiyoda-ku, Tokyo	JPY 300 million	Staffing	100.0 (100.0)	—
ADVANTAGE TECHNICAL SERVICES, INC.[3]	Ohio, United States	USD 65,594 thousand	Staffing	100.0 (100.0)	—
Hire Thinking, Inc.[3]	Ohio, United States	USD 14,841 thousand	Staffing	100.0 (100.0)	—
Staffmark Investment, LLC[3]	Ohio, United States	USD 708,928 thousand	Staffing	100.0 (100.0)	—
TECHNICAL AID CORPORATION[3]	Ohio, United States	USD 157,428 thousand	Staffing	100.0 (100.0)	—
ADVANTAGE PROFESSIONAL UK LIMITED[3]	London, United Kingdom	GBP 18,288 thousand	Staffing	100.0 (100.0)	—
Advantage Resourcing Europe B.V.[3]	Flevoland, Netherlands	GBP 32,299 thousand	Staffing	100.0 (100.0)	—
AHS Services Group Pty Limited[3]	New South Wales, Australia	AUD 13,250 thousand	Staffing	100.0 (100.0)	—
Ambit Engineering Pty Ltd[3]	New South Wales, Australia	AUD 36,510 thousand	Staffing	100.0 (100.0)	—
Chandler Macleod Services Pty Limited[3]	New South Wales, Australia	AUD 191,490 thousand	Staffing	100.0 (100.0)	—
Peoplebank Australia Ltd[3]	New South Wales, Australia	AUD 68,160 thousand	Staffing	100.0 (100.0)	—
RGF STAFFING MELBOURNE ONE PTY LTD[3]	New South Wales, Australia	AUD 440,756 thousand	Staffing	100.0 (100.0)	—
Ross Human Directions Group Limited[3]	New South Wales, Australia	AUD 25,117 thousand	Staffing	100.0 (100.0)	—
Ross Human Directions Limited (Australia)[3]	New South Wales, Australia	AUD 25,117 thousand	Staffing	100.0 (100.0)	—
SPHN (ACT) Pty Limited[3]	New South Wales, Australia	AUD 248,879 thousand	Staffing	100.0 (100.0)	—
SPHN Australia Pty Limited[3]	New South Wales, Australia	AUD 248,879 thousand	Staffing	100.0 (100.0)	—
Start Holding B.V.[3]	Flevoland, Netherlands	EUR 92,653 thousand	Staffing	100.0 (100.0)	—
Start People B.V.[3]	Flevoland, Netherlands	EUR 34,050 thousand	Staffing	100.0 (100.0)	—
Start People NV[3]	Antwerp, Belgium	EUR 12,407 thousand	Staffing	100.0 (100.0)	—
USG People Interservices NV[3]	Antwerp, Belgium	EUR 211,710 thousand	Staffing	100.0 (100.0)	—
325 other companies[5]					
(Equity-method associates)					

51job, Inc.	Cayman Islands, British Overseas Territory	RMB 54 thousand	Company-wide	35.0	—
kaonavi, inc.[4]	Minato-ku, Tokyo	JPY 1,018 million	Media & Solutions	22.5 (22.5)	—
8 other companies					

1 Segment names are shown in the "Description of major operations" section.

2 The percentages in parentheses in the "Ratio of voting rights held" section are indirect ownership of voting rights.

3 Specified subsidiary as defined by the Companies Act of Japan

4 A securities registration statement or *Yukashouken Houkokusho* has been submitted.

5 The name of the companies whose excess debt amounted to 10.0 billion yen or more and the amount of excess debt at the end of the current fiscal year are as follows:
Indeed Ireland Operations Limited 10,601 million yen

6 Revenues (excluding intercompany revenues among consolidated companies) from Recruit Co., Ltd., Staff Service Co., Ltd., and Indeed, Inc. account for over 10% of the consolidated revenue. Because all of the following values are non-consolidated financial results, they do not include goodwill, intangible assets, and amortization of intangible assets related to the Company's acquisition of each entity.

Recruit Co., Ltd.	Major profit (loss) items	Revenue	607,440 million yen
		Profit for the year	2,591 million yen
		Total equity	74,706 million yen
		Total assets	621,767 million yen
Staff Service Co., Ltd.	Major profit (loss) items	Revenue	261,531 million yen
		Profit for the year	12,384 million yen
		Total equity	26,109 million yen
		Total assets	74,989 million yen
Indeed, Inc.	Major profit (loss) items	Revenue	2,615 million US dollars
		Profit for the year	341 million US dollars
		Total equity	470 million US dollars
		Total assets	1,619 million US dollars

Ordinary income is not stated since the information above is based on IFRS as in "Consolidated Financial Statements and Notes" of the "Financial Information" section.

Employees

The Company including Its Consolidated Subsidiaries

As of March 31, 2020

Segment	Number of employees
HR Technology	11,549 [61]
Media & Solutions	21,680 [786]
Staffing	15,983 [1,674]
Holding Company corporate function	158 [9]
Total	49,370 [2,530]

1 The number of employees includes employees that have been assigned to the Company and excludes employees that have been assigned to companies outside the Company.

2 The average number of contract employees during FY2019 is shown in brackets.

3 Contract employees include part-time employees and exclude temporary staff.

4 “Holding Company corporate function“ represents the number of employees in corporate functions of the Holding Company such as finance and risk management.

The Holding Company excluding Its Consolidated Subsidiaries

As of March 31, 2020

Number of employees	Average age	Average length of service (years)	Average annual salary (yen)
158 [9]	37.5	5.5	9,647,353

Segment	Number of employees
HR Technology	—
Media & Solutions	—
Staffing	1
Holding Company corporate function	157 [9]
Total	158 [9]

1 The number of employees includes employees that have been assigned to the Holding Company and excludes employees that have been assigned to companies outside the Holding Company.

2 The average number of contract employees during FY2019 is shown in brackets.

3 Contract employees include part-time employees and exclude temporary staff.

4 Average annual salary includes overtime and bonuses.

5 “Holding Company corporate function“ represents the number of employees in corporate functions of the Holding Company such as finance and risk management.

[6] The number of employees decreased by 23 people, compared to the number of employees from the previous fiscal year. This is a result of changes to the method for counting employees in the HR Technology and Staffing segments.

Labor Unions

Employees are not members of labor unions. Management and employees have built a strong relationship and no special labor matters are noted.

Business Overview

Management Philosophy and Strategies

Management Philosophy

Recruit Group Management Philosophy is defined by its Basic Principle, Vision, Mission and Values as follows:

Basic Principle

We are focused on creating new value for our society to contribute to a brighter world where all individuals can live life to the fullest.

Vision

Follow Your Heart

We envision a world where individuals and businesses can focus on what really matters. The more people are free to pursue their passions, the better our future becomes.

Mission

Opportunities for Life.
Faster, simpler and closer to you.

Since our foundation, we have connected individuals and businesses offering both a multitude of choices.

In this era of search, where information has become available anytime anywhere, we need to focus more on proposing the optimal choice. We seek to provide "Opportunities for Life" much faster, surprisingly simpler and closer than ever before.

Values

Wow the World

What we do isn't a job. We enjoy exploring what is possible for our future. We question the status quo, fail well and overcome with resilience.
We are a force for change.

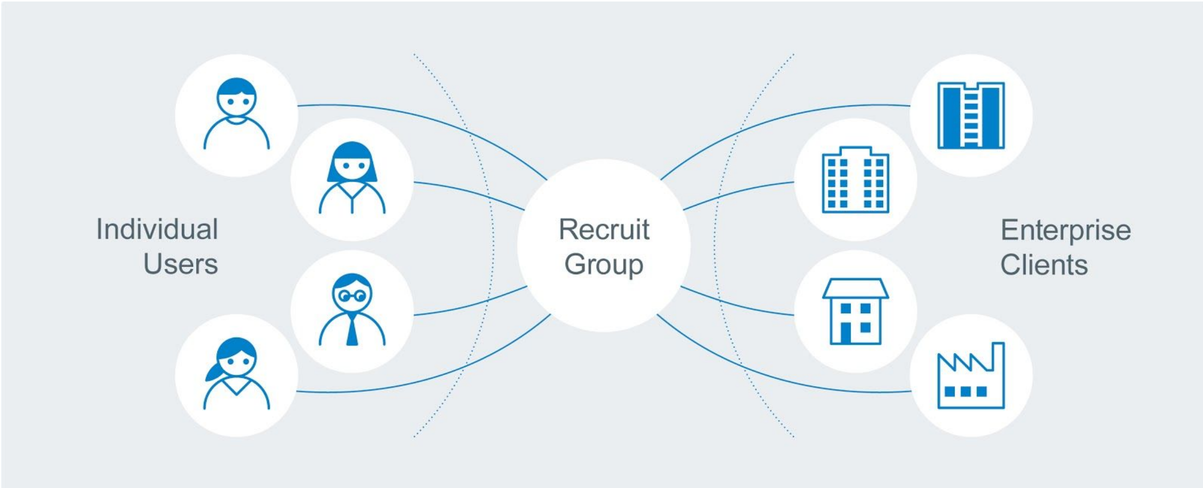
Bet on Passion

We are a team of people fueled by curiosity. We respect and capitalize on each other's differences. We know that one person's crazy idea, when backed by data and research, can become the best bet.

Prioritize Social Value

We, as global citizens, strive to contribute to a sustainable society through all of our corporate activities. Each one of us is committed to seeking out the needs of society and taking action for a better future.

The Company has developed the Ribbon Model, a two-sided marketplace business model to align with its management philosophy. By providing a common platform through which individual users can find the service that best meets their needs, enterprise clients can connect with their ideal customers, and the Company can facilitate the best possible matches for the mutual benefit of both parties. In recent years, technological advancement has enabled the Company to improve matching efficiency, which results in better matching solutions for individual users. The Company also focuses on providing services to small and medium-sized enterprise (SME) clients to improve their management and operational efficiency.



Target Management Key Performance Indicators (KPIs)

The Company aims to flexibly and aggressively pursue various growth investments including mergers and acquisitions (M&A), in order to achieve profitable growth over the long-term, through a focus on managing an appropriate balance of investments and earnings growth while increasing shareholder value. Therefore, the Company has set adjusted EBITDA[1] and adjusted EPS[2] as target management KPIs to maximize its enterprise value. Also, executive officers compensations are linked to target management KPIs to align with shareholder interests.

1 Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses

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

3 Adjusted profit = profit attributable to owners of the parent ± adjustment items[4] (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items

4 Adjustment items = amortization of intangible assets arising due to business combinations ± non-recurring income/losses[5]

5 Non-recurring income/losses = gains or losses from disposals of shares of associates, expenses relating to Company restructuring, gains or losses from the sale or impairment of property and equipment, and income and expense items that the Company believes are unusual or non-recurring in nature which do not reflect the Company's underlying results of operations

The Company adopted IFRS 16 in FY2019, and changed its accounting policy. Pursuant to IFRS 16, a lessee generally must recognize a "right-of-use asset" for all leases, such asset representing the right to use the underlying asset over the term of such leases. A lessee must also recognize as its financial liability the lessee's obligation to make future lease payments. Under previous accounting standards, IAS 17, a company recorded lease payments of operating leases as rent expense. However under IFRS 16, a company must record depreciation of its right-of-use assets and interest expense on its lease liability. As a result of the adoption of IFRS 16, EBITDA will increase because rent expense will decrease, while the depreciation of the right-of-use asset will increase. Therefore the Company decided to change the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption) to ensure comparability with the prior management KPI.

Business Strategies

The Company believes swift decision-making is essential to maximize enterprise value and shareholder value. In order to do so, the Company actively responds to the rapidly transforming technology and internet landscape and by identifying business opportunities globally. Therefore, the Company operates its businesses through each of its three Strategic Business Units ("SBU"s): HR Technology, Media & Solutions and Staffing.

The Company has established respective SBU Headquarters in order to further reinforce global, swift decision making. This organizational structure enhances the management capabilities of each SBU Headquarters and enables each SBU Headquarters to execute its own strategy in a self-sustaining and self-disciplined manner. The SBU structure also enables the Company to focus on and strengthen its holding company functions, including group governance and monitoring. Through these positive aspects of the SBU structure, the Company aims to increase its enterprise value.

The business strategies for each SBU are as follows:

HR Technology aims to further grow sponsored job advertising and recruiting solutions globally through *Indeed* and *Glassdoor*. The demand for an efficient job seeking experience and recruiting process empowered by technology continues to rise. The SBU aims to drive future growth by investing in product development and M&A to make recruiting and hiring processes more efficient.

Media & Solutions strives for further growth through its media advertising businesses and by providing SaaS solutions to support day-to-day SME operations. The Company has developed strong relationships with SMEs cultivated by its nation-wide sales team, and established a unique position as a multiple service provider for these businesses. Media & Solutions has identified a significant untapped opportunity in SMEs' non-advertising expenditures by providing value-added SaaS solutions that can potentially reduce their operational and managerial costs. Media & Solutions continues to aim for stable growth, while SaaS solutions to focus on increasing the number of accounts. Media & Solutions will proactively invest in product development and marketing for SaaS solutions, while aiming to maintain the overall profitability of the segment.

In Staffing, Japan operations aim for stable growth against a backdrop of a tight labor market environment in Japan. Overseas operations focus on improving adjusted EBITDA margin continuously by fully implementing its Unit Management System.

Mid- to Long-term Strategies

The Company sets two mid- to long-term strategies.

Aim to Become the Global Leader of the HR Matching Market

The Company aims to become the global leader in the HR Matching market, which the Company estimates was roughly 159 billion US dollars[1] in terms of annual revenue in 2019, by utilizing innovation and creativity driven by technology. The HR Matching market includes job advertising and talent sourcing tools, placement and search, and temporary staffing.

The global online job advertising and talent sourcing tools market, which is currently the main business of HR Technology, is estimated by the Company to have been roughly 17 billion US dollars[2] in terms of annual revenue in 2019. In the future, the Company expects the online job advertising and talent sourcing tools market to grow in the long term, whereas the offline job advertising market, which the Company estimates was more than 4 billion US dollars in terms of annual revenue in 2019, continues to flow into online channels. The Company focuses on long-term growth in this market by improving the efficiency of the job seeking and recruiting experience through online tools.

The placement and search market is estimated to have been roughly 55 billion US dollars[4] in terms of annual revenue globally in 2019. The Company currently operates in this market primarily through HR Solutions in Media & Solutions, and this market has been dominated by the traditional relationship-based business model. The Company aims to grow its business in this market by providing services through *Indeed Hire,* which aims to offer highly efficient solutions at lower prices compared to the industry average, using technology and automation to differentiate its solutions from competing services.

The temporary staffing market is estimated to be roughly 441 billion US dollars[4] in annual revenue globally in 2019, while the total gross profit for all staffing companies, which is calculated by subtracting the amount of salary for temporary staff and related costs from the total revenue, is estimated by the Company to have been roughly 82 billion US dollars[5] in 2019. The Company sees mid-to-long-term opportunities to introduce technology-driven solutions that create efficiencies by automating human-driven processes involved in traditional temporary staffing services. The Company intends to explore the development of new and innovative solutions in temporary staffing to capture future opportunities by leveraging technology.

The Company believes the size of the global HR Matching market will decrease significantly in the near-term, including in 2020 due to the impact of the COVID-19 pandemic as revenue in the HR Matching market tends to be highly correlated with overall economic growth as well as conditions in the labor market. However, the resulting uncertainty and rapidly evolving conditions around the world prevent the Company from reliably predicting the magnitude of the negative impact on the HR Matching market in 2020 or subsequent years. During these unprecedented times, the Company remains fully committed to supporting job seekers and employers through its resources and technology. The Company will continue to invest proactively and strategically to become a global leader in the HR Matching market in the mid- to long-term.

1 Sum of the estimated size of addressable markets for the job advertising & talent sourcing tools market and the placement & search market in terms of annual revenue and addressable markets for the temporary staffing market in terms of annual gross profit, in each case based on the Company's estimates and third party market data as described in the notes below.

2 Sum of the revenue of HR Technology in 2019, the Company's estimates for revenue of competing job advertising boards in the Company's target operating markets in 2019 based on third party reports and internal research, and the Company's estimates for annual revenue of the talent solutions business of LinkedIn in the Company's target operating markets in 2019 based on publicly available information and internal research.

3 Amount derived based on the proportion of online to offline spending (excluding TV, cinema and radio advertising) in the overall advertising market in 2019 based on third party reports and the estimated size of global online job advertising and talent sourcing tools market, which the Company estimates was 17 billion US dollars in 2019 using the methodology described in note 2 above.

4 Source: SIA, Global Staffing Industry Market Estimates and Forecast: May 2020 Update

5 Amount derived by applying a gross profit margin of 18.6%, which was calculated based on the weighted average of the top 3 publicly traded global staffing companies in terms of revenue in 2019 to 441 billion US dollars, which was the revenue of the temporary staffing market in 2019 according to SIA (Global Staffing Industry Market Estimates and Forecast, May 2020 Update).

6 As described above, the estimates of the job advertising & talent sourcing tools market, the placement & search market and the temporary staffing market are based on internal estimates and independent market research in addition to third party market data. Accordingly, the estimates described above may differ materially from the actual size of such markets.

Improve Productivity of Clients' Businesses through SaaS Solutions with a Focus on Air BusinessTools

The Company believes there is a sizable long-term growth opportunity to provide operational support services empowered by technology, that is delivered through SaaS solutions to help improve productivity for SMEs in Japan.

Air BusinessTools provides a comprehensive bundled suite of cloud-based solutions to support the day-to-day management and operations of a business, through solutions such as *AirREGI* and *AirPAY* to existing clients of Media & Solutions' advertising business, as well as new clients.

The Company aims to solve various challenges SMEs face every day in their business operations by providing *Air BusinessTools* across a variety of industries in Japan. SaaS solutions enable SMEs to spend less time on back-office related work and spend more time on their main businesses, which improves operational efficiency, enhances productivity, and contributes to the overall sustainability of SMEs' businesses. As a result, the Company believes that SaaS solutions support SMEs in growing their businesses and increasing customer satisfaction.

Air BusinessTools is focused on increasing the number of accounts by leveraging the Company's strong market position and relationships with existing clients while at the same time attracting new SME clients through online media and other channels. In order to further enhance the operational efficiency of SME clients, *Air BusinessTools* proactively seeks opportunities to collaborate with third-party services to expand the services provided on the *Air BusinessTools* platform.

The Company estimates there may be roughly 2.9 million business locations and stores[7] in Japan at which *Air BusinessTools* can be used, which represents a sizable growth opportunity. Recently, the number of accounts for *AirPAY,* a SaaS solution for accepting cashless payments, has significantly increased which was supported by the Japanese government initiative to encourage business owners to accept cashless payments in conjunction with the consumption tax hike. *AirPAY* had approximately 149,000 registered accounts[8] as of March 2020, an increase of 167% compared to March 2019. The demand for *AirPAY* has continued to be strong after October 2019.

Increasing number of clients who use *AirPAY* have also subscribed to other *Air BusinessTools* solutions. Among the approximately 149,000 *AirPAY* registered accounts[8] as of March 2020, approximately 102,000 registered accounts have also subscribed to other *Air BusinessTools* solutions. The Company believes the growth in *AirPAY* accounts will lead the overall growth of *Air BusinessTools* accounts.

<u>Platform of *Air BusinessTools*</u>

7 The Company estimated the number of business locations and stores that can use *Air BusinessTools* by first identifying the total number business locations and stores of small and medium-sized enterprises in Japan (using the definition used by the Small and Medium Enterprise Agency) based on the 2016 Economic Census for Business Activity conducted by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry. The Company then estimated the number of these business locations and stores that could use *Air BusinessTools* by aggregating the number of all such business locations and stores operating in all industries in which there were 20 or more existing *Air BusinessTools* registered accounts (including non-active accounts) as of March 31, 2020. As the Company has estimated such business locations and stores based on data for 2016, it is possible that the estimated number of such business locations and stores would materially differ based on more recent data. In addition, while the estimated number of such business locations and stores that can use *Air BusinessTools* is based on the number of all business locations and stores

in all industries in which there were 20 or more existing *Air BusinessTools* registered accounts, there can be no assurance that all such business locations and stores would in fact have a need for the solutions offered by *Air BusinessTools*.

8 Registered accounts refers to the number of stores and business locations that have registered for the relevant service (including both active and non-active accounts).

Issues to Be Addressed

Strengthen the Governance of Media & Solutions in response to Rikunabi DMP Follow Incident

During FY2019, the Personal Information Protection Commission and the Tokyo Labor Bureau issued administrative admonishments and administrative directives to our subsidiaries Recruit Co., Ltd. ("Recruit") and Recruit Career Co., Ltd. due to violations of the Act on Protection of Personal Information and the Employment Security Act in relation to the *Rikunabi DMP Follow* service (which was suspended on August 4, 2019) operated by Recruit Career Co., Ltd. In response to these administrative admonishments and administrative directives, we have implemented various measures with aim of preventing similar incidents in the future and strengthening governance.

In December 2019 Recruit established an Advisory Committee on data usage which includes outside advisors, and held four committees to discuss appropriate data usage and protection of personal information. Reflecting the discussion, Recruit created a "Personal Data Policy" as an integrated written guideline for all operations in the Media & Solutions SBU. Recruit announced it on our website in April 2020 (Japanese only).

In addition, Media & Solutions SBU integrated the legal functions across its major subsidiaries in Japan in April 2020. Other preventive measures have started to be implemented, including establishment of a standardized multi-check process and strengthening employee training regarding personal information protection. These measures will be continued going forward.

Capital Allocation Policy

The Company's capital allocation policy has the following priorities:

- Investment in existing businesses for future growth
- Stable and sustained dividends
- Strategic M&A mainly focused on HR Technology
- Share repurchase program, depending on the capital markets environment and the outlook of the Company's financial position

The Company's ROE target is approximately 15%. The Company also applies a hurdle rate exceeding the cost of capital when evaluating each investment opportunity, and focuses on achieving capital efficiency above the cost of shareholders' equity on a consolidated basis.

Risk Factors

Risk Management Structure

The Holding Company has established a Risk Management Committee as an advisory body of the Board of Directors. This Risk Management Committee monitors the status of risk management of each Strategic Business Unit (SBU), analyzes the risks affecting the Company as a whole and formulates and reports measures to address major risks to the Board of Directors.

In addition to the Holding Company, each SBU has also established a Risk Management Committee to implement risk management measures appropriate for each business. SBU Risk Management Committees discuss and formulate measures to address the major risks of each SBU and implement and monitor risk mitigation efforts for each SBU including the subsidiaries within each SBU.

Moreover, the Company has established a framework under which information relating to compliance and risk management is regularly reported to the Board of Directors. This framework enables the Board of Directors to appropriately monitor the status and measures being implemented across the Company.

Risks related to the Company's Businesses

The Company is subject to a number of risks and uncertainties, including but not limited to those described below. Our business, results of operations, financial condition and cash flows could be materially and adversely affected by any such risks and uncertainties.

In particular, the global outbreak of respiratory disease caused by a novel strain of coronavirus first identified at the end of 2019 (“COVID-19”) affects many of the individual risks described below. In light of the importance of the risks relating to COVID-19 as of the date of this document, we have presented an overview of these risks under the section titled “The Outbreak of COVID-19 May Adversely Impact Our Business, Results of Operations and Financial Condition.” below.

The following contains forward-looking statements, which reflect the Company's assumptions, estimates and outlook for the future based on the Company's plans and expectations as of March 31, 2020 unless the context otherwise indicates.

The Outbreak of COVID-19 May Adversely Impact Our Business, Results of Operations and Financial Condition.

Due to a significantly uncertain outlook caused by the global spread of COVID-19, economic activity, including consumer and business activity, has been negatively affected globally, including in Japan. As a result, the Company’s revenue and profits have been negatively impacted and may be further negatively impacted in future periods.

The following summarizes the potential risks to the Company’s businesses as a result of the the global spread of COVID-19:

HR Matching business, which is comprised of HR Technology, Staffing, and HR Solutions in Media & Solutions, have been negatively affected, as employers have turned cautious on hiring while assessing the current economic situation and adapting to social distancing and other restrictions in many countries around the world. Revenue in HR Technology and HR Solutions in Media & Solutions may continue to decline if employers decrease the number of job advertisements and cancel hiring events in response to the above conditions. For the same reasons, revenue in Staffing may decline if demand for temporary staff from enterprise clients continues to decline.

Marketing Solutions in Media & Solutions, has also been negatively affected by reduced demand for advertising services, especially in travel, dining and bridal, as a result of the state of emergency and shelter-in-place request in Japan since April 2020. Revenue may decline to the extent enterprise clients temporarily suspend spending on advertising or change to lower priced advertising packages as a result of the weak business environment.

SaaS solutions, mainly *Air BusinessTools*, in Media & Solutions currently focus on increasing the number of enterprise client accounts by providing free solutions and marketing promotions. The number of accounts for *AirPAY*, a SaaS solution for accepting cashless payments, has particularly increased in FY2019, supported by the initiatives by the Japanese government to encourage business owners to accept cashless payments. The growth in the number of accounts may slow if enterprise clients suspend their subscriptions of *Air BusinessTools* in response to a continued weak business environment.

In addition to the risks discussed above relating to economic and business conditions, the Company's business and financial results may be negatively impacted by the spread of COVID-19 due to any of the following:

- If the Company is unable to promptly and effectively address changes in the needs and preferences of enterprise clients and individual users, our market share and revenue may be negatively affected.
- In the case where financial results are forecasted to decline over the long term, the Company may be required to recognize impairments of goodwill or intangible assets recorded in connection with acquisitions that exceed impairment losses the Company has already recognized.
- The Company's liquidity may be negatively impacted if its creditworthiness declines as a result of declining financial performance or weakening of the business environment, or if the Company experiences delays in collecting, or default of, receivables.
- Exchange rate volatility may result from unstable currency exchange markets.
- The Company may be unable to obtain financing on attractive terms or at all due to an economic recession, volatility in financial markets, increases in interest rates, decreases in our creditworthiness or credit ratings downgrades, declining financial performance or weakening of the business environment.
- The Company may experience operational or business disruptions or be forced to suspend certain operations or businesses if a large portion of the workforce it depends on to operate its business, including the employees and third-party service providers, contracts COVID-19 or is otherwise unable to function.

The Company's Results of Operations Could Be Adversely Affected by Negative Economic, Social and Geopolitical Conditions in Our Main Operating Markets and Globally.

The performance of our businesses is generally sensitive to economic, social and geopolitical conditions in our main operating markets, including Japan, the United States, Europe and Australia, as well as global economic conditions more generally.

In the Company's HR Matching business, which is comprised of the HR Technology and Staffing SBUs, and the HR Solutions subsegment of the Media & Solutions SBU, the results of our operations are sensitive to negative developments in the labor and employment market resulting from economic downturns or uncertainty.

In times of negative economic conditions, employers may reduce spending on job advertising and other job placement and search staffing services or reduce hiring employees or agency workers due to cost-cutting initiatives or increased access to qualified job seekers without the use of advertising or other third-party services. Any such reduction in spending or hiring by employers would in turn reduce demand for our HR Matching business.

In addition, in our Marketing Solutions operations in the Media & Solutions segment, adverse economic conditions may affect consumer spending activity that may negatively affect the Company's enterprise clients' businesses and adversely impact enterprise clients' demand for our services due to reductions in advertising expenditures and other cost reduction initiatives or changes in consumer spending activity that negatively affect their businesses.

The outlook for the economy in our main operating markets remains highly uncertain and could be adversely affected by a range of economic, social and geopolitical developments.

In particular, recent global economic conditions have significantly weakened due to extensive disruptions in economic activity and volatility in financial markets caused by the outbreak and global spread of COVID-19 and the measures implemented in many countries to help contain the spread of the virus. See “The Outbreak of COVID-19 May Adversely Impact Our Business, Results of Operations and Financial Condition.” above.

There are also longer-term challenges in Japan surrounding deflation and the impact of unfavorable demographic trends such as the declining birthrate and the decline and aging of the overall population. In the United States, there remains significant economic uncertainty surrounding trade tensions between the United States and China and other major trading partners as well as other trade policies being pursued in the United States. In Europe, the impact of the exit of the United Kingdom from the European Union as well as the volatile political environment in many major European countries remains highly uncertain.

Any of these regional factors as well as factors outside of the Company’s main operating markets, including economic slowdowns in China or other regions as a result of COVID-19 as well as the potential escalation of geopolitical risks associated with the Middle East and North Korea, could impact regional economies and the global economy more generally.

Competition in the Various Industries in Which the Company Operates Could Reduce Our Profitability or Result in a Decrease in Our Market Share.

The markets in which we operate are highly competitive, and competition has generally intensified in recent years across our businesses. In particular, certain markets in which the Company operates have relatively low barriers to entry, which enables new competitors, including those operating in different industries, to enter these markets relatively easily.

In addition, the Company’s ability to keep pace with increasingly rapid advances in technology is also a key competitive factor in many of our businesses. We may be unable to maintain a competitive position in our operating markets by relying on the strength of our brands, laws and regulations, financial resources and individual users and enterprise client bases.

Our current and potential competitors include large global technology companies, and a variety of global and regional companies operating in one or more of our target markets. These companies may have more advanced technological resources, more compelling business models, greater financial resources, more competitive pricing or ability to provide such pricing, greater global or regional brand awareness, larger user bases, stronger relationships with enterprise clients, greater access to potential employees, agency workers and other personnel or superior service, sales, marketing and other resources than we do.

Market shares, particularly in Internet-based services in the HR Technology and Media & Solutions segments, have in the past been subject to significant shifts from time to time due to the relative ease for individual users to switch to other services. As a result, our ability to compete effectively depends on our ability to achieve continued innovation and to improve the functionality of existing services and introduce compelling new services in order to effectively respond to the evolving needs and preferences of individual users and enterprise clients.

If we fail to keep providing services that gain market acceptance among individual users and enterprise clients and our competitors successfully differentiate their services from ours, our competitive position and market share could be materially harmed.

The Media & Solutions segment has a strong market position and has achieved the top market share in terms of revenue for many of their core businesses in Japan, which may make future growth for these businesses more challenging relative to other businesses. Even if we are able to maintain and further increase our market share, our margins may decrease if we are forced to undertake additional advertising and marketing expenditures, lower our pricing for existing services or introduce new services with lower profitability to do so.

The Company May Be Unable to Innovate and Adapt with Sufficient Speed to Meet the Rapidly Changing Needs and Preferences of Individual Users and Enterprise Clients.

The Company's business model depends on our ability to offer individual users and enterprise clients services that meet their respective needs and preferences. Accordingly, maintaining our competitive position and market share requires that we adapt quickly to changes in such needs and preferences.

For example, increased use of the Internet, social media, mobile devices and other new technologies, has resulted in information being available more rapidly and in real time while new technologies have made it relatively easy for new entrants to build user bases quickly without significant investment. In particular, the ability to offer effective mobile applications that provide individual users with an appealing, easy-to-use mobile experience is an increasingly important factor in maintaining and growing our individual user base and direct user traffic for many of our online services. These and other changes in technology and user behavior have in turn resulted in changes in the needs of our enterprise clients.

In addition, the needs and preferences of individual users and enterprise clients may change in response to the COVID-19 outbreak due to changes in the lifestyles of individual users and the business operations of enterprise clients. See "The Outbreak of COVID-19 May Adversely Impact Our Business, Results of Operations and Financial Condition." above.

We must invest significant resources to continually enhance and improve our existing services and to introduce new and innovative features and services that are compelling to individual users and enterprise clients and respond effectively to rapidly evolving technology and the way it is used or implemented by individual users or enterprise clients. If we are unable to accurately and swiftly identify and understand the changes in the needs of our individual users and enterprise clients, including the appropriate balance between such changes in the needs and interests of our individual users and enterprise clients, or if we fail to improve or develop our products and services to meet the needs of our individual users or enterprise clients and predict or respond to technological changes in a timely and cost effective manner before our competitors, individual users and enterprise clients may stop using our products and services.

The Company's businesses are also affected by changes in enterprise client preferences and how and to what extent enterprise clients choose to use our services.

A substantial portion of our revenue is generated from enterprise clients advertising on our platforms in the HR Technology and Media & Solutions segments. For certain services, we provide more flexible arrangements to meet the needs of enterprise clients, and contracts with such enterprise clients are sometimes in the form of relatively short-term advertising arrangements. These short-term arrangements may expose us to the risk that our enterprise clients may switch their advertising to competitors' platforms or reduce the amount of their spending on our platforms, or may cease to do business with the Company entirely.

In addition, our enterprise clients could decide to reduce the budgets they are willing to commit to us if we do not provide effective advertising solutions, or if they do not believe that their investment in advertising with us will generate a competitive return relative to alternatives.

Individual user preferences may change in a manner that increases our costs, such as expenditures required for development of new features or services, or increased expectations for user perks or other programs that result in additional costs.

In addition, initiatives taken to respond to rapid changes in individual user needs or preferences can reduce the profitability of our existing services and business models, and there is no assurance that we will be able to adjust our business models, including maintaining the appropriate balance between the needs and interests of our individual users and enterprise clients, or develop new business models that allow us to maintain profitability.

The Company Must Rapidly Advance Its Technological Capabilities.

The markets in which the Company competes is characterized by rapidly changing technologies, which in turn impact individual user and enterprise client demands and the competitive environment more generally. Accordingly, we believe it is critical to continuously invest in and improve our technological capabilities, the functionality of our system infrastructure and the reliability of our products and systems in response to technological innovation.

In addition, because many of our services are provided over the Internet, we need to continuously modify and enhance our platform to keep pace with changes in Internet-related hardware, software, communications and database technologies and standards. In addition, we may be required to make significant investments in order to advance our technological capabilities, which could in turn impact our profitability.

Developing new technology presents significant technical and business challenges and risks, including the following:

- we may invest in technologies or uses of technology that ultimately fail to deliver the benefits we anticipate or become obsolete by the time they are launched or fully implemented;
- we must attract, train and retain highly skilled engineers and managers in order to build, maintain and expand our information technology services and achieve innovation, and these engineers and managers may be difficult to recruit and expensive to retain;
- the number of different types of mobile devices in use, or the applicable technical standards, could further diversify across our operating markets, substantially increasing our product development and modification costs, and we may be unsuccessful in developing appealing products for these devices;
- we may fail to maintain or update our technological infrastructure, products and systems to rapidly changing industry or technical standards;
- the cost of upgrading our technology or implementing and operating new technology may be substantial and such upgrades or implementations may not be cost effective;
- any upgrades to our technology and infrastructure may not achieve the desired results or may otherwise prove ineffective;
- we may face competition from businesses that have implemented new technology faster than us or make better use of such technology than we do;
- products and services incorporating new technology may contain bugs, defects or other design flaws; and
- the continuous development of new devices and technologies makes it difficult to predict future trends in the areas in which we operate.

The Company May Not Succeed in Executing the Business Strategy, and the Estimate of the Scope and Size of the Total Addressable Market May Not Be Correct.

To achieve sustainable growth of enterprise value and shareholder value, the Company has organized management units called Strategic Business Units (SBUs), aiming to ensure timely decision-making by each SBU to swiftly capture opportunities in a global market. Under this structure, the Company aims to become a global leader in the HR Matching market, in which all three of the SBUs operate, as set forth in its mid- to long-term strategies announced in May 2020.

However, it is difficult to formulate effective strategies for the businesses due to the inherent uncertainties surrounding our future performance and market environment, and our strategies may not be effective, or we may be forced to change our strategies in the future due to any number of factors.

We have established a number of strategies for each of the operating segments that we believe will allow us to achieve long-term revenue and profit growth. However, each of these strategies is subject to a number of risks and uncertainties, including the following:

HR Technology

We intend to pursue continued growth in our online job advertising business primarily through *Indeed* and *Glassdoor* while expanding our capabilities through continued growth investments including acquisitions. However, there is no assurance that we will be able to achieve growth to the extent we expect or at all, or that our investments will achieve the expected benefits.

The online job advertising market may not grow at the pace we currently anticipate due to a number of possible factors, including the transition of offline job advertisements to online job advertisements progressing at a slower pace than we expect, and we may fail to capitalize on anticipated market opportunities for a variety of reasons, such as our failure to adapt to new technologies, changes in the needs of individual users and enterprise clients in the employment market and the constantly evolving regulatory and competitive landscape.

Media & Solutions

We intend to focus on stable growth of our advertising business while expanding its software as a service ("SaaS") offerings targeting SMEs. We may be unable to grow our business in this segment if SMEs do not adopt our SaaS solutions to the extent we expect, whether due to our failure in effectively acquiring new individual users or SMEs as enterprise clients, or our products being less attractive or innovative compared to those of our competitors. In addition, if our enterprise clients experience difficulties in operating their businesses, we may not succeed in exploring opportunities to monetize our SaaS business.

Staffing

We intend to focus on improving profitability across our global operations. However, we may be unable to achieve improvements in profitability, or even experience deteriorating profitability, due to the worsening of the employment environment resulting from adverse changes in global economic prospects, the tightening of regulations in any of our major operating environments, or other factors.

We also intend to invest in expanding our presence in the market for our HR Matching business. While our HR Matching business currently targets the online job advertising market through the HR Technology segment and Media & Solutions segment, we also intend to introduce technology-driven solutions, an employment placement service which uses a pay per hire model, from the HR Technology segment that create cost efficiencies through automation of manual processes in the job placement and search market and temporary staffing markets.

However, if we are unable to successfully develop and introduce such solutions or achieve market acceptance for our solutions, or if we are unable to respond to rapid changes in the employment market, we may be unable to achieve a return on our investments in these new solutions. In addition, even if we are successful, such development may also result in a reduction in the profitability of our existing traditional businesses.

As we expand our existing services or launch new ones, we may face intense competition, greater than expected costs in establishing or expanding services and hiring and training the necessary personnel, difficulties predicting market and individual user and enterprise client trends and the performance of our new businesses, returns from new initiatives that are smaller than expected or slower to materialize, unanticipated costs and difficulties, or other challenges that prevent us from successfully realizing our business goals.

On the other hand, it is also possible that we may need to exit from existing businesses or withdraw from planned investments or expansions if we determine that such businesses would not yield the desired impact or the growth potential of such businesses does not justify the required investment outlay. In these cases, such exit or withdrawal may cause us to incur substantial costs.

In addition, our existing businesses may, in turn, be negatively affected by the new innovative services that we develop and introduce to our individual users and enterprise clients.

Present and Future Acquisitions, Joint Ventures and Strategic Alliances Could Fail to Deliver the Anticipated Benefits or Otherwise Have an Adverse Effect on the Businesses and Results of Operations.

As part of the Company’s business strategy, we have actively engaged in acquisitions, minority investments, joint ventures and other strategic alliances with third parties primarily to expand our businesses globally, acquiring new users, to expand our product and service offerings and acquiring related technologies. We intend to continue to pursue acquisitions and other strategic investments or alliances in the future as attractive opportunities emerge.

Acquisitions, strategic investments and alliances entail a number of risks, including, among others:

- expenses incurred and difficulties in integrating or assimilating the operations, technology, personnel and culture of acquired businesses;
- the inability to realize the synergy effects, such as technological development, expansion of individual user traffic and enterprise client base or cost reductions, that were anticipated in connection with the transaction;
- the difficulty in ensuring that acquisitions reach the required regulatory compliance standard of the company;
- the potential disruption of, and the distraction of management from, our regular business operations;
- difficulties and substantial costs in connection with retaining the individual users, enterprise clients, key management or employees of an acquired company;
- the possibility that strategic alliance partners could later become competitors and utilize the know-how and business relationships they developed or acquired while in partnership with us;
- the possible failure to ensure that the companies we acquire operate consistently with our regulatory compliance standards;
- with respect to foreign acquisitions and global expansion, uncertainty regarding and changes in foreign laws and regulations, local restrictions on foreign investments and challenges with respect to different employee/employer relationships, labor conditions, existence of workers' councils and labor unions, cultural, linguistic or operational differences and additional risks arising from the local and regional social, political, regulatory and economic environment;
- the possibility of overestimating the value of an acquired company, underestimating its legal or contingent liabilities or receiving insufficient indemnification of liabilities or insufficient escrowed amounts or insurance to secure such indemnities from the seller;
- recording significant goodwill and intangible assets that could be subject to future impairment, as described elsewhere in this section; and
- incurrence of additional debt in connection with financing acquisitions and investments.

As a result of such risks, we may not be able to realize the full extent of the benefits that we anticipate from any given transaction, including increased revenue and profits and other expected strategic benefits, within the expected timeframe or at all.

Furthermore, for strategic reasons, we have in the past acquired and may in the future acquire target companies that are unprofitable, and the consolidation of such target companies into our overall results may materially and adversely affect our consolidated financial condition and results of operations.

Although we conduct due diligence reviews of acquisition targets, there can be no assurance that our due diligence process will disclose all relevant risks, legal, compliance or regulatory issues, losses and other liabilities or that our assessment of disclosed risks and liabilities will be accurate. In particular, with respect to acquisitions and investments in the technology sector, we may have difficulty accurately assessing the future viability and growth trajectory of target companies or technologies, especially where the relevant technologies are in the early stages of development or are rapidly evolving.

We may also face uncertainties when we acquire companies with a limited operating history or a management system that requires improvement, which is often the case in the technology sector, including potential compliance issues or liabilities that were not identified in due diligence.

In addition, in cases where we acquire non-controlling interests in entities, we may not have the capability to effectively monitor or exercise control over the management of the entities in which we invest or the direction that the entity will take. As a result, we may not be able to cause any companies in which we hold non-controlling interests to implement what we view as optimal management policies or strategies that would achieve the benefits from strategic investments that we expected to achieve. In addition, joint ventures and other strategic alliances could limit our future flexibility to work with other potential partners.

While we intend to continue to explore future opportunities for acquisitions and other strategic investments, there is no assurance that we will be able to correctly identify attractive opportunities. Even if we do correctly identify potential acquisitions and investments that we believe would further our growth strategy, we may be unable to negotiate favorable terms with the target company or otherwise be unable to pursue the opportunity due to our inability to secure the necessary financing or obtain necessary regulatory approvals or other reasons.

The Company's Expansive Global Operations Expose Us to Various Risks and Challenges.

The Company operates in a number of countries and regions including Japan, the United States, Europe and Australia, and is working to further expand the businesses globally. However, the performance of our operations in any particular country or region could suffer or might otherwise fail to meet our expectations due to the following factors, among others:

- poor regional or national economic and political conditions that could adversely impact, among other things, the advertising spend of our enterprise clients;
- difficulties complying with legal or regulatory requirements and oversight by local regulators;
- changes in legal or regulatory requirements that could impact our operating strategies, access to global markets, hiring, and profitability;
- differing individual user and enterprise client expectations and preferences;
- lower availability of Internet access and adoption of mobile devices;
- taxation issues;
- difficulties adapting to local market practice or local culture and customs;
- labor disputes or strikes;
- adverse political developments or general political uncertainty;
- linguistic and communication difficulties;
- a worsening of international relations involving any of the countries in which we operate;
- seasonal reductions in business activity;
- a higher risk of litigation in certain regions;
- restrictions on share ownership by foreign entities;
- difficulties hiring and retaining highly skilled management personnel, engineers and other staff;
- lower brand name recognition; and
- difficulties in monitoring business we conduct across a diverse range of countries and regions.

In addition, our exposure to the risks discussed above will increase as our global operations continue to expand.

The Inability to Attract and Retain Qualified Employees and Maintain a Positive Work Environment for Our Employees Could Harm the Business and Inhibit Our Ability to Operate, Grow and Achieve Innovation Successfully.

For the businesses to be successful, the Company needs to attract, develop and retain talented personnel in a number of areas including management, engineering, sales, and other fields and develop a diverse workforce that brings a wide range of unique backgrounds and perspectives to our businesses. We must also continually train our employees to respond to changes in the market for our products and services and evolving technology.

In addition, we must maintain a positive work environment that provides the necessary support and flexibility for our employees and agency workers in our temporary staffing business, including allowing for remote working arrangements where necessary. Any failure to maintain a positive work environment could result in the infringement of the civil rights of such employees or agency workers.

Any failure to hire, train, retain, motivate and manage the required workforce may limit our growth, damage our reputation, negatively affect our financial performance, impede our ability to achieve innovation and otherwise harm our business.

In particular, talented and experienced IT engineers have become increasingly important in our HR Technology and Media & Solutions segments. Due to our increasing dependence on and the scarcity of such engineers, our success going forward depends in part on our ability to continue to recruit, train, develop and retain such personnel.

If we lose key personnel, including key members of our management team and engineers, to competitors or at a rate greater than we anticipate, or if we have difficulty attracting new, highly talented employees,our business could be materially and adversely affected.

The Company May Be Subject to Liability and Regulatory Action or Suffer Reputational Damage If We Are Unable to Maintain Data Privacy and Protect Personal, Confidential or Sensitive Information.

Due to the nature of our business operations, and the large number of individual users who utilize our services and transmit and store personal information through our systems, we possess a substantial amount of personal, confidential or otherwise sensitive information with respect to current, past or prospective individual users, enterprise clients and business partners.

The Company's management and use of data have become an increasingly important part of our business, and we rely on the integrity of our systems and security procedures to ensure adequate protection of our data.

However, there can be no assurance that our efforts to ensure the security and proper management of such information will be fully effective. In particular, the Company has in the past experienced cyberattacks of varying degrees targeting our services, and there can be no assurance that such attacks will not occur in the future or that we will be able to successfully protect our data from unauthorized access in the event of any future attacks. In such an event, due to the size of our user base, the numbers of those affected could be extremely large, and we could face correspondingly large liability.

In addition to cyberattacks, information could be leaked or improperly accessed or used as a result of a range of factors including third-party security breaches, system failures or errors, software bugs, employee error, malfeasance, hacking, theft, faulty password management or other irregularity. In such cases, we could suffer damage to our reputation and our brands, including loss of confidence in our platforms by individual users, enterprise clients or other third parties or in our ability to manage our businesses by current or potential individual users, enterprise clients and business partners, or be subject to liability or regulatory investigations or other actions relating to violations of regulations surrounding data protection and privacy or otherwise.

The requirements under the Act on Protection of Personal Information of Japan, that apply to us in our handling of the personal information of our individual users and enterprise clients in our Japanese operations are stringent, and we are also subject to laws regarding personal information in the other countries in which we operate, such as the EU General Data Protection Regulation ("GDPR") in the EU. Many individual US states, such as California through the recently adopted California Consumer Privacy Act, are also tightening regulatory compliance standards regarding the handling of personal information. The costs of compliance with these laws and regulations, whose requirements and interpretations may differ significantly from country to country, can be substantial.

In addition, such laws and regulations related to the handling of personal and confidential information may become stricter in the future, which would make it difficult for us to utilize certain information that is critical to our products and services, which in turn may reduce the number of our users or clients. In addition, as many consumer and data protection laws have been in force for a relatively short period, the interpretation and application of consumer and data protection laws are often uncertain and in flux, and it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our current data practices.

Any new restrictions or limitations relating to data protection and security may result in the deterioration of the quality of our services that rely on data and our overall competitive advantage, and possibly necessitate a revision or overhaul of our business models and strategies.

During FY2019, the Personal Information Protection Commission and the Tokyo Labor Bureau issued administrative admonishments and administrative directives to our subsidiaries Recruit Co., Ltd. and Recruit Career Co., Ltd. due to violations of the Act on Protection of Personal Information and the Employment Security Act in relation to the *Rikunabi DMP Follow* service (which was suspended on August 4, 2019) operated by Recruit Career Co., Ltd.

In response to these administrative admonishments and administrative directives, we have implemented various measures to prevent similar violations in the future. We also recognize the importance of strengthening governance group-wide in order to ensure the appropriate handling of personal and sensitive information and are engaged in internal efforts and monitoring to promote stronger governance.

However, there can be no assurance that these measures will be effective in appropriately protecting the personal and sensitive data we handle. If we fail to appropriately handle personal and sensitive data, the Company could be subject to administrative orders and legal claims and complaints from users, experience damage to our reputation and decreased demand for our services and be forced to implement additional measures to prevent future violations.

As a result, our business, financial condition and results of operations could be materially and adversely affected.

Information Technology Systems Are a Critical Part of the Operations and Any Cyberattacks, Systems Failures or Other Disruptions Affecting These Systems Could Have an Adverse Effect on the Business.

The analysis, storage, retrieval, management and security of large amounts of data are an important part of our business. Any impairment in the reliability or availability of, or any security breach in, our information systems due to cyberattacks, systems failures or other factors could:

- have an adverse effect on our products and services and their continued availability;

- result in negative publicity about us or our brands or harm our brand strength, reputation and relationships with individual users and enterprise clients;
- harm the continued adoption of our services by individual users and enterprise clients or negatively impact accessibility, performance and load times of our services, which could cause a loss of individual user or enterprise client traffic on our services;
- subject the Company to legal and regulatory risk including litigation, government investigations or other legal actions;
- result in large monetary judgments or a duty to remediate against us, or result in us voluntarily offering monetary or other compensation to affected parties; and
- materially and adversely affect our business, financial condition and results of operations.

Although we have implemented policies and procedures to address these risks, system interruptions and malfunctions can occur for a number of reasons, including cyberattacks, hacking, computer viruses, sabotage, human error, natural disasters, power failures, software errors, hardware problems, network failures, terrorism, geopolitical conflict, difficulties with our service providers, overwhelming online traffic and similar factors.

In particular, cybersecurity-related attacks, intrusions and disruptions, including through spyware, viruses, phishing, denial of service and similar attacks by criminal organizations, hackers, foreign governments and terrorists, have become increasingly prevalent in our industry. The Company has in the past experienced cyberattacks of varying degrees targeting our services, and there can be no assurance that such attacks will not occur in the future or that we will be able to successfully defend our systems from any future attacks.

Certain of the services have also experienced downtime due to system disruptions or other outages. As we expand information technology-based offerings to support enterprise clients' workflows, we may be more likely to experience malfunctions of this kind despite any preventative measures we may take, which may result in legal liability or other costs or in damage to our reputation.

For example, as part of our efforts to expand operational and management support services for our enterprise clients including SMEs, we launched the *Air BusinessTools*, which includes cloud-based services as accounting and payment systems. If we experience system failures in connection with such services, our individual users and enterprise clients may claim that we are liable for any related losses they suffer, and the perception of the reliability of our services and our overall reputation could be negatively impacted.

In addition, we depend on third parties to operate and maintain certain of our information systems, and accordingly some system problems and failures may be outside of our control. For example, we rely on third-party cloud infrastructure providers to host all of our cloud-based services. Potential security breaches to the systems of these third parties, whether resulting from internal or external sources, could significantly harm our business. Furthermore, the cost of developing, maintaining and expanding our information technology infrastructure could also increase substantially in the future.

Software Applications May Contain Defects.

The Company provides certain services to individual users and enterprise clients through software applications including mobile and online applications that are highly technical and complex and, in some cases, hardware devices.

The software applications may contain bugs and other defects that interfere with their intended operation and that we are unable to detect prior to introducing the relevant service. Any defects we do not detect and fix may prevent us from providing our services in a responsive and reliable manner and could cause degradations or interruptions of service, negative experiences for individual users and enterprise clients, repair or remediation costs, delays in the release of new products or versions, difficulties in adequately protecting the data of our individual users and enterprise clients or legal liability from various issues such as loss or leakage of confidential or personal information or under applicable regulatory regimes. In particular, as many of our online services have significant user bases, any defects in our software applications could potentially affect a significant user population.

In addition, in certain of our businesses, we provide our enterprise clients with platforms through which they operate key business functions, such as online reservations, point-of-sale (“POS”) cash registers, payments and attracting and connecting with individual users on our online platforms.

If there is any defect in the software used to provide these platform services, our enterprise clients may experience disruptions in their business operations or losses or leakage of sensitive data relating to their business or their users, and we expect our exposure to these risks will increase as we expand our SaaS business through *Air BusinessTools*, which provides a comprehensive suite of tools aimed at enhancing the efficiency and productivity of enterprise clients, including SMEs, in our Media & Solutions segment.

Businesses Are Subject to Various Laws and Regulations.

The businesses that we currently operate, as well as those that we may operate in the future, span many fields and countries and consequently are subject to a variety of laws and government regulations such as personal information and data protection, electronic communications, consumer reporting, labor, civil rights and social welfare, anti-bribery, taxation and antitrust laws.

Furthermore, the Company is required to obtain government permission or approval or to register for licenses in order to conduct certain of our businesses, and certain of our businesses are subject to supervision and monitoring by regulatory authorities.

Being subject to these laws and regulations exposes our businesses to certain risks. As a general matter, the legal and regulatory structures that apply to our various businesses are complex and even an inadvertent failure to comply with them could result in fines, penalties, losing permission to operate some of our businesses, being ordered to suspend operations, litigation and other legal proceedings and have an adverse effect on our reputation.

Furthermore, future changes in such laws or regulations or entry into new regulated businesses could necessitate costly compliance expenditures and increase the risk that we could fail to comply with applicable requirements or miss business opportunities as a result of restrictions imposed or delays caused by responding to such changes in laws or regulations.

Any new or amended laws and regulations may require us to change our business models or practices, or may prevent us from conducting existing businesses or entering into new businesses, which could adversely impact our business and results of operations and impede our execution of our growth strategy as planned.

For example, there have recently been active discussions among companies regarding civil rights and social welfare issues, and if we are unable to appropriately respond to changes in the laws and regulations concerning such issues, our brand and reputation may be adversely affected. In addition, any actions by governments that may affect the accessibility of our products or users’ technology usage patterns in their countries, may cause a decline in our individual users’ engagement with our products.

HR Technology

The HR Technology segment is subject to various laws and regulations. For example, in the United States, our activities may be subject to the Communications Decency Act, the California Consumer Privacy Act, the Telephone Consumer Protection Act, the Wiretap Act, the Stored Communications Act and the Fair Credit Reporting Act as well as various state legislation covering the same or similar topics. In addition, our HR Technology segment is also subject to other regulations including the GDPR in the EU and the Act on Protection of Personal Information and the Employment Security Act.

If any new laws and regulations are introduced, or if existing laws and regulations are amended in a manner that is unfavorable to us, our HR Technology segment operations may become subject to additional restrictions and costs, and responding to any new or amended laws or regulations may require significant time and resources.

The applicable laws and regulations in the technology sector are still evolving, particularly in Europe and the United States, and more stringent laws and regulations concerning the technology sector may be implemented in the future. For example, if new requirements or restrictions are imposed on the collection, use and analysis of information regarding user behavior in connection with our services, we may be restricted from using such information as planned and be forced to change our strategy and business practices.

As a result of any of the foregoing, the business, financial condition and results of operations of our HR Technology segment may be adversely affected.

Media & Solutions

In the Media & Solutions segment, our various services are subject to a number of laws and regulations. For example, we are subject to personal information and data protection laws relating to individual user and enterprise client data stored on our systems. With respect to our SaaS solutions in our Marketing Solutions operations, namely *Air BusinessTools*, we are also subject to regulations under the Installment Sales Act of Japan.

In addition, our placement service in our HR Solutions operations operates on a fee basis with the permission of the Minister of Health, Labour and Welfare in compliance with the Employment Security Act. Changes to the applicable regulations could affect the pricing of our fees. Noncompliance with applicable laws, rules and regulations could lead to us losing permission to operate or being directly ordered to suspend operations.

Staffing

The Staffing segment is also subject to a number of laws and regulations relating to temporary staffing and employment.

The Staffing segment in Japan operates with a license from and under the supervision of the Minister of Health, Labour and Welfare and is also subject to the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers of Japan and related rules and regulations. Any business that provides staffing services in Japan but does not comply with applicable laws, rules and regulations, including the Staffing Labor Act, is subject to the risk of being issued a business improvement order, losing its permission to operate as a staffing business or being directly ordered to cease its operations.

The Overseas operations in the Staffing segment are concentrated in the United States, Europe and Australia. Laws and regulations regarding temporary staffing in these regions may be implemented on a state-by-state (or, in the case of the European Union, member state-by-member state) basis, as well on a federal, nationwide or region-wide basis. It is also possible that any failure to comply with local laws, rules or regulations in our Overseas operations, whether in the United States, Australia, Europe or elsewhere, could result in us losing permission to operate our businesses in the relevant jurisdiction.

In addition, regulations that amend the Staffing Labor Act to require less compensation disparity between permanent and temporary workers, which is often referred to as “Equal Pay For Equal Work,” came into effect in April 2020 in Japan. We may incur additional costs as a result, which could negatively impact the financial results of our Staffing segment.

As a general matter, future changes in employment-related laws and regulations in Japan and overseas could necessitate costly compliance expenditures and increase the risk that we could fail to comply with the applicable requirements.

The Company May Be Subject to Legal and Arbitration Proceedings and Litigation, Which Could Be Costly and Could Materially and Adversely Affect Our Brands, Reputation, Business and Results of Operations.

The Company is subject to litigation and other legal and arbitration proceedings in the ordinary course of our business.

The Company may in the future be subject to claims, allegations, lawsuits, minimum statutory penalties and regulatory investigations regarding antitrust or competition law violations, intellectual property, the protection of personal information, data privacy and security, consumer protection, labor and employment, commercial disputes, content generated by our individual users, goods and services offered by advertisers or publishers using our platforms, false or deceptive advertising, delivery of services and alleged actions or other issues relating to the monitoring of our agency workers, among other matters, from individual users, enterprise clients, competitors, regulators and others, including proceedings originally commenced against third parties such as our individual users and enterprise clients.

In addition, we cannot be certain that our services, products and features do not infringe on the intellectual property rights of others, and we may be subject to infringement claims from third parties. Certain of these proceedings could be protracted and costly, regardless of the merit of the claims involved, and the results may be difficult to predict.

A determination adverse to us in any of these legal proceedings could result in significant costs, penalties or fines or require us to pay royalty fees and modify our services and products in order to provide non-infringing substitutes or cease the use of certain services, products or features altogether.

The Reputation of the Company and of Our Brands Are Important to Our Success, and Any Damage to Them Could Materially and Adversely Affect the Business, Financial Condition and Results of Operations.

We believe that the brand identity that we have developed has significantly contributed to the success of our business and will continue to be a significant competitive factor going forward. We depend on our brands and reputation to maintain and expand our user base, which in most businesses comprises mainly general consumers who tend to have a relatively high level of sensitivity and awareness towards brand and reputation.

The reputation and brands could be harmed due to a number of factors, including defects or errors in our services, cyberattacks and other cybersecurity breaches, failure to adequately protect individual user and enterprise client data, inadequate investments to maintain and enhance our brand and reputation, our competitors achieving greater brand recognition, adverse media coverage or rumors including on the Internet or social media about us or our business, regardless of whether such content is true or not, misconduct by our employees or our agency workers, claims against us by our agency workers or employees relating to our employment practices, unpermitted use of our brands by a third party, unfavorable litigation or other factors, regardless of whether such damage was caused by our fault or the fault of others.

Furthermore, as the use of technology and data in our business has become increasingly important, the use of algorithms such as artificial intelligence and our use and management of data on our platforms could lead to negative outcomes or be viewed negatively by some individual users and enterprise clients and adversely affect our reputation and brands.

In addition, in the event that we, or one of our individual users or enterprise clients in any of our businesses, engage in misconduct or inappropriate behavior or acts through our platforms or engage in illegal activity such as infringement of third-party intellectual property, violation of personal privacy rights, libel or any other illegal act or malfeasance, our reputation and that of our brands could be materially damaged directly or by association due to our relationship with such individual user or enterprise client.

The Company’s reputation or brands may be negatively affected if individual users or enterprise clients engage in misconduct, illegal activity or other inappropriate behavior such as web spam, phishing, impersonating other people or organizations or posting false, misleading or inappropriate information.

We are also subject to the risk that third parties could imitate our products or services or use our brands, trademarks, logos or other intellectual property without permission.

Although we believe we have in place robust protections for our intellectual property, there can be no assurance that these measures will be successful in preventing others from infringing our intellectual property rights and damaging our and our brands' reputation.

The Company Relies on Third-party Service Providers, Such as Search Engine Platforms, Data Center Providers, Payment Providers, Sales Agents and Internet Service Providers in Various Areas of Our Business.

The Company relies on third-party service providers in a number of critical areas of our business. The occurrence of any of the below, including the termination or deterioration of our relationships with such third-party sales agents, could materially and adversely affect our competitiveness, business, financial condition and results of operations.

Certain of our services in the HR Technology and Media & Solutions segments rely on Internet search engines provided by global technology companies primarily for the purpose of ensuring our individual users access to our online platforms. User traffic on our online platforms can be significantly impacted by changes in the search algorithm of the search engine operators or as a result of actions by our competitors that render online search results through our third-party search providers less favorable to us, which would in turn impact our business and presence among users.

The HR Technology segment also relies on third-party publisher networks to drive traffic to our platforms by adding our content to their websites. Any failure of such publisher networks to effectively promote our services could result in reduced user traffic.

We also offer mobile applications through the platforms of third-party global technology companies to enhance the accessibility of our services and expand our individual user traffic. If we become unable to provide applications through these platforms, either due to vendor policies, platform updates or otherwise, our ability to expand our mobile user base and increase user traffic on our services would be adversely affected.

Furthermore, we rely on third-party data center providers in our operations, and any disruption or interruption to the data center service or deterioration of the network performance of such service, as well as any increase in server usage fees or other additional costs, could materially and adversely affect our competitiveness, business, financial condition and results of operations.

We also rely on third parties to provide certain payment methods and payment processing services, including the processing of credit cards. As a general matter, any third party that has access to data on our systems is a potential entry point for unauthorized access, which exposes us to the risk of security breaches of such third-party systems. We also make use of third-party sales agents or media agencies to manage sales to and other relationships with our enterprise clients to enhance our sales ability.

However, the reliance on such sales agents involves certain risks. In particular, because we generally work closely with these sales agents over long periods of time, the loss of a sales agent reduces the strength of our sales network and could result in the loss of enterprise clients and transfer of know-how to a competitor.

Additionally, we exert less direct control over third-party sales agents compared to our own employees, and the agents' actions in the course of their work for us or otherwise may harm our reputation or expose us to litigation.

Our online services also more generally depend on the ability of our individual users and enterprise clients to access our services through the Internet. Internet access providers may take measures that could degrade, disrupt, or increase the cost of user access to certain of our products by restricting or prohibiting the use of their infrastructure to support or facilitate our offerings, or by charging increased fees to us or our users to provide our offerings.

Our services may also be subject to government-initiated restrictions or blockages in some jurisdictions. Any such interference or disruption of access to our online services through the Internet could result in a loss of existing individual users and enterprise clients and increased costs, and could impair our ability to attract, maintain or increase the number of users, customers and advertisers, thereby harming our revenues and growth.

Furthermore, any limitation from our third-party Internet access providers on the use of third-party cookies could reduce our ability to provide targeted information to our individual users and negatively impact various areas of our business.

Advertising, Sales and Marketing Efforts May Be Ineffective, May Lead to Increased Costs and May Negatively Affect Revenue and Margins.

As part of the Company's strategy to expand the business, we engage in advertising, sales and marketing activities in order to increase recognition of new or existing services and expand our individual user and enterprise client bases. We are substantially dependent on advertising, sales and marketing operations to maintain brand recognition and user traffic on our services, acquire new enterprise clients and enhance client satisfaction with our services.

In particular, as many Internet users rely on search engines to refer them to products and services, our HR Technology segment and Media & Solutions segment depend in part on various such search engines to generate user traffic on our websites. Thus, maintaining a strong search engine ranking is an important factor in our success in those businesses, and we may be required to incur expenses to enhance our search engine rankings as we seek to maintain and expand the market presence of certain businesses.

We may also engage in other advertising including online, television and radio advertising to increase awareness of our services on the Internet and more generally among potential individual users and enterprise clients. In our Staffing segment, we may also rely on marketing to increase registered agency workers, particularly in markets where there are labor shortages.

Although we may undertake significant additional advertising, marketing and sales costs in order to expand certain businesses, our efforts may not be effective to the extent we expect or at all.

The Business Operations Are Exposed to Natural Disasters, Terrorism, Pandemics, Calamities and Other Factors.

The business operations are subject to the risk of earthquakes, typhoons, tsunamis and other natural disasters, fires, blackouts, pandemics, armed conflict, war, terrorism and other catastrophic events. Any of these events could impact our ability to provide our services or otherwise operate our business, including due to disruptions affecting the workforce we need to operate our business including our employees, employees of our service providers and our agency workers, business restrictions under stay-at-home orders and other government measures or damage to our properties.

In particular, any of these catastrophic events could result in failure of our information technology systems or data servers. In the event that we experience a system failure or systems delays, we may be unable to offer certain products and services, and even if they are available, our Internet-based products and services may experience increased load times or other disruptions. In such event, our individual users may become dissatisfied and reduce their usage of our products and services or switch to those of our competitors. In addition, our brand and reputation may be damaged, and we may be required to undertake significant time and cost in order to repair our systems.

In addition, large-scale natural disasters or other catastrophic events could have secondary adverse effects, such as the destruction or incapacitation of or other harm to our users or enterprise clients, deterioration in economic conditions and decline in stock prices generally or decreases in lifestyle activities or daily consumer activities.

Any of these outcomes could impair our business operations and materially and adversely affect our business, results of operations and financial condition.

Any Impairment of Non-current Assets, including Goodwill and Intangible Assets, or Fluctuations in the Value of Securities Holdings, Could Adversely Affect Results of Operations or Financial Condition.

The Company may be required to record a significant charge on our consolidated financial statements during the period in which any impairment of our non-current assets is determined. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, changes in the Company's strategies, disposals of group assets and a variety of other factors.

Any determination of impairment of goodwill or other intangible assets could have a material adverse effect on our results of operations.

Moreover, to the extent that we acquire early stage companies that have not achieved profitability, we may be subject to impairment risk relating to any goodwill and intangible assets recorded in connection with the acquisition.

In addition, our other non-current assets, including investments in associates and joint ventures, are also subject to the risk of impairment.

Furthermore, we also hold equity securities of certain companies we consider to be necessary business partners in order to maintain and strengthen business relationships with these companies to support our long-term growth. We generally recognize changes in the fair value of these securities as part of other comprehensive income, which has the effect of increasing or decreasing our retained earnings. Declines in the value of such securities could thus have an adverse effect on our financial condition.

The Company May Have Additional Tax Liabilities.

The Company is subject to income taxes in Japan and many foreign jurisdictions. The amount of consolidated income taxes and the effective tax rate for the Company is affected by a number of factors including the applicable tax laws and regulations in the jurisdictions where the Company operates, the evaluation of deferred tax assets and liabilities and the distribution of taxable income in each relevant jurisdiction.

In addition, the Company's tax exposure could be adversely affected if, for example, tax related laws and regulations or the interpretation thereof change due to political or economic conditions in the jurisdictions in which we operate. Further, differences in tax laws and regulations in the jurisdictions in which we operate could increase the complexity and burden of compliance with such laws and regulations, which could result in increased costs. In addition, although the Company seeks to address international taxation risks such as transfer tax regulations that arise from its global operations, the Company may become subject to additional taxes if tax authorities disagree with the Company's proposed tax treatment. Our exposure to the above tax risks could materially and adversely affect our business, financial condition and results of operations.

We may also become subject to new taxes applicable to online businesses, such as taxes on digital services that have been proposed or implemented in some countries, based on changes in tax laws and regulations of the jurisdictions in which we operate our businesses. Any changes to international tax laws could impact the tax treatment of our foreign earnings and adversely impact our effective tax rate. Moreover, the Company is subject to tax audits by relevant tax authorities on a periodic and non-periodic basis, and the timing and impact of such tax audits are difficult to predict.

Fluctuations in Currency Exchange Rates Could Materially and Adversely Affect the Business, Financial Condition and Results of Operations.

The Company has substantial operations outside Japan and has significantly expanded the global businesses in recent years. The Company principally conducts global business transactions in foreign currencies, in particular the US dollar, the Euro and the Australian dollar.

Foreign currency-denominated assets and liabilities are reported in the relevant local currencies and then translated to Japanese yen at the period-end applicable exchange rate, while foreign currency-denominated results of operations are reported in local currencies and then translated to Japanese yen using the spot exchange rate at the date of the transaction or a rate that approximates such rate.

As a result of these factors, fluctuations in foreign currencies against the Japanese yen may adversely affect the impact of favorable results or amplify the impact of unfavorable results at our overseas subsidiaries.

Although we may enter into derivatives transactions to hedge a portion of our foreign currency exchange rate risk, there is no assurance that our hedging efforts will be effective in protecting us against exchange rate fluctuations.

Furthermore, volatility in foreign exchange rates could negatively affect economic conditions in our operating markets, potentially leading to decreased spending by our enterprise clients, or harm our ability to execute acquisitions or other strategic transactions abroad, which is an important piece of our strategy for growth globally, at an acceptable price.

The Company Relies on Borrowings to Finance Operations, and Factors Such as Increases in Interest Rates and Restrictive Covenants under Such Borrowings Could Have a Material and Adverse Effect.

The Company finances operations in part through loans from banks and other financial institutions and issuing bonds in the capital markets and may incur additional indebtedness in the future depending on the overall funding environment. Increases in interest rates could substantially increase our financing costs and may impair our ability to borrow necessary funds on a timely basis.

In addition, our creditworthiness may decline in the future due to adverse changes in our financial condition or business, which would negatively affect our ability to obtain additional borrowings in the future on terms that are acceptable to us or at all.

Any additional borrowings in the future may subject us to covenants or other restrictions that impede our operations.

If the Company fails to comply with such covenants, the repayment of the principal of or accrued interest on our loans could be accelerated or we could be required to post collateral to secure our borrowings. We may also have difficulties in obtaining additional financing on acceptable terms to the extent that our credit ratings decline.

Operating Results May Fluctuate, Which Makes Results Difficult to Predict and Could Cause Results to Fall Short of Expectations.

Operating results may fluctuate as a result of a number of factors, many of which are outside of our control.

Operating results in future periods may fall below market expectations as well as our internal business objectives or financial targets. Any of these events could cause our stock price to fall. Each of the risk factors listed in this section in addition to the following factors may affect our operating results:

- the ability to continue to attract and retain individual users and enterprise clients to our services and respond to changes in individual user preferences and enterprise client needs;
- the ability to keep pace with rapid changes in technology;
- the amount of revenues and expenses generated and incurred in currencies other than Japanese yen, and our ability to manage the resulting foreign exchange risk;
- the amount and timing of advertising expenses, other operating expenses and capital expenditures related to the maintenance and expansion of our businesses;
- the focus on long-term goals over short-term results;
- acquisitions and other strategic investments;
- introduction of new businesses, products, services and technologies; and
- changes in economic conditions or the business environment.

Because our businesses are changing and evolving, our historical operating results may not be useful in predicting our future operating results.

Stock Price May Be Volatile or Difficult to Predict Due to Fluctuations in Operating Results or Other Factors.

The trading price of common stock of the Company has been, and is likely to continue to be, volatile. In particular, our operating results may fluctuate significantly due to a number of factors, including the various risk factors discussed in this section, which could negatively affect our share price.

In addition, the trading price of our common stock may fluctuate significantly in response to numerous other factors, many of which are beyond our control, including:

- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- additional shares of our common stock being sold into the market by us or our existing stockholders, or in connection with acquisitions, or the anticipation of such sales;
- changes in our dividend policy or planned share repurchases;
- investor sentiment with respect to our competitors, our business partners, and our industry in general;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of technology companies in our industry, including our competitors;
- price and volume fluctuations in the overall stock market, including as a result of trends in global political or economic conditions;
- the inclusion, exclusion, or deletion of our stock from any trading indices;
- media reports regarding our business and financial performance;
- lawsuits threatened or filed against us, or developments in pending lawsuits;
- developments in anticipated or new legislation or regulatory actions; and
- other events or factors, including those resulting from natural disasters, pandemics, war, or incidents of terrorism or other adverse events, or responses to these events.

In addition, broad market and industry fluctuations and general economic, political and market conditions, such as recessions, interest rate changes or foreign currency exchange fluctuations, may negatively impact the market price of our common stock regardless of our actual operating performance.

Management's Discussion and Analysis of Financial Position, Results of Operations, and Cash Flows

The following contains forward-looking statements, which reflect the Company's assumptions, estimates and outlook for the future based on the Company's plans and expectations as of March 31, 2020 unless the context otherwise indicates.

Consolidated Results of Operations for FY2019

Results of Operations

(In billions of yen)

	Three Months Ended March 31,		Variance	% change	Fiscal Year Ended March 31,		Variance	% change
	2019	2020			2019	2020		
Revenue[1]	580.3	589.7	9.4	1.6%	2,310.7	2,399.4	88.7	3.8%
HR Technology	90.0	106.3	16.3	18.1%	326.9	424.9	97.9	30.0%
Media & Solutions	193.7	192.8	(0.8)	-0.4%	721.4	755.9	34.4	4.8%
Staffing	304.1	297.7	(6.4)	-2.1%	1,290.2	1,248.1	(42.1)	-3.3%
Operating income (loss)	30.9	(6.2)	(37.1)	-	223.0	206.0	(17.0)	-7.7%
Profit (loss) before tax	38.2	(3.5)	(41.8)	-	239.8	226.1	(13.6)	-5.7%
Profit for the period	28.4	13.5	(14.8)	-52.2%	175.3	181.2	5.8	3.3%
Profit attributable to owners of the parent	28.2	13.3	(14.8)	-52.7%	174.2	179.8	5.6	3.2%

Management Key Performance Indicator (In billions of yen, unless otherwise stated)

Adjusted EBITDA[1, 2]	53.1	55.2	2.1	4.1%	293.2	325.1	31.9	10.9%
HR Technology	10.5	8.3	(2.1)	-20.7%	47.4	71.2	23.8	50.2%
Media & Solutions	32.2	34.2	1.9	6.1%	172.4	182.9	10.4	6.1%
Staffing	13.6	16.2	2.5	18.5%	82.9	81.2	(1.6)	-2.0%
Adjusted EPS (Yen)	16.67	17.38	0.70	4.2%	107.10	121.03	13.93	13.0%

Adjusted EBITDA margin[2, 3]

Consolidated	9.2%	9.4%	0.2pt	-	12.7%	13.6%	0.9pt	-
HR Technology	11.8%	7.9%	-3.9pt	-	14.5%	16.8%	2.3pt	-
Media & Solutions	16.7%	17.8%	1.1pt	-	23.9%	24.2%	0.3pt	-
Staffing	4.5%	5.4%	0.9pt	-	6.4%	6.5%	0.1pt	-

Average exchange rate during the year (Yen)

US dollar	-	-	-	-	110.92	108.70	(2.22)	-2.0
Euro	-	-	-	-	128.44	120.81	(7.63)	-5.9
Australian dollar	-	-	-	-	80.96	74.11	(6.85)	-8.5

Exchange rate effects on revenue[4, 5, 6] (In billions of yen)

Consolidated	(6.7)	(8.0)	-	-	(12.4)	(48.3)	-	-
Staffing segment: Overseas	(7.8)	(6.8)	-	-	(12.7)	(38.9)	-	-

1 The total sum of the three segments does not correspond with consolidated numbers due to Eliminations and Adjustments, such as intra-group transactions.

2 The Company has applied IFRS 16 using the modified retrospective method of adoption with the date of initial application of April 1, 2019, and changed its management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption). Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The amounts presented for the three months and the fiscal year ended March 31, 2019 represent EBITDA and EBITDA margin as calculated prior to the adoption of adjusted EBITDA as a management KPI.

3 Adjusted EBITDA margin = adjusted EBITDA/revenue

4 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)

5 Monthly average rates are applied to HR Technology.

6 The amount for Q4 FY2019 is calculated by deducting the amount for FY2019 nine-month period from that for FY2019 twelve-month period.

Overview

The impact of the global spread of COVID-19 on the Company's Q4 and FY2019 consolidated financial results was limited. This was due to the Company's relatively stable financial results through February 2020, which offset the negative impact on performance that began to appear in March 2020.

Recruit Holdings' consolidated revenue for Q4 FY2019 was 589.7 billion yen, an increase of 1.6% year on year. This was due to revenue growth in HR Technology, which was offset by revenue declines in Media & Solutions and Staffing year on year. Excluding the negative impact of foreign exchange rate movements of 8.0 billion yen, consolidated revenue growth was 3.0% year on year. Consolidated revenue for FY2019 was 2.39 trillion yen, an increase of 3.8% year on year. This was due to the growth of HR Technology and Media & Solutions, with the growth of HR Technology contributing significantly. Excluding the negative impact of foreign exchange rate movements of 48.3 billion yen, consolidated revenue growth for FY2019 was 5.9% year on year.

Consolidated operating loss for Q4 FY2019 was 6.2 billion yen compared to consolidated operating income of 30.9 billion yen for Q4 FY2018. The Q4 FY2019 consolidated operating loss included impairment loss on goodwill and intangible assets of 31.0 billion yen related to the overseas operations of Marketing Solutions of Media & Solutions, and the Australian operations of Staffing. Consolidated operating income for FY2019 was 206.0 billion yen, a decrease of 7.7% year on year. This was mainly due to goodwill and intangible asset impairment losses in Q4 FY2019. Excluding impairment losses, consolidated operating income for Q4 FY2019 was 24.7 billion yen, a decrease of 19.9% year on year, and that for FY2019 was 237.4 billion yen, an increase of 6.4% year on year.

Loss before tax for Q4 FY2019 was 3.5 billion yen compared to profit before tax for Q4 FY2018 of 38.2 billion yen. This was mainly due to goodwill and intangible asset impairment losses in Q4 FY2019. Profit before tax for FY2019 was 226.1 billion yen, a decrease of 5.7% year on year.

Profit for Q4 FY2019 was 13.5 billion yen, a decrease of 52.2% year on year, and profit attributable to owners of the parent in Q4 FY2019 was 13.3 billion yen, a decrease of 52.7% year on year. Profit for FY2019 was 181.2 billion yen, an increase of 3.3% year on year and profit attributable to owners of the parent for FY2019 was 179.8 billion yen, an increase of 3.2% year on year.

Management Key Performance Indicators

Consolidated adjusted EBITDA for Q4 FY2019 was 55.2 billion yen, an increase of 4.1% year on year, resulting from adjusted EBITDA growth in Media & Solutions and Staffing. Consolidated adjusted EBITDA for FY2019 was 325.1 billion yen, an increase of 10.9% year on year, resulting from adjusted EBITDA growth in HR Technology and Media & Solutions

Adjusted EPS for Q4 FY2019 was 17.38 yen, an increase of 4.2% year on year, and adjusted EPS for FY2019 was 121.03 yen, an increase of 13.0% year on year. Profit available for dividends for Q4 FY2019 was 24.9 billion yen, an increase of 3.8% year on year and that for FY2019 was 184.5 billion yen, an increase of 13.7% year on year.

As of the end of FY2019, consolidated total assets, total liabilities, and total equity were 1.99 trillion yen, 1.00 trillion yen, and 995.7 billion yen, respectively. Cash and cash equivalents and net cash amount[1] on a consolidated basis were 421.2 billion yen and 284.5 billion yen, respectively.

As a result of the goodwill impairment loss for Q4 FY2019, outstanding goodwill as of the end of FY2019 was 383.1 billion yen. For more details, please refer to P50, The Outstanding Amount of Goodwill for each SBU as of March 31, 2020

The Company adopted IFRS 16 in FY2019, and changed its accounting policy. Pursuant to IFRS 16, a lessee generally must recognize a “right-of-use asset” for all leases, such asset representing the right to use the underlying asset over the term of such leases. A lessee must also recognize as its financial liability the lessee’s obligation to make future lease payments. Under previous accounting standards, IAS 17, a company recorded lease payments of operating leases as rent expense. However under IFRS 16, a company must record depreciation of its right-of-use assets and interest expense on its lease liability. As a result of the adoption of IFRS 16, EBITDA will increase because rent expense will decrease, while the depreciation of the right-of-use asset will increase. Therefore the Company decided to change the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption) to ensure comparability with the prior management KPI.

1 Net cash amount = cash and cash equivalents - interest bearing debt[2]

2 Interest-bearing debt includes bonds and borrowings, excluding lease liabilities.

Significant accounting policies, estimates, and assumptions

The consolidated financial statements of the Company have been prepared in accordance with IFRS.

The significant accounting policies used for the preparation of the consolidated financial statements are mainly described in “Financial Information, Consolidated Financial Statements and Notes,3. Significant Accounting Policies.”

The significant accounting estimates and assumptions used for the preparation of the consolidated financial statements are mainly described in “Financial Information, Consolidated Financial Statements and Notes, 4. Significant Accounting Judgments, Accounting Estimates and Assumptions.”

These estimates and assumptions are based on management’s best judgment based on historical experience and various factors deemed to be reasonable. By their nature, however, due to uncertainties in these estimates and assumptions, they may differ from the amounts recognized in the consolidated financial statements of future periods.

Management Measures for Q4 FY2019

The Company’s Response to the Spread of COVID-19

Amidst the global spread of COVID-19, the Company has prioritized the health and safety of its employees, their families, and their communities. The Company has also focused on supporting individual users, enterprise clients, and business partners, and operates its businesses by implementing measures to help prevent the spread of COVID-19. For the protection of its employees and the broader community and in compliance with local regulations where required, the Company has implemented measures globally to keep its employees safe including recommending or mandating, as appropriate, that its employees work from home if their roles allow.

With social distancing practices in place across many of the markets where the Company operates, the demand for online hiring and recruiting processes, and the tools to enable them, has increased substantially. In response to these challenges, HR Technology adapted its platforms to help job seekers with additional tools and resources to facilitate finding a job in the current environment and expedited initiatives to help enterprises and public sector organizations who need to hire quickly and effectively at scale. Among these expanded offerings, which are offered for free or at a discount for certain essential roles, are flexible and scalable hiring solutions including virtual hiring events, large scale sourcing and screening services, and full service placement services targeted at helping employers during the pandemic.

Media & Solutions focuses on offering SaaS solutions with *Air BusinessTools*, a comprehensive bundled suite of cloud-based solutions to support the day-to-day management and operations of enterprises, including SMEs. *Air BusinessTools* can have a large role in helping SMEs overcome the difficult situations they are now faced with. Specifically, our SaaS solutions such as *AirPAY* for accepting cashless payments, which supports 29 types of payment methods[1] help SME clients and their customers comply with social distancing practices where required or recommended.

The aim of *Air BusinessTools* is to support these clients by reducing inefficient use of resources and improving their productivity. The Company continues to focus on *Air BusinessTools* to help SME clients that are experiencing a significant change in their business environment.

During the spread of COVID-19 the demand for online education is increasing in response to school closures. In Media & Solutions, *Study Sapuri*, an e-learning service operated by Recruit Marketing Partners, and *Study Sapuri for TEACHERS* were provided for free to local governments in Japan to assist with online education efforts in response to temporary school closures[2]. Over 92,000 students from more than 320 schools had used this service for free to continue their education online.

In addition to these actions, each SBU has leveraged new and existing tools to continue to support all of their stakeholders facing new and unique challenges during this period. Please find more information regarding the Company's response to COVID-19 on the website below;

https://recruit-holdings.com/newsroom/covid19.html

The Company will continue to provide matching solutions to help society, by using advanced technology, to respond to the emerging needs of people and businesses in this time of unprecedented change and uncertainty.

1 As of the end of March 2020

2 From March 3 to April 30, 2020

Reorganization of Media & Solutions Strategic Business Unit

Recruit Co., Ltd., a wholly-owned subsidiary of the Company and the headquarters of Media & Solutions SBU, aims to integrate its wholly-owned seven core operating companies and functional companies into Recruit Co., Ltd. ("Recruit") in April 2021. The subsidiaries were established in 2012 as the Company's core operating companies and functional companies to provide further value added services in their respective domains. While reviewing the objectives of establishing subsidiaries by business vertical that have been achieved in the 7 years since 2012, Recruit used the following criteria: "balancing the competitive advantage of business and social value", "providing various opportunities to maximize talent capabilities", and "sharing and expanding various knowhow". Going back to focusing on the basic principle of the Company, "creating new value for our society to contribute to a brighter world where all individuals can live life to the fullest.", Recruit determined it would be best to integrate the core operating companies and functional companies in order to consolidate operational knowhow and diverse human resources, and to aim for further enhancement of value added services as well as to contribute to society through the creation of new value. Recruit aims to further strengthen its three key business capabilities, including product development, sales and distribution, and human resource development, while strengthening corporate governance functions, to develop new businesses for the future.

For related information, please refer to the following release:

"Recruit Holdings Announces Reorganization of Its Media & Solutions Strategic Business Unit" released on January 6, 2020

https://recruit-holdings.com/ir/ir_news/2020/20200106_01.html

Results of Operations by Segment

HR Technology

HR Technology consists of the operations of *Indeed, Glassdoor,* and other related businesses. *Indeed* and *Glassdoor* are online platforms where people can find jobs and learn about companies. Both *Indeed* and *Glassdoor* offer a suite of tools for job seekers that includes job search, resume posting, and company information and reviews.

For employers, *Indeed* and *Glassdoor* offer solutions to recruit and hire talent. Each company provides employers the opportunity to post and advertise jobs and build their company's employment brand. *Indeed* also provides a range of products for employers to source and screen candidates including directly from its database of tens of millions of resumes.

Revenue for Q4 FY2019 was 106.3 billion yen, an increase of 18.1% year on year. On a US dollar basis, reported revenue growth was 19.4%[1] for Q4 FY2019, primarily driven by continued growth in sponsored job advertising. Also contributing to revenue growth year on year were candidate sourcing and screening solutions and employer branding products[2]. This performance was supported by a generally favorable economic environment and tight labor market through February prior to the negative impact of the global spread of COVID-19 on these conditions. Revenue for FY2019 was 424.9 billion yen, an increase of 30.0% year on year. On a US dollar basis, revenue growth for FY2019 was 32.7% year on year.

Segment adjusted EBITDA for Q4 FY2019 was 8.3 billion yen, a decrease of 20.7% year on year. Adjusted EBITDA margin was 7.9% for Q4 FY2019, a decrease from 11.8% for Q4 FY2018. HR Technology continued to invest in sales and marketing activities to acquire new users and clients during the fourth quarter and the year on year growth rate of those expenses was greater than the pace of revenue growth. To support future revenue growth, HR Technology continued to invest heavily in product enhancements to increase user and client engagement. The timing of investments fluctuates on a quarterly basis. Segment adjusted EBITDA for FY2019 was 71.2 billion yen, an increase of 50.2% year on year, and segment adjusted EBITDA margin was 16.8%.

The operating results for HR Technology are as follows:

(In billions of yen, unless otherwise stated)

	Three Months Ended March 31,		Variance	% change	Fiscal Year Ended March 31,		Variance	% change
	2019	2020			2019	2020		
Segment revenue	90.0	106.3	16.3	18.1%	326.9	424.9	97.9	30.0%
Segment adjusted EBITDA[3]	10.5	8.3	(2.1)	-20.7%	47.4	71.2	23.8	50.2%
Segment adjusted EBITDA margin[3]	11.8%	7.9%	-3.9pt	-	14.5%	16.8%	2.3pt	-
Revenue in millions of US dollars[1]	816	974	158	19.4%	2,944	3,907	962	32.7%

1 The US dollar based revenue reporting represents the financial results of operating companies in this segment on a US dollar basis, which differ from the consolidated financial results of the Company.

2 *Indeed* and *Glassdoor* product availability varies by country.

3 EBITDA and EBITDA margin for the three months and twelve months ended March 31, 2019 and adjusted EBITDA and adjusted EBITDA margin for the three months and twelve months ended March 31, 2020.

Media & Solutions

Media & Solutions consists of Marketing Solutions and HR Solutions.

Marketing Solutions provides individual users a multitude of choices on their lifestyle with information available through its online platforms and print media. Major online platforms include: *SUUMO*, a provider of housing and real estate related information and services, *Zexy*, an all-in-one source of wedding planning information, *Jalan*, a provider of travel information and booking services in Japan, *Hot Pepper Gourmet*, an online restaurant reservation platform, and *Hot Pepper Beauty*, an online beauty salon reservation platform. Marketing Solutions helps enterprise clients attract users through advertisements on its online platforms and print media, and offers services including SaaS solutions. SaaS solutions centered on *Air BusinessTools*, a comprehensive bundled suite of cloud-based solutions to support day-to-day management and operations. *Air BusinessTools* solutions include reservations, CRM, POS system, payments, workforce management, hiring functions and other areas.

Recently, the number of accounts for *AirPAY*, a SaaS solution for accepting cashless payments, has in particular increased, supported by the initiative started in October 2019 by the Japanese government to encourage business owners to accept cashless payments in conjunction with the consumption tax hike. *AirPAY* had approximately 149,000 registered accounts[1] as of March 2020, an increase of 167% year on year. As the number of *AirPAY* registered accounts grows, many of these accounts have also subscribed to other *Air BusinessTools* solutions. Among the approximately 149,000 *AirPA*Y registered accounts[1] as of March 2020, approximately 102,000 accounts have also subscribed to other *Air BusinessTools* solutions. The Company believes the growth in *AirPAY registered* accounts will lead the overall growth of *Air BusinessTools* accounts.

HR Solutions mainly supports enterprise clients' recruiting activities and individual users' job search activities through its job boards tailored to various types of employment such as *Rikunabi*, *Rikunabi NEXT*, and *TOWNWORK*, and placement services such as *RECRUIT AGENT*.

Revenue for Q4 FY2019 was 192.8 billion yen, a decrease of 0.4% year on year. Revenue in Marketing Solutions increased 7.5% year on year mainly supported by growth in Housing & Real Estate, Travel, Beauty and Others. In Marketing Solutions, the impact of the spread of COVID-19 in Q4 FY2019 was limited as the adverse impact became significant beginning in March. However, due to social distancing and other COVID-19 related restrictions, Travel and Dining were impacted earlier than other businesses. In Travel, quarterly revenue growth from Q1 through Q3 had been approximately 20% year on year due primarily to a price revision implemented in April 2019. However, as both the number of hotel guests booked and the price per night declined in Q4, the revenue growth rate in Travel decreased to 12.7% for Q4 FY2019. Quarterly revenue in HR Solutions decreased 8.6% mainly due to Recruiting in Japan, as enterprise clients in most industries turned cautious on hiring and reduced job advertising spend in response to the challenging business environment created by the spread of COVID-19. Revenue for FY2019 was 755.9 billion yen, an increase of 4.8% year on year. This was mainly due to increased revenue in Marketing Solutions.

Segment adjusted EBITDA for Q4 FY2019 was 34.2 billion yen, an increase of 6.1% year on year. In Marketing Solutions, adjusted EBITDA decreased as a result of strategic marketing investments in each business area. In HR Solutions, cost management in response to the spread of COVID-19 and controlled marketing investments resulted in increased adjusted EBITDA. Segment adjusted EBITDA margin was 17.8%. Segment adjusted EBITDA for FY2019 was 182.9 billion yen, an increase of 6.1% year on year, and segment adjusted EBITDA margin was 24.2%. Adjusted EBITDA in Marketing Solutions increased mainly due to the increased revenue, and adjusted EBITDA in HR Solutions increased primarily by the cost control and reduced marketing investment.

Media & Solutions recorded goodwill and intangible asset impairment losses of 18.1 billion yen related to its overseas operations in Q4 FY2019, including 14.5 billion yen relating to Hotspring Ventures Limited, the entity that operates *Treatwell*. The goodwill impairment loss related to *Treatwell* was mainly due to a change in the segment business strategy, which resulted in a decrease in *Treatwell's* future cash flow forecast. Media & Solutions decided to prioritize its SaaS solutions business for future investment in order to accelerate growth. As a consequence, the strategy for *Treatwell* shifted from business expansion, which requires long-term investments, to stable operation with minimum investment.

1 Registered accounts refers to the number of stores and business locations that have registered for the relevant service (including both active and non-active accounts)

The operating results and relevant data for Media & Solutions are as follows:

(In billions of yen)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020	Variance	% change	Fiscal Year Ended March 31, 2019	Fiscal Year Ended March 31, 2020	Variance	% change
Segment revenue	193.7	192.8	(0.8)	-0.4%	721.4	755.9	34.4	4.8%
Marketing Solutions	105.2	113.0	7.8	7.5%	400.4	438.5	38.1	9.5%
Housing and Real Estate	28.1	30.6	2.5	9.0%	104.1	113.3	9.2	8.9%
Bridal	13.0	12.2	(0.8)	-6.2%	54.9	52.0	(2.9)	-5.3%
Travel	14.9	16.8	1.8	12.7%	61.6	73.4	11.7	19.1%
Dining	10.0	9.8	(0.2)	-2.1%	38.8	39.2	0.3	0.9%
Beauty	18.7	21.1	2.4	13.3%	72.0	81.6	9.5	13.3%
Others	20.3	22.3	1.9	9.7%	68.7	78.9	10.1	14.7%
HR Solutions	86.6	79.1	(7.4)	-8.6%	316.8	314.1	(2.6)	-0.9%
Recruiting in Japan[1]	78.2	70.0	(8.1)	-10.5%	283.9	277.8	(6.1)	-2.2%
Others	8.3	9.1	0.7	8.9%	32.8	36.2	3.4	10.4%
Eliminations and Adjustments (Media & Solutions)	1.9	0.6	(1.2)	-65.8%	4.1	3.1	(0.9)	-23.4%
Segment adjusted EBITDA[3]	32.2	34.2	1.9	6.1%	172.4	182.9	10.4	6.1%
Marketing Solutions[3, 4]	18.8	18.6	(0.2)	-1.4%	109.8	115.9	6.1	5.6%
HR Solutions[3, 4]	17.9	18.8	0.8	5.0%	79.2	83.4	4.2	5.3%
Eliminations and Adjustments[3, 4] (Media & Solutions)	(4.5)	(3.1)	1.3	-	(16.6)	(16.5)	0.0	-
Segment adjusted EBITDA margin[3]	16.7%	17.8%	1.1pt	-	23.9%	24.2%	0.3pt	-
Marketing Solutions[3, 4]	18.0%	16.5%	-1.5pt	-	27.4%	26.4%	-1.0pt	-
HR Solutions[3, 4]	20.7%	23.7%	3.1pt	-	25.0%	26.6%	1.6pt	-

1 Excluding the non-recurring impact from the sale of a subsidiary in Q2 FY2018 and Q1 FY2019, revenue for the three months and twelve months ended March 31, 2020 decreased by 9.9% and 0.9% respectively year on year.[2]

2 For comparison purposes, calculated based on internal managerial reporting numbers, which exclude revenue from subsidiaries which were sold in prior periods.

3 EBITDA and EBITDA margin for the three months and twelve months ended March 31, 2019 and adjusted EBITDA and adjusted EBITDA margin for the three months and twelve months ended March 31, 2020.

4 For the three months and twelve months ended March 31, 2020, the segment profit of some subsidiaries in Marketing Solutions and HR Solutions is not adjusted for the impact of the adoption of IFRS 16. The effect of this is not material and such amount is included in Eliminations and Adjustments.

Business Key Performance Indicators	FY2018				FY2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Hot Pepper Gourmet Number of seats reserved online (Dining)[1, 2, 3]	19.05	37.18	65.77	88.50	21.81	42.40	72.95	92.89
Hot Pepper Beauty Number of online reservations (Beauty)[1, 2, 3]	22.72	47.19	71.63	96.99	27.82	57.27	86.15	114.54
AirREGI registered accounts[4, 5]	349	364	381	402	422	449	469	488
Paid *Study Sapuri* users (Others, Marketing Solutions)[4, 6]	559	586	598	614	741	759	764	799

1 Pre-cancellation reservation basis.

2 Cumulative total from the beginning of each fiscal year

3 Figures are shown in millions.

4 Figures are shown in thousands.

5 Registered accounts refers to the number of stores and business locations that have registered for the relevant service (including both active and non-active accounts)

6 The total number of paid users for high school, junior high school, elementary school and English courses

Staffing

Staffing offers temporary staffing and other related services for a multitude of industries and a wide range of jobs and is composed of two major operations: Japan and Overseas. Both operations implement the Unit Management System, which divides an organization into smaller units focused on the local markets they serve. Each unit is regarded as a distinct company, and the Unit Manager is given authority to make decisions to maximize each unit's profitability.

Revenue for Q4 FY2019 was 297.7 billion yen, a decrease of 2.1% year on year. Revenue in Japan operations increased, reflecting continued strong demand from enterprise clients due to the tight labor market.The adverse impact of the spread of COVID-19 on Japan operations was limited in Q4 FY2019. Revenue in Overseas operations decreased, primarily due to the negative impact of foreign exchange rate movements of 6.8 billion yen and the ongoing uncertain outlook of the global economy intensified by the global spread of COVID-19. Excluding the negative impact of foreign exchange rate movements, segment revenue for Q4 FY2019 increased by 0.1% year on year. Revenue for FY2019 was 1.24 trillion yen, a decrease of 3.3% year on year. Excluding the negative impact of foreign exchange rate movement of 38.9 billion yen, revenue decreased by 0.2% year on year.

Segment adjusted EBITDA for Q4 FY2019 was 16.2 billion yen, an increase of 18.5% year on year, and segment adjusted EBITDA margin was 5.4%. Adjusted EBITDA for Japan operations increased, mainly due to increased revenue, and adjusted EBITDA margin was 7.1% in Q4 FY2019, increased from the Q4 FY2018 adjusted EBITDA margin of 5.0%. Adjusted EBITDA for Overseas operations decreased, and adjusted EBITDA margin was 3.9% in Q4 FY2019, decreased from the Q4 FY2018 EBITDA margin of 4.1%. Segment adjusted EBITDA for FY2019 was 81.2 billion yen, a decrease of 2.0% year on year, and adjusted EBITDA margin remained flat at 6.5% compared to 6.4% for FY2018. Adjusted EBITDA for Japan operations increased, mainly due to increased revenue, and adjusted EBITDA margin was 8.3% in FY2019, increased from 7.9% for FY2018. Adjusted EBITDA for Overseas operations decreased, and adjusted EBITDA margin was 5.0% in FY2019, decreased from 5.3% for FY2018.

Staffing recorded impairment losses of 12.8 billion yen for Q4 FY 2019 including goodwill impairment of 7.8 billion yen for Chandler Macleod Group Limited in Australia and an intangible asset impairment of 3.8 billion yen for USG People Germany GmbH. These were mainly due to decreased future cash flow forecasts as a result of revised business projections, reflecting business performance in FY2019 which were negatively affected by uncertain economic outlook in markets such businesses operate, as well as the expectation of the negative impact caused by COVID-19 to continue for a certain period of time.

In the current uncertain global economic environment, the segment continues to focus on utilizing the Unit Management System to control its adjusted EBITDA margin.

The operating results for Staffing are as follows:

(In billions of yen)

	Three Months Ended March 31,		Variance	% change	Fiscal Year Ended March 31,		Variance	% change
	2019	2020			2019	2020		
Segment revenue	304.1	297.7	(6.4)	-2.1%	1,290.2	1248.1	(42.1)	-3.3%
Japan	133.4	143.6	10.2	7.7%	542.5	567.8	25.2	4.7%
Overseas[1]	170.7	154.0	(16.6)	-9.8%	747.7	680.3	(67.3)	-9.0%
Segment adjusted EBITDA[2]	13.6	16.2	2.5	18.5%	82.9	81.2	(1.6)	-2.0%
Japan[2]	6.6	10.2	3.5	53.7%	43.0	47.1	4.1	9.5%
Overseas[2]	7.0	5.9	(1.0)	-15.0%	39.8	34.1	(5.7)	-14.5%
Segment adjusted EBITDA margin[2]	4.5%	5.4%	0.9pt	-	6.4%	6.5%	0.1pt	-
Japan[2]	5.0%	7.1%	2.1pt	-	7.9%	8.3%	0.4pt	-
Overseas[2]	4.1%	3.9%	-0.2pt	-	5.3%	5.0%	-0.3pt	-

1 Excluding the negative impacts of foreign exchange rate movements, the Overseas revenue for the three months and twelve months ended March 31, 2020 decreased by 5.7% and 3.8% respectively year on year.

2 EBITDA and EBITDA margin for the three months and twelve months ended March 31, 2019 and adjusted EBITDA and adjusted EBITDA margin for the three months and twelve months ended March 31, 2020.

Revenue by Region for FY2019[1]

(In billions of yen)

	Japan	North America	Europe	Australia
Revenue	567.8	188.3	347.4	144.7

1 Sum of revenue from individual companies before consolidation adjustments for North America, Europe and Australia.

The Outstanding Amount of Goodwill for each SBU as of March 31, 2020

(In billions of yen)

	Outstanding Goodwill
HR Technology	196.4
Media & Solutions	1.8
Japan	-
Overseas	1.8
Staffing	184.8
Japan	27.7
North America	13.9
Europe	137.6
Australia	5.5
Total	383.1

Capital Resources and Liquidity

Financial Policy

The goal of the Company's financial policy is to maintain a strong consolidated financial position resulting in appropriate credit ratings. Financing through borrowings is utilized as necessary, to achieve the goals of this policy..

The Company believes it is important to maintain a sufficient level of shareholders' equity in order to be able to respond flexibly to investment opportunities for future growth, while at the same time enhancing its ability to address possible risks relating to its business operations and assets. Equity attributable to owners of the parent is 988.4 billion yen and the ratio of equity attributable to owners of the parent to total assets is 49.4% as of March 31, 2020.

The Company focuses on achieving capital efficiency above the cost of shareholders' equity on a consolidated basis and sets its Return on Equity (ROE) target at approximately 15%. In order to achieve this target, a hurdle rate exceeding the cost of capital is applied when evaluating each investment opportunity.

The Company aims to provide stable and sustainable dividends by comprehensively evaluating both earnings and shareholders' equity. The Company has set a consolidated dividend payout ratio target of approximately 30% of profit attributable to owners of the parent excluding non-recurring income/losses. The Company may consider implementing share repurchase programs, depending on the capital markets environment and outlook of its financial position.

Use of Capital

The Company allocates its capital mainly to working capital, corporate taxes, mergers and acquisitions, asset acquisitions and capital expenditures by each segment as well as repayments of borrowings, payment of interest, payment of dividends, and share repurchases.

The overview of capital expenditures by each business segment for FY2019 is provided in "Facilities, Overview of Capital Expenditures."

Fundraising

The Company's primary source of liquidity for working capital and investments are cash flow from operating activities. However, the Company may consider and execute external financing when various conditions are deemed favorable, such as demand for funds, interest rate trends, repayment amount, redemption period of existing interest-bearing debt, amount to be raised, and financing structure.

For short-term working capital, the Company primarily utilizes borrowings from financial institutions and/or commercial paper. For mid- to long-term needs, the Company raises funds mainly through borrowings from financial institutions and/or the bond market. To maintain flexible financing capabilities, the Company has registered a maximum 200 billion yen worth of corporate bonds for potential issuances, the full amount of which is unused as of March 31, 2020.

The Company has also entered into overdraft agreements with four financial institutions to secure liquidity and raise working capital funds efficiently. The maximum amount of borrowings under these overdraft agreements is 113 billion yen as of March 31, 2020, and the entire amount remains unused. In addition, the Company entered into a committed credit facility agreement providing for committed credit facilities with a total maximum borrowing amount of 399.9 billion yen on April 30, 2020. The entire amount available under these credit facilities remains unused as of June 30, 2020. The Company maintains agreements with the aim of ensuring sufficient liquidity in the event of significant changes in the business environment.

Interest-bearing Debt

The table below sets forth a breakdown of the book value of bonds and borrowings by payment due period as of March 31, 2020. Each amount shown is the required cash outflow by payment due period excluding discounts and including interest payments.

(In millions of yen)

	Book value	Payment due period		
		1 year or less	Over 1 year through 5 years	Over 5 years
Bonds	49,927	71	50,159	-
Borrowings	86,772	25,820	62,671	1,295
Total	136,699	25,891	112,830	1,295

Credit Ratings

The Company has long-term credit 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, 2020.

Cash Management

In order to maximize overall capital efficiency, the Company prioritizes internal lending and borrowing within the Company over external financing, mainly through a cash management system, when it is legally permissible and economically reasonable to do so.

The Company maintains internal liquidity of cash and cash equivalents by consolidating the cash management operations of all currencies to the Holding Company and its subsidiaries, which provide internal treasury management services. The Company seeks to maintain a sufficient cash position to maintain financial stability through potential changes in the economic environment including financial crises, and to create flexibility for investment opportunities that enable future growth. The amount of cash and cash equivalents is 421.2 billion yen and the amount of net cash[1] is 284.5 billion yen as of March 31, 2020.

[1] net cash = cash and cash equivalents - Interest-bearing Debt[2]

[2] Interest-bearing debt includes bonds and borrowings, excluding lease liabilities.

Fund Management

The Company invests only in principal-guaranteed financial instruments that are deemed safe and efficient, and does not engage in such investments for speculative purposes.

Analysis of Consolidated Financial Position

(In billions of yen)

	As of March 31, 2019	As of March 31, 2020	Variance	% change
Assets				
Total current assets	809.0	829.9	20.9	2.6 %
Total non-current assets	939.9	1,168.9	228.9	24.4%
Total assets	1,748.9	1,998.9	249.9	14.3%
Liabilities				
Total current liabilities	497.5	511.7	14.1	2.8%
Total non-current liabilities	279.1	491.4	212.3	76.1%
Total liabilities	776.7	1,003.1	226.4	29.2%
Equity				
Total equity attributable to owners of the parent	965.7	988.4	22.6	2.3%
Non-controlling interests	6.4	7.2	0.8	12.6%
Total equity	972.2	995.7	23.4	2.4%

Assets

Current assets increased by 20.9 billion yen (2.6%) from the end of FY2018. This was mainly due to an increase in cash and cash equivalents.

Non-current assets increased by 228.9 billion yen (24.4%) from the end of FY2018. This was mainly due to an increase in right-of-use assets, which resulted from the application of IFRS 16.

Liabilities

Current liabilities increased by 14.1 billion yen (2.8%) from the end of FY2018. This was mainly due to a decrease in income tax payables, despite an increase in lease liabilities resulting from the application of IFRS 16.

Non-current liabilities increased by 212.3 billion yen (76.1%) from the end of FY2018. This was mainly due to an increase in lease liabilities resulting from the application of IFRS 16.

Equity

Equity increased by 23.4 billion yen (2.4%) from the end of FY2018. This was mainly due to an increase in retained earnings, primarily as a result of an increase in profit attributable to owners of the parent, despite a decrease in equity through the purchase of treasury stock and a decrease in other components of equity, which resulted primarily from the fluctuation of foreign exchange rates.

Analysis of Consolidated Cash Flows

(In billions of yen)

	FY2018	FY2019	Variance
Net cash flows from operating activities	276.9	303.3	26.3
Net cash flows from investing activities	(204.6)	(88.9)	115.6
Net cash flows from financing activities	(68.5)	(192.7)	(124.1)
Effect of exchange rate changes on cash and cash equivalents	9.2	(3.2)	(12.5)
Net increase (decrease) in cash and cash equivalents	13.0	18.3	5.2
Cash and cash equivalents at the beginning of the year	389.8	402.9	13.0
Cash and cash equivalents at the end of the year	402.9	421.2	18.3

Cash and cash equivalents as of the end of FY2019 were 421.2 billion yen, an increase of 18.3 billion yen from the end of FY2018, since cash inflows from operating activities exceeded cash outflows from investing and financing activities.

Cash Flows from Operating Activities

This was primarily attributable to the recording of profit before tax and adjustments to non-monetary items such as depreciation and amortization, despite the recording of income taxes paid.

Cash Flows from Investing Activities

This was primarily attributable to the recording of payment for purchase of intangible assets.

Cash Flows from Financing Activities

This was primarily attributable to the recording of payment for purchase of treasury stock and dividends paid.

Production, Orders, and Sales

Production and Orders

This information is omitted as it does not fit with the nature of the Company’s services.

Sales

This information is stated in “Consolidated Results of Operations for FY2019.”

Material Contracts

Not applicable.

Research and Development

Research and development expenses in FY2019 were 65.0 billion yen, consisting primarily of compensation expenses for engineering and other technical employees responsible for the development of new products and enhancement of existing products. The majority of research and development expenses were related to technological advancement in HR Technology. Research and development expenses in Media & Solutions were immaterial because improvement of most of the existing services, including software as a service (“SaaS”) solutions such as *Air BusinessTools* was not included.

Facilities

Overview of Capital Expenditures

Capital expenditures during FY2019 amounted to 143.8 billion yen in total (excluding consumption tax, etc.). This primarily consisted of an increase in right-of-use assets from the conclusion of new lease contracts associated with the application of IFRS 16 "Leases."

HR Technology

Capital expenditures during FY2019 consisted of the receipt of assets of 75.9 billion yen as a result of office expansion and remodeling as well as the enhancement of various facilities for business expansion. There were no disposal or sale of major facilities.

Media & Solutions

Capital expenditures during FY2019 consisted of the receipt of assets of 51.0 billion yen associated with software development and acquisition. There were no disposal or sale of major facilities.

Staffing

Capital expenditures during FY2019 consisted of the receipt of assets of 16.4 billion yen as a result of office expansion and remodeling as well as the enhancement of various facilities for business expansion. There were no disposal or sale of major facilities.

Others

Capital expenditures during FY2019 consisted of the receipt of assets of 0.3 billion yen associated with software development and acquisition. There were no disposal or sale of major facilities.

Status of Major Facilities

The Holding Company

There are no major facilities because Recruit Holdings is a pure holding company.

Subsidiaries in Japan

As of March 31, 2020

Company name	Office name (Address)	Segment name	Description of facilities	Carrying amount (In millions of yen)						Number of employees
				Buildings and structures	Land (Area m^2)	Software	Right-of-use assets	Other	Total	
Recruit Co., Ltd.	Headquarters, etc. (Chuo-ku, Tokyo)	Media & Solutions	Offices, facilities, etc.	8,676	7,650 (1,649)	83,803	137,238	13,083	250,452	827 [43]

1 "Other" under Carrying amount is the total for tools, furniture, and fixtures.

2 The figures in parentheses in the "Number of employees" section are the annual average number of contract employees.

Overseas Subsidiaries

As of March 31, 2020

Company name	Office name (Address)	Segment name	Description of facilities	Carrying amount (In millions of yen)					Number of employees
				Buildings and structures	Software	Right-of-use assets	Other	Total	
RGF OHR USA, Inc.[2]	Headquarters, etc. (Delaware, United States)	HR Technology	Offices, facilities, etc.	34,254	732	89,382	16,663	141,032	11,549 [61]
RGF Staffing B.V.[3]	Headquarters, etc. (Flevoland, Netherlands)	Staffing	Offices, facilities, etc.	1,084	3,094	9,450	822	14,451	3,351 [830]

1 "Other" under Carrying amount is the total for tools, furniture, and fixtures.

2 The figures shown in the table above are the total amounts which include the amounts for RGF OHR USA, Inc. and its subsidiaries, etc., as well as Indeed Ireland Operations Limited and its subsidiaries, etc.

3 The figures shown in the table above are the total amounts which include the amounts for RGF Staffing B.V., Unique NV, USG People France SAS, USG People Germany GmbH, USG People Holdings B.V., and 74 other companies.

4 The figures in parentheses in the "Number of employees" section are the annual average number of contract employees.

Facility Establishment and Disposal Plans

Major Facility Establishment

The Company has no major facility establishment plans.

Major Facility Disposal Plans

The Company has no major facility disposal plans.

Status of Shares, Acquisition of Treasury Stock and Dividend Policy

Status of Shares

Total Number of Shares

Total Number of Authorized Shares

Type	Total number of authorized shares
Common stock	6,000,000,000
Total	6,000,000,000

Total Number of Issued Shares

Type	Number of issued shares as of the end of the current fiscal year (March 31, 2020)	Number of issued shares as of the submission date[2] (June 30, 2020)	Name of the listed financial instruments exchange or registered financial instruments dealers association
Common stock[1]	1,695,960,030	1,695,960,030	First Section, Tokyo Stock Exchange
Total	1,695,960,030	1,695,960,030	—

1 The number of shares constituting a unit is 100.

2 The number of issued shares as of the submission date does not include the number of shares issued from the exercise of stock options from June 1, 2020 to the submission date of this document.

Stock Options

Stock Option Plan

The Company adopts a stock option plan under which stock options are issued based on the Companies Act of Japan. The number of the grantees of the stock options resolved as of the submission date of this document are as follows.

Resolution Date	Meeting of Resolution	Directors of the Board	Corporate Executive Officer	Corporate Officer
June 20, 2013	Annual Meeting of Shareholders	4	13	—
June 26, 2014	Annual Meeting of Shareholders	4	13	—
August 10, 2015	Board of Directors meeting	4	16[1]	1
July 16, 2019	Board of Directors meeting	5	6	—

1 This includes one Corporate Executive Officer who had already retired as of the allotment date of the stock options, as a stock option as equity compensation had been granted to this Corporate Executive Officer as a performance-based compensation for FY2014.

At the Annual Meeting of Shareholders on June 19, 2019, it was resolved to issue stock options for up to 700 million yen per year as compensation for Directors, excluding outside Directors. The maximum number of stock options granted per year shall be 9,000, and the number of shares underlying each stock acquisition right shall be 100.

The status of stock options as of the end of March 2020 and the end of May 2020 was as follows.

Stock Options Issued in 2013

Stock Options as equity compensation resolved at the following meetings were issued on August 31, 2013.

- Resolution of the Annual Meeting of Shareholders held on June 20, 2013
- Resolution of the Board of Directors meeting held on July 31, 2013

	As of the end of the current fiscal year (March 31, 2020)	**As of the end of the month prior to the submission date (May 31, 2020)**
Number of stock options	216[1]	160[1]
Type, details, and number of shares underlying stock options	648,000 shares of common stock[1,3,4]	480,000 shares of common stock[1,3,4]
Amount to be paid in upon exercise of stock options (Yen)	1	Same as left
Exercise period of stock options	September 1, 2013 - August 31, 2033	Same as left
Issue price and amount to be capitalized upon exercise of stock options (Yen)	Issue price: 317[3,4] Amount to be capitalized: 159	Same as left
Conditions for exercise of stock options	A holder of stock options can only exercise their options within 10 days from the date on which they lose their position as Director, Corporate Executive Officer, or Corporate Professional Officer of the Holding Company.	Same as left
Matters concerning transfer of stock options	The acquisition of stock options through transfer shall require the approval of the Board of Directors of the Holding Company.	Same as left
Matters concerning allotment of stock options following reorganization	Please refer to the Note below[2]	Same as left

Stock Options Issued in 2014

Stock Options as equity compensation resolved at the following meetings were issued on December 26, 2014.

- Resolution of the Annual Meeting of Shareholders held on June 26, 2014
- Resolution of the Board of Directors meeting held on November 13, 2014

	As of the end of the current fiscal year (March 31, 2020)	As of the end of the month prior to the submission date (May 31, 2020)
Number of stock options	185[1]	148[1]
Type, details, and number of shares underlying stock options	555,000 shares of common stock[1,3]	444,000 shares of common stock[1,3]
Amount to be paid in upon exercise of stock options (Yen)	1	Same as left
Exercise period of stock options	December 27, 2014 – December 26, 2034	Same as left
Issue price and amount to be capitalized upon exercise of stock options (Yen)	Issue price: 1,016[3] Amount to be capitalized: 508	Same as left
Conditions for exercise of stock options	A holder of stock options can only exercise their options within 10 days from the date on which they lose their position as Director, Corporate Executive Officer, or Corporate Professional Officer of the Holding Company. The successor of a holder of stock options shall be able to exercise their stock options for a period of one year from the date of death of the holder of stock options or until the end of the exercise period prescribed above, whichever is earlier.	Same as left
Matters concerning transfer of stock options	The acquisition of stock options through transfer shall require the approval of the Board of Directors of the Holding Company.	Same as left
Matters concerning allotment of stock options following reorganization	Please refer to the Note below[2]	Same as left

Stock Options Issued in 2015

Stock Options as equity compensation resolved at the Board of Directors meeting held on August 10, 2015 were issued on September 25, 2015.

	As of the end of the current fiscal year (March 31, 2020)	As of the end of the month prior to the submission date (May 31, 2020)
Number of stock options	2,089[1]	2,089[1]
Type, details, and number of shares underlying stock options	626,700 shares of common stock[1,3]	511,500 shares of common stock[1,3]
Amount to be paid in upon exercise of stock options (Yen)	1	Same as left
Exercise period of stock options	September 26, 2015 – September 25, 2035	Same as left
Issue price and amount to be capitalized upon exercise of stock options (Yen)	Issue price: 1,061[3] Amount to be capitalized: 531	Same as left
Conditions for exercise of stock options	A holder of stock options can only exercise their options within 10 days from the date on which they lose their position as Director, Corporate Executive Officer, or Corporate Professional Officer of the Holding Company (If a holder of stock acquisition options has retired from all of these positions on the allotment date of the stock options, within one year from the day following the allotment date of the stock options). The successor of a holder of stock options shall be able to exercise their stock options for a period of one year from the date of death of the holder of stock options or until the end of the exercise period prescribed above, whichever is earlier.	Same as left
Matters concerning transfer of stock options	The acquisition of stock options through transfer shall require the approval of the Board of Directors of the Holding Company.	Same as left
Matters concerning allotment of stock options following reorganization	Please refer to the Note below[2]	Same as left

1 The number of shares underlying each stock option (the "Number of Shares Granted") shall be 3,000 for stock options resolved in 2013 and 2014, and shall be 300 for stock options resolved in 2015.
In the event that the Company conducts a stock split (which shall include gratis allotment of shares of common stock of Recruit Holdings; the same shall apply hereinafter for statements concerning a stock split) or reverse stock split of its common stock after the date on which stock options are allotted (the "Allotment Date") or the date of resolution below (the "Resolution Date*"), the number of shares granted shall be adjusted in accordance with the following formula. Any

fractional shares resulting from such adjustments shall be rounded down.

Number of shares granted after adjustment	=	Number of shares granted before adjustment	×	Ratio of stock split or reverse stock split

*Resolution Date: June 26, 2014 on which the Annual Meeting of Shareholders was held, and August 10, 2015 on which the Board of Directors meeting was held.

If after the Allotment Date or the "Resolution Date, other unavoidable circumstances that require an adjustment of the number of shares granted occur, the Company may adjust the number of shares granted to a reasonable extent.
The initial Number of Shares Granted for the stock options issued in and after 2014 has been adjusted to reflect the stock split effective July 31, 2014.

2 If the Company implements a merger in which the Company is dissolved, or share exchange or transfer in which the Company becomes a wholly-owned subsidiary (collectively referred to as the "Organizational Restructuring"), the holders of remaining stock options at the time the Organizational Restructuring comes into effect (the "Remaining Stock Options") shall be provided with stock options in the restructured company as described in Article 236, Paragraph 1, Item 8, (a), (d), or (e) of the Companies Act of Japan (the "Restructured Company") based on the following conditions. In this case, the Remaining Stock options shall become void. However, this shall be limited to cases in which the provision of stock options in the Restructured Company in accordance with the following conditions is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, a share exchange agreement, or a share transfer plan.

- Number of stock options in the Restructured Company to be granted
  The same number as the number of Remaining Stock options held by each holder of Remaining Stock options shall be granted.
- Type of shares of the Restructured Company underlying the stock options
  This shall be shares of common stock of the Restructured Company.
- Number of shares of the Restructured Company underlying the stock options
  This shall be a number based on reasonable adjustments to the number of underlying shares determined in consideration of the conditions of the Organizational Restructuring (the "Number of Shares After Succession"). Any fractional shares due to such adjustments shall be rounded down.- Amount of assets to be contributed upon exercise of stock options. The amount of assets to be contributed upon exercise of a stock acquisition right shall be the amount calculated by multiplying the amount to be paid in (1 yen per share) for shares to be contributed upon exercise of a stock acquisition right by the number of shares granted.
- Period for exercising the stock options
  This shall be the period from either the commencement date of the period during which the stock options can be exercised as set forth in the "Exercise period of stock options" in the above table, or the effective date of the Organizational Restructuring, whichever is later, through the final date of the period during which the stock options can be exercised as set forth in the "Exercise period of stock options."
- Matters regarding common stock and legal capital surplus that will be increased due to issuance of shares upon exercise of stock options
  The above matters shall be determined based on the following conditions:
  (A) The amount of common stock to be increased when shares are issued upon the exercise of stock options shall be half of the maximum amount of common stock, etc. to be increased, which is calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting of Japan. Fractions of less than one yen due to the calculation shall be rounded up.
  (B) The amount of legal capital surplus to be increased when shares are issued upon the exercise of stock options shall be the amount calculated by deducting the amount of common stock to be increased as stated above from the maximum amount of common stock, etc. to be increased as stated above.
- Restrictions on the acquisition of stock options by transfer
  The acquisition of stock options by transfer shall require the approval of the Restructured Company.
- Conditions for the acquisition of stock options
  The Company may acquire stock options for no consideration, on a date separately prescribed by the Board of Directors, if one of the following proposals is approved by a resolution of an Annual Meeting of Shareholders of the Company (If a resolution of the Annual Meeting of Shareholders is not required, if it has been approved by a resolution of the Board of Directors meeting): a proposal to approve the amendment of the Articles of Incorporation that creates a provision for the Company to acquire all of the shares underlying the stock options by a resolution of an Annual Meeting of Shareholders of the Company; a proposal to approve a merger agreement in which the Company is a dissolving company; or a proposal for a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary.
- Conditions for the exercise of stock options
  Conditions for the exercise of stock options shall be determined in accordance with the "Conditions for exercise of stock options" in the above table.
- In cases where the number of shares to be granted to the holder of stock options who had exercised their stock options includes a fraction of less than one share, such fraction shall be rounded down.

3 The Company implemented a ten-for-one stock split on July 31, 2014. As a result, adjustments were made to the "number of shares underlying stock options" and the "issue price and amount to be capitalized upon issuance of shares through exercise of stock options issued in 2013."

4 The Company implemented a three-for-one stock split on July 1, 2017. As a result, adjustments were made to the "number of shares underlying stock options" and the "issue price and amount to be capitalized upon issuance of shares through exercise of stock options."

Stock Options Issued in 2019

Stock Options as equity compensation resolved at the Board of Directors meeting held on July 16, 2019 were issued on July 31, 2019.

	As of the end of the current fiscal year (March 31, 2020)	As of the end of the month prior to the submission date (May 31, 2020)
Number of stock options	4,349[1]	4,349[1]
Type, details, and number of shares underlying stock options	434,900 shares of common stock[1,3]	434,900 shares of common stock[1,3]
Amount to be paid in upon exercise of stock options (Yen)	3,718	Same as left
Exercise period of stock option	July 31, 2019 – July 30, 2029	Same as left
Issue price and amount to be capitalized upon exercise of stock options (Yen)	Issue price: 3,718 Amount to be capitalized: 1,859	Same as left
Conditions for exercise of stock options	Stock options cannot be exercised in fractional portions. If a holder of the stock options (the “Stock Options Holder”) loses all of his or her status as a Director of the Board and/or Corporate Executive Officer of the Holding Company during the period in which the Stock Option Holder may exercise the stock options, such Stock Options Holder may exercise the stock options only for the period up to the earlier of the day that is three years from the date of such loss of status or the last day of the exercise period of the stock options. A Stock Options Holder is prohibited to pledge or otherwise dispose of the stock options in any way. Other conditions will be set out in the stock options allotment agreement to be executed between the Holding Company and the Stock Options Holder pursuant to the resolution of the Holding Company’s Board of Directors.	Same as left
Matters concerning transfer of stock options	The acquisition of stock options through transfer shall require the approval of the Board of Directors of the Holding Company.	Same as left
Matters concerning allotment of stock options following reorganization	Please refer to the Note below[2]	Same as left

1 The number of shares underlying each stock option(the “Number of Shares Granted”) shall be 100.

In the event that the Company conducts a stock split (which shall include gratis allotment of shares of common stock of Recruit Holdings; the same shall apply for statements concerning a stock split) or reverse stock split of its common stock after the allotment date of the stock options (the “Allotment Date”), the Number of Shares Granted shall be adjusted in accordance with the following formula. Any fractional shares resulting from such adjustments shall be rounded down.

Number of Shares Granted after adjustment	=	Number of Shares Granted before adjustment	×	Ratio of stock split or reverse stock split

If after the Allotment Date, a merger or company split, or any other unavoidable circumstances that require an adjustment of the Number of Shares Granted occur, the Company may adjust the number of shares granted to a reasonable extent.

2 If the Company implements a merger in which the Company is dissolved, absorption-type company split in which the Company is a splitting company, incorporation-type company split, or share exchange in which the Company becomes a wholly-owned subsidiary, or share transfer (collectively referred to as the “Organizational Restructuring”), the holders of remaining stock options at the time the Organizational Restructuring comes into effect (the “Remaining Stock Options”) shall be provided with stock options in the restructured company as described in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act of Japan (the “Restructured Company”) based on the following conditions. In this case, the Remaining Stock options shall become void. However, this shall be limited to cases in which the provision of stock options in the Restructured Company in accordance with the following conditions is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.

- Number of stock options in the Restructured Company to be granted
  The same number as the number of Remaining Stock Options held by each Stock Options Holder shall be granted.
- Type of shares of the Restructured Company underlying the stock options
  This shall be shares of common stock of the Restructured Company.
- Number of shares of the Restructured Company underlying the stock options
  This shall be a number determined in accordance with Note 1 above, in consideration of the conditions of the Organizational Restructuring.
- Amount of assets to be contributed upon exercise of stock options
  The amount of assets to be contributed upon exercise of the options to be delivered shall be the amount calculated by multiplying the exercise price after the organizational restructuring obtained as a result of the adjustment of the exercise price by the number of shares of the Restructured Company underlying the stock options to be determined pursuant to the above item “Number of shares of the Restructured Company underlying the stock options,” in consideration of the conditions of the Organizational Restructuring.
- Period for exercising the stock options
  This shall be the period from either the commencement date of the period during which the stock options can be exercised as set forth in the “Exercise period of stock options” in the above table, or the effective date of the Organizational Restructuring, whichever is later, through the last date of the period during which the stock options can be exercised as set forth in the “Exercise period of stock options.”
- Matters regarding common stock and legal capital surplus that will be increased due to issuance of shares upon exercise of stock options
  The above matters shall be determined based on the following conditions:
  (A) The amount of common stock to be increased when shares are issued upon the exercise of stock options shall be half of the maximum amount of common stock, etc. to be increased, which is calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting of Japan. Fractions of less than one yen due to the calculation shall be rounded up.
  (B) The amount of legal capital surplus to be increased when shares are issued upon the exercise of stock options shall be the amount calculated by deducting the amount of common stock to be increased as stated above from the maximum amount of common stock, etc., to be increased as stated above.
- Restrictions on the acquisition of stock options by transfer
  The acquisition of stock options by transfer shall require the approval of the Restructured Company.
- Conditions for the exercise of stock options
  Conditions for the exercise of stock options shall be determined in accordance with the “Conditions for exercise of stock options” in the above table.
- Matters relating to the acquisition of stock options
  If a Stock Acquisition Right Holder becomes unable to exercise the stock options in accordance with the provisions of the “Conditions for exercise of stock options” in the above table or the provisions of the stock options allotment agreement before the exercise of the options, the Company may acquire the relevant stock options for no considerations, on a date separately prescribed by the Board of Directors.
- In cases where the number of shares to be granted to the holder of stock options who had exercised their stock options includes a fraction of less than one share, such fraction shall be rounded down.

Details of the Rights Plan

Not applicable.

Status of Other Stock Acquisition Rights

Not applicable.

Execution Status of Bonds with Stock Acquisition Rights with Exercise Price Adjustment Clause

Not applicable.

Changes in Total Number of Issued Shares, Common Stock and Legal Capital Surplus

Date	Increase (Decrease) in total number of issued shares	Balance of total number of issued shares	Increase (Decrease) in common stock (In millions of yen)	Balance of common stock (In millions of yen)	Increase (Decrease) in legal capital surplus (In millions of yen)	Balance of legal capital surplus (In millions of yen)
July 1, 2017[1]	1,130,640,020	1,695,960,030	—	10,000	—	6,716
June 20, 2019[2]	—	1,695,960,030	30,000	40,000	(6,716)	—

1 Increase due to a three-for-one stock split.

2 The change was due to the reduction in legal capital surplus of 6,716 million yen, the reduction in other capital surplus of 23,283 million yen, and the increase in common stock of the same amount of these reduction, in accordance with the resolution at the Annual Meeting of Shareholders held on June 19, 2019.

Shareholders by Category

Type	Shareholding category (Number of shares per unit: 100)								Number of shares of less than one unit
	Governments and local public bodies	Financial institutions	Financial instrument dealers	Other corporations	Overseas		Individuals, etc.	Total	
					Non-individuals	Individuals			
Number of shareholders	—	124	49	713	982	81	53,249	55,198	—
Number of shares owned (Units)	—	4,522,543	149,677	3,640,687	5,705,104	5,819	2,935,291	16,959,121	47,930
Ratio of shares owned (%)	—	26.66	0.88	21.46	33.63	0.03	17.30	100.00	—

* 46,052,603 shares of treasury stock consist of 460,526 units under "Individuals, etc.," and 3 shares under "Number of shares of less than one unit."

Status of Major Shareholders

As of March 31, 2020

Name	Address	Number of shares owned (Thousand shares)	Ratio of ownership against total number of issued shares, excluding treasury stock[1] (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	144,400	8.75
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	89,100	5.40
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	84,322	5.11
TOPPAN PRINTING CO., LTD.	1-5-1 Taito, Taito-ku, Tokyo	72,600	4.40
DENTSU INC.	1-8-1 Higashishimbashi, Minato-ku, Tokyo	53,550	3.24
Dai Nippon Printing Co., Ltd.	1-1-1 Ichigayakaga-cho, Shinjuku-ku, Tokyo	40,100	2.43
Japan Trustee Services Bank, Ltd. (Trust account 7)	1-8-11 Harumi, Chuo-ku, Tokyo	37,323	2.26
The Recruit Group Employees Shareholding Association	8-4-17 Ginza, Chuo-ku, Tokyo	35,036	2.12
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	33,665	2.04
TOKYO BROADCASTING SYSTEM TELEVISION, INC.	5-3-6 Akasaka, Minato-ku, Tokyo	33,330	2.02
Nippon Television Network Corporation	1-6-1 Higashishimbashi, Minato-ku, Tokyo	33,330	2.02
Total	—	656,757	39.80

1 Treasury stock does not include the shares held in the Board Incentive Plan trust (1,521,856 shares).

2 A Report of Large Volume Holding that was made available for public inspection on November 7, 2019 reports that BlackRock Japan Co., Ltd. and its joint holders BlackRock Advisers, LLC, BlackRock Investment Management LLC, BlackRock Fund Managers Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., and BlackRock Investment Management (UK) Limited hold shares as given below as of October 31, 2019. However, their holdings are not reflected in the status of major shareholders above since the Company was not able to confirm beneficial ownership or the number of shares held as of March 31, 2020.
Overview of the Report of Large Volume Holding mentioned above is as follows.

Name	Address	Number of shares owned (Thousand shares)	Holding ratio of share certificates, etc. (%)
BlackRock Japan Co., Ltd.	1-8-3 Marunouchi, Chiyoda-ku Tokyo Japan	23,983	1.41
BlackRock Advisers, LLC	1209 The Corporation Trust Company, Orange Street, Wilmington, New Castle, Delaware, U.S.A.	1,710	0.10
BlackRock Investment Management LLC	1 University Square Drive, Princeton, New Jersey, U.S.A.	2,162	0.13
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, U.K.	1,934	0.11
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland	5,769	0.34
BlackRock Fund Advisors	400 Howard Street, San Francisco, California, U.S.A.	19,339	1.14
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, California, U.S.A.	22,294	1.31
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London, U.K.	8,165	0.48
Total	—	85,359	5.03

3 A change report of the Report of Large Volume Holding that was made available for public inspection on March 6, 2020 reports that Capital Research and Management Company and its joint holders Capital International Inc. and Capital International K.K. hold shares as given below as of February 28, 2020. However, their holdings are not reflected in the status of major shareholders above since the Company was not able to confirm beneficial ownership or the number of shares held as of March 31, 2020.
Overview of the change report is as follows.

Name	Address	Number of shares owned (Thousand shares)	Holding ratio of share certificates, etc. (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	99,825	5.89
Capital International Inc.	11100 Santa Monica Boulevard, 15th Fl., Los Angeles, CA 90025, U.S.A.	2,049	0.12
Capital International K.K.	Meiji Yasuda Life Building, 14th floor, 2-1-1 Marunouchi, Chiyoda-ku Tokyo,	3,426	0.20
Total	—	105,300	6.21

Status of Voting Rights

Issued Shares

As of March 31, 2020

Type	Number of shares	Number of voting rights	Details
Non-voting shares	—	—	—
Shares with limited voting rights (Treasury stock, etc.)	—	—	—
Shares with limited voting rights (Other)	—	—	—
Shares with full voting rights (Treasury stock)	Common stock 46,052,600	—	—
Shares with full voting rights (Other)	Common stock 1,649,859,500	16,498,595	—
Shares of less than one unit	Common stock 47,930	—	—
Total number of issued shares	1,695,960,030	—	—
Voting rights of all shareholders	—	16,498,595	—

* The number of shares of common stock shown in the "Shares with full voting rights (other)" and "Shares of less than one unit" sections includes 1,521,800 shares and 56 shares, respectively, held in the trust account of the Board Incentive Plan trust.

Treasury Stock

As of March 31, 2020

Name of owner	Location of owner	Number of shares owned under own name	Number of shares owned under another name	Total number of shares owned	Ratio of ownership against total number of issued shares (%)
(Treasury stock) Recruit Holdings Co., Ltd.	8-4-17 Ginza, Chuo-ku, Tokyo Japan	46,052,600	—	46,052,600	2.71
Total	—	46,052,600	—	46,052,600	2.71

Details of Share Ownership Plans for Company Officers and Employees

The Company has implemented an equity incentive plan (the "Scheme") for Directors of the Board, Corporate Executive Officers and Corporate Professional Officers (Corporate Executive Officers and Corporate Professional Officers are collectively referred to as “Senior Management”) of Recruit Holdings and its subsidiaries.

The Scheme was implemented for Directors of the Board and Senior Management of Recruit Holdings in 2016, and for Directors of the Board and Senior Management of its subsidiaries in 2018.

The Scheme was implemented as a long-term incentive plan for Directors of the Board and Senior Management, by establishing a strong connection between their compensation and shareholder value. The Company believes this Scheme contributes to an increase in mid- to long-term business performance and enterprise value.

Overview of the Scheme

The Scheme adopts the structure used for a Board Incentive Plan trust (the “BIP Trust”), in which Directors of the Board and Senior Management are granted the Recruit Holdings shares or receive the monetary equivalent value of such shares (the “Company’s shares, etc.”) according to their rank and the level of attainment of performance targets, similar to Performance Share plans and Restricted Stock plans in the United States and Europe. The Company plans to continuously use the Scheme by setting a new BIP Trust every year, or changing and making additional entrustment to the existing BIP Trust before the original trust period expires.

Outline of the Trust Agreements

	FY2018 Agreement ①	FY2018 Agreement ②	FY2019 Agreement *1)	FY2020 Agreement *2)	FY2018 Agreement	FY2019 Agreement	FY2020 Agreement ①②
Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party benefit trust)						
Purpose of trust	Providing long-term incentive to the Directors of the Board and Senior Management						
Entruster	Recruit Holdings						
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)						
Beneficiary	The Directors of the Board and Senior Management of Recruit Holdings who meet the beneficiary requirements				The Directors of the Board and Senior Management of the Company's subsidiaries who meet the beneficiary requirements		
Trust administrator	A third party with no interest in the Company						
Date of agreement	May 17, 2018	November 14, 2018	November 11, 2016 (Changed in February 17, 2020)	May 15, 2017 (Changed in May 28, 2020)	May 17, 2018	February 17, 2020	May 28, 2020
Planned Trust term	May 17, 2018 - August 31, 2021	November 14, 2018 - August 31, 2021	November 11, 2016 - August 31, 2022	May 15, 2017 - August 31, 2023	May 17, 2018 - August 31, 2021	February 17, 2020 - August 31, 2022	May 28, 2020 - August 31, 2023
Commencement date	May 17, 2018	November 14, 2018	November 11, 2016	May 15, 2017	May 17, 2018	February 17, 2020	May 28, 2020
Exercise of voting rights	Voting rights will not be exercised						
Class of shares to be acquired	Common stock of Recruit Holdings						
Amount of trust (including trust fees and trust expenses)	1.1 billion yen	0.2 billion yen	0.8 billion yen	1.2 billion yen	0.1 billion yen	0.4 billion yen	0.8 billion yen
Date of share acquisition	May 18, 2018	November 15, 2018	February 18, 2020	May 29, 2020	May 18, 2018	February 18, 2020	May 29, 2020
Method of share acquisition	From the stock market						
Rights holder	Recruit Holdings						

Residual assets	Recruit Holdings, as the rights holder, may receive residual assets within the scope of the reserve for trust expenses after deducting share acquisition fund from trust money.

*1) This portion reflects changes and additions made to the 2016 Trust Agreement
*2) This portion reflects changes and additions made to the 2017 Trust Agreement.

Details of Trust and Share-related Administration

Trust-related administration	Mitsubishi UFJ Trust and Banking Corporation and The Master Trust Bank of Japan, Ltd. will conduct trust-related administration as the trustees of the trust.
Stock delivery-related administration	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will deliver shares of Recruit Holdings to the beneficiaries based on the administration contracting agreement.

Amount of Trust Funds Scheduled to Be Contributed to the Trust and the Number of Shares, Etc. Scheduled to Be Delivered from the Trust

The maximum amount of trust funds contributed to the trust and the total number of the Recruit Holdings shares, etc. delivered from the trust per fiscal year shall not exceed the amounts as stated below.

BIP Trust for Directors of the Board and Senior Management of Recruit Holdings

- Maximum total amount of trust funds contributed to the trust:
  2.5 billion yen (out of which 0.2 billion yen shall be for outside Directors)[1]
- Maximum total number of the Company's shares delivered from the trust:
  2,221,800 shares (out of which 177,600 shares shall be for outside Directors)

1 Total of funds for share acquisition, trust fees and expenses for the trust during the trust period.

Scope of Parties Who Can Receive Beneficiary Rights and Other Rights under the Scheme

Directors of the Board and Senior Management of Recruit Holdings and its subsidiaries who meet the beneficiary requirements.

Status of Acquisition of Treasury Stock

The type of Treasury Stock is common stock, acquired pursuant to Article 155, Items 3 and 7 of the Companies Act of Japan

Status of Acquisition of Treasury Stock Based on Resolution of the Annual Meeting of Shareholders

Not applicable.

Status of Acquisition of Treasury Stock Based on Resolution of the Board of Directors Meeting

Type	Number of shares	Total amount (In millions of yen)
Status of resolution of the Board of Directors meeting held on August 28, 2019 (Period of share acquisition: September 19, 2019 to November 29, 2019)	30,000,000	80,000
Acquired treasury stock before the end of FY2018	—	—
Acquired treasury stock during FY2019	22,259,600	79,999
Total number of remaining shares subject to the resolution and the amount thereof	7,740,400	0
Unexercised ratio as of the end of FY2019 (%)	25.8	0.0
Acquired treasury stock from April 1 2020 to the submission date	—	—
Unexercised ratio as of the submission date	25.8	0.0

Status of Acquisition of Treasury Stock Not Based on Resolution of the Annual Meeting of Shareholders or the Board of Directors Meeting

Type	Number of shares	Total amount (In millions of yen)
Acquired treasury stock during FY2019	34	0
Acquired treasury stock during the period under review[1]	—	—

1 The number of shares of acquired treasury stock during the period under review does not include the number of shares of less than one unit purchased between April 1, 2020 and the submission date of this document.

Status of Disposal and Ownership of Treasury Stock

Type	FY2019		From April 1 to May 31 2020	
	Number of shares	Total disposal amount (In millions of yen)	Number of shares	Total disposal amount (In millions of yen)
Treasury stock made available through tender offer	—	—	—	—
Retired treasury stock	—	—	—	—
Treasury stock transferred in relation to merger, share exchange, or company split	—	—	—	—
Other (Exercise of stock options)	15,300	19	394,200	937
Number of treasury stock held at the end of each period	46,052,603	—	45,658,403	—

* The number of shares of treasury stock held during the current fiscal year and the period under review does not include the number of shares of the Company held in the trust account of the BIP Trust.

Basic Policy on Profit Distribution and Dividends

The Company's primary use of capital is to invest for its long-term business strategy in order to achieve sustainable profit growth and increase enterprise value. The Company believes that this approach will contribute to the common interests of shareholders. The Company also considers the return of capital to its shareholders to be an important part of its management strategy and aims to provide stable and sustainable dividends by comprehensively taking into account earnings and shareholders' equity. The Company believes that it is important to maintain a sufficient level of shareholders' equity in order to be able to respond flexibly to investment opportunities for future growth, while at the same time enhancing its ability to address possible risks relating to its business operations and assets.

Consolidated dividend payout ratio is set at approximately 30% of profit attributable to owners of the parent excluding non-recurring income/losses. The Company may consider implementing share repurchase programs, depending on the capital market environment and the outlook of its financial position.

In accordance with the dividend policy above, total annual dividend for FY2019 is 30.0 yen per share, which consists of an interim dividend of 15.0 yen per share and a year-end dividend of 15.0 yen per share.

The Company basically declares dividends twice a year. Matters stipulated in Article 459, Paragraph 1 of the Companies Act of Japan, including cash dividends, are not resolved at the Annual Meeting of Shareholders, but at Board of Directors meetings, unless otherwise provided by laws and regulations.

The annual dividend forecast for FY2020 is undecided.

Resolution date at the Board of Directors meetings	Total annual dividend for FY2019 (In million yen)	Total annual dividend per share for FY2019 (Yen)
2019/11/13	25,062	15.0
2020/5/27	24,748	15.0

Corporate Governance

Corporate Governance Overview

Basic Policy on Corporate Governance

The management philosophy of the Company is expressed in its Basic Principle, Vision, Mission and Values:

Basic Principle

We are focused on creating new value for our society to continue to a brighter world where all individuals can live life to the fullest.

Vision

Follow Your Heart

Mission

Opportunities for Life.

Faster, simpler and closer to you.

Values

Wow the World

Bet on Passion

Prioritize Social Value

Guided by this Philosophy, the Board of Directors prioritizes corporate governance policies and practices that are designed to achieve long-term growth, increased corporate and shareholder value, and benefits for all of our stakeholders.

Our stakeholders include individual users and enterprise clients, as well as our shareholders, employees, business partners, and the society and communities in which we operate.

Corporate Governance Overview

The Company's corporate governance structure is a "Company with an Audit & Supervisory Board" as defined under the Companies Act of Japan. In this structure, Audit & Supervisory Board members appointed by shareholders conduct audits of the execution of the duties by Directors as an independent body from the Board of Directors. This is the foundation for the Company's efforts to ensure and improve transparency, soundness and efficiency of management.

Under this structure, the Company has appointed multiple outside Directors of the Board and outside Audit & Supervisory Board members who are highly independent. The Company also has voluntarily established committees to serve as advisory bodies to the Board of Directors: the Nomination, Evaluation, Compensation, Compliance, Risk Management, and Sustainability Committees, etc. To enhance independence, the Nomination, Evaluation, and Compensation Committees are all chaired by Independent Directors of the Board and have a majority of outside members.

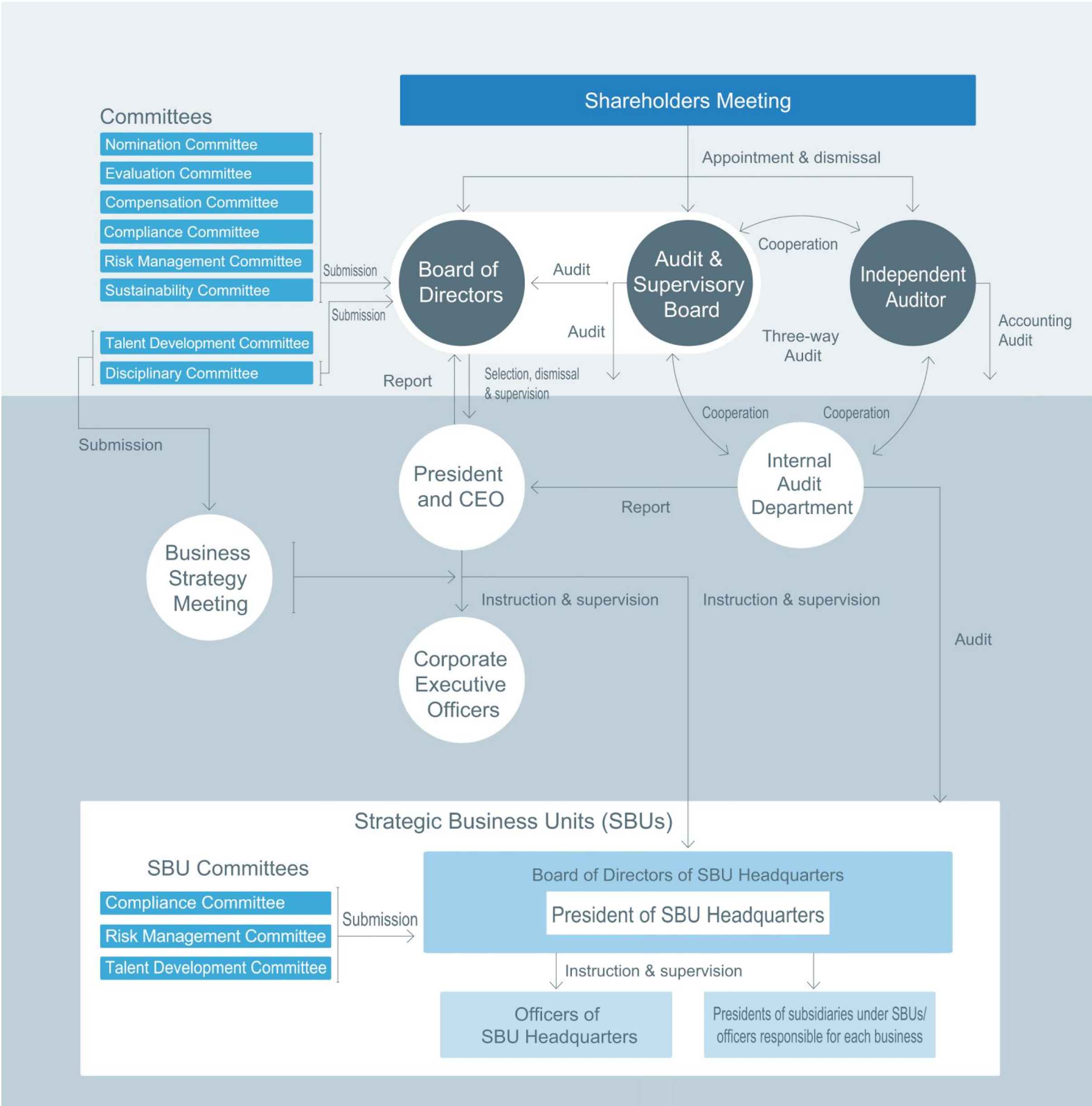
Furthermore, the Company has appointed Corporate Executive Officers, and established the Business Strategy Meeting to serve as an advisory body to the CEO in order to enhance the Company's decision-making process and business execution. The Business Strategy Meeting discusses important matters for the Company and the CEO approves the execution of such matters.

The Company has organized management units called Strategic Business Units (SBU). Each SBU has established a managing company called SBU Headquarters, which manages the subsidiaries of each SBU.

After deciding basic management policies and important matters and clarifying the scope of responsibilities, the Board of Directors delegates certain decision-making authority to the Business Strategy Meeting, SBU Headquarters, and other relevant bodies.

Through this arrangement, the Company aims to ensure that our corporate governance mechanisms are functioning sufficiently, both in terms of timely decision-making and effective internal control.

Corporate Governance Structure



The following are the SBU Headquarters as of June 30, 2020:

- HR Technology SBU: RGF OHR USA, Inc.
- Media & Solutions SBU: Recruit Co., Ltd.
- Staffing SBU: RGF Staffing B.V.

Important decisions for the SBUs are made by the Board of Directors of each SBU Headquarters. The majority of the Board of Directors of each SBU Headquarters comprises non-Executive Directors of the Board who are appointed by the Holding Company. Corporate Executive Officers of the Company concurrently serve as CEO of each SBU Headquarters.

Board of Directors

Role of the Board of Directors

The Board of Directors seeks to increase enterprise and shareholder value in the mid- to long-term. The responsibilities of Board of Directors include:

- Setting basic management policies to achieve the Company's strategic objectives
- Conducting oversight of operations and management
- Making decisions that could have a major impact on the Company
- Resolving matters required to be resolved by the Board of Directors as stipulated in relevant laws and regulations

Board of Directors meetings are regularly held once a month in general. The Board of Directors makes decisions on matters which significantly impact the Company's corporate governance and/or the Company's consolidated financial performance, such as investments above a certain threshold and key personnel matters. The Board of Directors delegates authority over other business matters to the Business Strategy Meeting and other decision-making bodies according to their appropriate level of responsibilities.

Criteria for determining organizational decision-making authority are set forth in the rules on decision-making authority. These rules are reviewed annually by the Board of Directors and revised as necessary.

Composition of the Board of Directors

The Board of Directors comprises six Directors, including two Independent Directors as of June 30, 2020.

As a result of its growth, the Company today operates across many business sectors and geographic locations, engages with a broad universe of individual users and enterprise clients, and employs people from diverse backgrounds and ethnicities. The Company recognizes that the Board of Directors should reflect this diversity to ensure that it sustains the high-quality discussions that drive innovation and the long-term success of the Company.

As for the size of the Board of Directors, the Company believes that the Board of Directors should have an appropriate number of members in order to foster high-quality discussions. Under the Company's Articles of Incorporation, the Board of Directors may have a maximum of eleven Directors.

Approach to Selecting Directors of the Board

The approach to selecting candidates for the Directors is to choose qualified personnel from a pool of diverse candidates who can fulfill the duties and responsibilities of the position by considering their skills, leadership, background, judgment, personality, insight, and professional experience. Current Directors who are considered for renomination are evaluated on these criteria as well as their performance on the Board and terms of office.

The Company announced a commitment in May 2019 to nominate at least one woman as a candidate to be a Director of the Board at an Annual Meeting of Shareholders to be held by June 2021.

In keeping with this commitment, the Board of Directors has decided to nominate a woman as a candidate to be proposed at the Annual Meeting of Shareholders held on June 30, 2020, which was resolved.

The Company has a policy that at least a third of the Directors of the Board are independent outside Directors who maintain appropriate distance from management execution. As of June 30, 2020, there are six Directors of the Board, of which two are reported as Independent Directors to the Tokyo Stock Exchange. Outside Directors are selected based on the above criteria as well as their management experience at corporations operating globally and/or publicly listed.

The Company expects Independent Directors to fulfill the following roles:

- To provide the Company with advice based on their management experience in corporations operating globally and/or publicly listed, which are necessary for the Company to further enhance its enterprise value and shareholder value in the mid- to long-term period.
- To play a leading role in matters related to selection and dismissal, evaluation and compensation of Directors of the Board and Corporate Executive Officers as a chair and/or member of the Nomination, Evaluation, and Compensation Committees.
- To oversee decision-making in cases where any potential conflict of interest exists between Directors and the Company. The Board of Directors acts as the decision-making body for such conflicts by ensuring the decision is delivered under the presence of Independent Directors as well as outside Audit & Supervisory Board members.

In order to ensure that Independent Directors fulfill the above roles, the Company takes the following measures:

- To share and discuss the topics discussed during the Compliance Committee and Risk Management Committee with the Board of Directors for the purpose of creating an environment that allows Directors and Corporate Executive Officers to take appropriate risks when making decisions.
- To share and discuss the topics discussed during the Sustainability Committee as well as the voice of our shareholders with the Board of Directors for the purpose of ensuring the discussions at the Board appropriately reflect the diverse perspectives of our stakeholders.

In addition to the above mentioned Independent Directors, the Board appoints one non-Executive Director who does not execute business operations, but who has in-depth knowledge of and experience in the Internet industry.

Audit & Supervisory Board

Role of the Audit & Supervisory Board

The Audit & Supervisory Board is responsible for the following:

- Supervising the activities and performance of each Director of the Board as well as the Board of Directors as a whole, based on the auditing plan.
- Auditing the maintenance and operational status of internal control policies, procedures, and processes, based on the auditing plan.
- Evaluating the appropriateness and performance of the Independent Auditor.

All members of the Audit & Supervisory Board attend the Board of Directors meetings as part of their oversight responsibilities. In addition, one or more standing Audit & Supervisory Board members must attend the Business Strategy Meeting to enhance the oversight function.

The Audit & Supervisory Board meets once a month in general and holds extraordinary meetings as needed.

Composition of the Audit & Supervisory Board

The Audit & Supervisory Board comprises four members, including two outside members as of June 30, 2020. One substitute Audit & Supervisory Board member has been elected, in order to avoid any potential non-compliance with the statutory requirement that more than half of the members of the Audit & Supervisory Board be outside members.

Approach to Selecting Audit & Supervisory Board Members

The approach to selecting candidates for the Audit & Supervisory Board members is to select qualified persons with suitable experience and capabilities and with the necessary knowledge in the areas of finance, accounting, and legal affairs, to fulfill the duties and responsibilities as an Audit &

Supervisory Board member. As of June 30, 2020, the Company has two standing Audit & Supervisory Board members who deeply understand the business of the Company, and two outside Audit & Supervisory Board members, one with expertise in legal affairs and one with expertise in finance and accounting.

All the Audit & Supervisory Board members make efforts to continuously expand their knowledge in order to fulfill their audit function in areas such as finance, accounting, and legal affairs through appropriate training courses funded by the Company. For example, the Audit & Supervisory Board members seek to deepen their understanding of the latest accounting standards and important matters for auditing by taking relevant training and seminars offered by the Japan Audit & Supervisory Board Members Association or by outside audit and assurance firms.

Nomination, Evaluation, and Compensation Committees

The Nomination, Evaluation, and Compensation Committees advise the Board of Directors. Each committee has a majority of outside members and is chaired by an outside Director in order to enhance the transparency and objectivity of the decision-making process.

These committees review and consider the nomination, evaluation, and compensation of Directors and Corporate Executive Officers in each fiscal year. Final decisions are made by resolution of the Board of Directors.

The roles of each committee are as follows:

Nomination Committee

The Committee deliberates and reports to the Board of Directors on the following:

- Nomination, succession and dismissal of the President and CEO
- Appropriateness of the process for nominating and dismissing candidates for Directors of the Board and Corporate Executive Officers.

Succession planning for the President and CEO considers the role's desired skills and qualifications, the Company's strategic outlook and the Board's desired governance structure. The appointment of the President and CEO is approved by the Board of Directors based on the recommendation of the Nomination Committee.

Development plans for successor candidates are formulated based on the expected succession timing of the existing President and CEO and the Committee monitors the progress of these plans.

If the Company should face poor business performance and it is determined that this is the result of inadequate performance of the President and CEO, upon deliberation, the Nomination Committee may report its findings and recommend their dismissal to the Board of Directors.

Regarding the nomination of Directors of the Board and Corporate Executive Officers, discussions are held on the best management structure, taking into account the mid- to long-term governance policy and the timing of planned President and CEO succession. The Committee deliberates on the adequacy of the entire process above including selection of the candidates and resolutions by the Board of Directors.

Directors or Corporate Executive Officers can be dismissed in cases where it is recognized that they have significantly harmed the enterprise value of the Company due to violation of laws and regulations or other similarly significant reasons. In such cases, the Nomination Committee reviews the individual's conduct and makes a recommendation to the Board of Directors.

Evaluation Committee

The Committee deliberates on the performance evaluation structure for Directors of the Board and Corporate Executive Officers as well as each Director's individual performance evaluations.

Compensation Committee

The Committee deliberates on the compensation structure for Directors of the Board and Corporate Executive Officers as well as each Director's individual compensation.

Business Strategy Meeting and Other Voluntary Committees

Compliance Committee

An advisory body to the Board of Directors. Chaired by the President and CEO, Representative Director. The Committee deliberates on compliance themes and measures of the Company.

Risk Management Committee

An advisory body to the Board of Directors. Chaired by the Director in charge of the Risk Management Division. The Committee deliberates on key risk themes and measures of the Company.

Sustainability Committee

An advisory body to the Board of Directors. Chaired by the Director in charge of the Corporate Planning Division. The Committee deliberates on strategy formulation and progress towards sustainability goals in order to promote the sustainability agendas of the Company.

Business Strategy Meeting

An advisory body to the CEO and chaired by the CEO. The meeting attendees deliberate on matters mainly relating to investments and personnel for which authority has been delegated by the Board of Directors. The meeting consists of Executive Directors of the Board, Corporate Executive Officers and standing Audit & Supervisory Board members.

Talent Development Committee

An advisory body to the Business Strategy Meeting. With participation by Corporate Executive Officers of the Company, the Committee deliberates on matters concerning the fostering of key talent, including the planning and monitoring of their career development and professional growth.

Disciplinary Committee

An advisory body to the Board of Directors and Business Strategy Meeting. The Committee deliberates on the recommended disciplinary action for the Company’s personnel including its employees.

Composition of the Board and Committees as of June 30, 2020

Position	Name and surname	Board of Directors	Audit & Supervisory Board	Business Strategy Meeting	Nomination Committee	Evaluation Committee	Compensation Committee	Compliance Committee	Risk Management Committee	Sustainability Committee[*2]
Representative Director, President and CEO	Masumi Minegishi	C		C	M	M	M	C	M	M
Directors of the Board	Hisayuki Idekoba	M		M				M	M	M
	Ayano Senaha	M		M	M	M	M	M	C	C
	Rony Kahan	M								
Outside Directors of the Board	Naoki Izumiya	M			C	M	M			
	Hiroki Totoki	M			M	C	C			
Standing Audit & Supervisory Board Members	Yukiko Nagashima	M[*1]	C	M				O	O	
	Akihito Fujiwara	M[*1]	M	M				O	O	
Outside Audit & Supervisory Board Members	Yoichiro Ogawa	M[*1]	M		M					
	Katsuya Natori	M[*1]	M			M	M			
Corporate Executive Officers	Yoshihiro Kitamura			M						M
	Rob Zandbergen									M
	Junichi Arai			M				M	M	
	Hiroaki Ogata			M						
	Mio Kashiwamura			M				M	M	
	Iwaaki Taniguchi			M				M	M	
	Takahiro Noguchi			M						
	Kentaro Mori			M				M	M	
	Lowell Brickman			M				M	M	
Internal Member	Kazuo Tase									M
Outside Expert	Mariko Kawaguchi									M

C Chair M Member O Observer

1 Audit & Supervisory Board members are required to attend the Board of Directors meetings to audit the execution of duties of Directors of the Board under the Companies Act of Japan.

2 Additional two to three Outside Experts of Sustainability Committee are under selection process and to be appointed.

Attendance for FY2019

Position	Name and surname	Board of Directors	Audit & Supervisory Board	Nomination Committee	Evaluation Committee	Compensation Committee	Compliance Committee	Risk Management Committee	Sustainability Committee
Representative Director, President and CEO	Masumi Minegishi	13/13		2/2	2/2	2/2	2/2	1/1*2	2/2
Directors of the Board	Shogo Ikeuchi	13/13		2/2	2/2	2/2	2/2	1/1*2	
	Hisayuki Idekoba	11/11*1					2/2	2/2	2/2
	Keiichi Sagawa	13/13					2/2	1/1*2	
	Rony Kahan	13/13							
Outside Directors of the Board	Naoki Izumiya	13/13		2/2	2/2	2/2			
	Hiroki Totoki	13/13		2/2	2/2	2/2			
Standing Audit & Supervisory Board Members	Yukiko Nagashima	13/13	13/13				2/2	2/2	
	Akihito Fujiwara	13/13	13/13				2/2	2/2	
Outside Audit & Supervisory Board Members	Hiroki Inoue	13/13	13/13		2/2	2/2			
	Yasuaki Nishiura	12/13	13/13	2/2					
Corporate Executive Officers	Yoshihiro Kitamura								2/2
	Rob Zandbergen								2/2
	Junichi Arai						1/1*2	2/2	
	Ayano Senaha						2/2	2/2	2/2
	Iwaaki Taniguchi						2/2	2/2	
Internal Member	Kazuo Tase								2/2
Outside Experts	Aditi Mohapatra								2/2
	Mariko Kawaguchi								2/2
	Masahiko Kon								2/2
	Daisuke Takahashi								2/2

1 A total of eleven meetings of the Board of Directors were held since the person was appointed as Director of the Board at the Annual Meeting of Shareholders held on June 19, 2019.

2 Only one committee meeting has been held since being added as a member.

Internal Controls and Its Operational Status

Important details of the Company's internal control policies, procedures, and processes were approved as follows by resolution of the Board of Directors meeting on April 7, 2020.

Measures to Ensure That Directors of the Board and Employees of the Company Comply with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties

- A Board of Directors, which must include outside Directors, shall be established at the Company to carry out decision-making on important matters.
- An Audit & Supervisory Board, which shall include outside Audit & Supervisory Board members, shall be established at the Company. The Company's Audit & Supervisory Board members shall audit the execution of duties by the Company's Directors by attending meetings of the Board of Directors and other important meetings and investigating the state of operations and similar matters on the basis of the audit standards established by the Audit & Supervisory Board.
- The Company shall establish a Nomination Committee, Evaluation Committee, and Compensation Committee, each chaired by an outside Director, to conduct deliberations on the nomination, appointment, evaluation and compensation of the Directors and Corporate Executive Officers.
- The Company shall dispatch its Directors to each SBU Headquarters, such that the Company's Directors account for a majority of the Board of Directors of each SBU Headquarters and supervise the management of each SBU Headquarters.
- An Internal Audit Department shall be established within the Company, under the direct control of the President and CEO, Representative Director of the Board, and shall conduct audits of the Company's managers, employees, and similar personnel (collectively, "Recruit Affiliated Persons") and their compliance with laws and regulations, as well as the Articles of Incorporation and company policies.
- The "Recruit Group Code of Ethics" shall be established and all Recruit Affiliated Persons shall be informed thereof.
- While giving due consideration to the autonomy and independence of the Company's subsidiaries, the "Recruit Group Policies" shall be established as shared group-wide policies for Recruit Holdings and its subsidiaries on matters such as decision-making, investment management, finance, human resource management, risk management, and compliance, in order to realize unified group-wide management of the whole Company.
- The Company shall establish procedures to prevent all relationships, including business relationships, with anti-social force, as defined by the Japanese government.
- The Company shall establish the "Recruit Group Compliance Policy" that sets forth basic policies regarding compliance. The Company's Board of Directors shall appoint an individual with ultimate responsibility for compliance, establish a department in charge of compliance, make decisions on basic group-wide compliance policies, and monitor the effectiveness of the compliance measures. The President and CEO, Representative Director of the Board, shall convene and serve as chairperson of the Compliance Committee and shall evaluate the effectiveness of each SBU's compliance program and make decisions on the group-wide compliance plan at the Business Strategy Meeting.
- The Board of Directors of each SBU Headquarters shall appoint an individual with ultimate responsibility for compliance at the SBU, make decisions on the SBU's basic compliance policies, and monitor the effectiveness of the SBU's compliance measures. The CEO of each SBU Headquarters shall convene and serve as chairperson of the Compliance Committee for the SBU and shall evaluate the effectiveness of the SBU's compliance and make decisions on and inspections of the SBU Headquarters' operational plans.
- The CEO of each subsidiary of the Company shall appoint an individual with ultimate responsibility for compliance at the subsidiary, evaluate the effectiveness, and make decisions on and inspections of the subsidiary's operational plans of its compliance.
- The Holding Company and its subsidiaries shall establish measures, including reporting hotlines

for harassment and/or illegal or other improper behavior, to promptly transmit information to the applicable department in charge of compliance within the Company or the relevant subsidiary, in the event that a Recruit Affiliated Person discovers a potential issue related to internal controls. The department in charge of compliance that receives the report shall promptly and thoroughly investigate the matter, decide on response measures in consultation with the related departments, and implement appropriate response measures.

- The Holding Company and its subsidiaries shall plan and conduct necessary training for Recruit Affiliated Persons to ensure compliance with the "Recruit Group Code of Ethics" and internal policies.
- In the event that a violation of laws, regulations, internal policies, or other compliance rules is discovered, the Holding Company and its subsidiaries shall impose strict measures against any Recruit Affiliated Persons involved in such violation.

Policies and Procedures concerning Retention and Management of Information regarding the Execution of Duties by the Company's Directors of the Board

- The Holding Company shall establish the "Documents and Contracts Management Policy," providing for the creation and retention of documents and materials related to Directors' execution of their duties, including documents such as the minutes of Annual Meetings of Shareholders, meetings of the Board of Directors, and Business Strategy Meetings.
- The length of time of, and department responsible for, the retention of the documents described in the previous paragraph shall be as set forth in the "Documents and Contracts Management Policy." Documents shall be retained in a manner that allows them to be viewed upon request by Recruit Holdings' Directors and Audit & Supervisory Board members.

Internal Policies and Other Measures concerning Management of Risk of Loss

- The Company shall establish the "Recruit Group Risk Management Policy" and "Recruit Group Risk Escalation Rules" to provide comprehensive, group-wide risk management.
- The Company's Board of Directors shall appoint an individual with ultimate responsibility for group-wide risk management, establish a department in charge of risk management, and make decisions on the basic policies regarding, and monitor the status of, the Company's risk management. In addition, the Risk Management Committee, chaired by the Director responsible for group-wide risk management, shall monitor risk management within each SBU and identify risks. Based on the results of these committee meetings, the Business Strategy Meeting shall identify and determine risks requiring particular attention at the group level and discuss measures to mitigate such risks.
- The Board of Directors of each SBU Headquarters shall appoint an individual with ultimate responsibility for risk management at the SBU and make decisions on basic policies regarding, and monitor the status of, the SBU's risk management. In addition, through the SBU Risk Management Committee attended by those responsible for the respective management functions of each SBU Headquarters, the Board of Directors of each SBU Headquarters shall monitor the status of risk management at each SBU as well as identify and determine the risks deserving of particular attention.
- The CEO of each of the Company's subsidiaries shall be ultimately responsible for risk management at the subsidiary and shall appoint an individual to oversee risk management at the subsidiary, identify risks for the subsidiary and determine the significance of such risks.
- If a serious incident occurs that may affect the Company as a whole, the Company shall establish a crisis management task force to address the situation.

Measures to Ensure the Efficient Execution of Duties by the Company's Directors of the Board and Its Subsidiaries

- The Company's Board of Directors or the Business Strategy Meeting shall set group-wide management targets for the Company and shall make these targets widely known within the Company as a whole, while also setting specific targets to be achieved by each function of the Company in order to achieve the group-wide targets. The Company's Corporate Executive Officers in charge of each function shall determine and execute efficient methods of achieving these targets.
- The Company's Board of Directors shall regularly review the Company's progress in achieving these targets and, by promoting improvements such as eliminating or reducing factors that impede efficiency and increase the likelihood of achieving the targets.
- The Company shall establish a Business Strategy Meeting as an advisory body to CEO and shall carry out discussions on necessary matters regarding management of the Company as a whole.
- In addition, expert committees such as the Sustainability Committee shall be set up as advisory bodies to the Company's Board of Directors and the Business Strategy Meeting.

Policies and Procedures to Ensure the Reliability of Internal Controls for Financial Reporting

- The Company shall establish the "J-SOX General Policy," the policy for the Japanese regulatory framework similar to Sarbanes-Oxley (SOX), and a system of internal control for financial reporting based on the internal control reporting system described in the Financial Instruments and Exchange Act of Japan.

Policies and Procedures concerning Reporting to the Holding Company regarding the Execution of Duties by Subsidiaries' Directors of the Board and Similar Persons

- The Holding Company shall establish internal divisions to oversee each SBU. Based on requests from such oversight divisions, Directors of the subsidiaries shall regularly report their business results and the status of implementation of their business strategies to their respective oversight divisions.
- The Holding Company and SBU Headquarters shall share information regarding their management activities on a regular basis, and discuss management policies, as needed.
- The Company shall establish the "Group Management Policy of the Recruit Group" and require the Company's subsidiaries to obtain approval of the Holding Company regarding important issues and make a prior confirmation with or subsequent report to the relevant departments of the Company.

Matters concerning Appointment of Employees to Assist Audit & Supervisory Board Members in Their Audit Duties

- The Company shall appoint one or more persons as "Assistants to support the Company's Audit & Supervisory Board members" ("Assistants") and make an official announcement of the appointment.

Matters relating to Ensuring the Independence of Employees from the Company's Directors of the Board Described in the Preceding Item and the Effectiveness of Instructions Given to the Employees

- Assistants shall only follow the directions provided by the Audit & Supervisory Board members in supporting their duties. The opinions of the Audit & Supervisory Board members and the Audit & Supervisory Board shall be respected with regard to the appointment, transfer, evaluation, and discipline of these Assistants.

Procedures concerning Reports to the Company's Audit & Supervisory Board Members

- Recruit Affiliated Persons and the Company's Independent Auditor shall report to the applicable Audit & Supervisory Board members of the Company on the matters set forth below. Measures shall be put in place to allow for reporting in a timely manner by means of meetings, interviews, telephone, email, and similar methods.
  - Material matters regarding business management
  - Matters that have the potential to cause significant loss to the Company
  - Material matters regarding internal auditing and risk management
  - Material violations of laws, regulations, or the Articles of Incorporation
  - Any other material matters regarding internal controls
- The Company's Audit & Supervisory Board members and the Internal Audit Department shall cooperate with the Directors of the Board and Audit & Supervisory Board members of each SBU Headquarters and its subsidiaries as needed and share information on a regular basis.

Measures to Ensure That Individuals Reporting on Matters Described in the Preceding Item Are Not Unfavorably Treated on the Basis of Such Reporting

- The Company shall establish the "Recruit Group Compliance Policy" under which any individual who has made a report described in the preceding item may not be subjected to unfavorable treatment such as dismissal, unjustified transfer, or similar measures due to him or her reporting such matters in good faith.

Matters relating to Policies concerning Procedures for Making Advance Payments or Reimbursements of Expenses Incurred in Connection with the Execution of Duties by the Company's Audit & Supervisory Board Members and Treatment of Other Expenses or Obligations Associated with the Execution of Duties by These Members

- The Company shall bear the costs of the budget requested in advance by the Audit & Supervisory Board members for expenses necessary to execute their duties. In addition, the Company's Audit & Supervisory Board members may request payment from the Company of expenses incurred in urgent or unexpected circumstances, and the Company shall bear such costs.

Other Measures to Ensure the Effectiveness of Audits by Audit & Supervisory Board Members

- The Company's Audit & Supervisory Board members and Audit & Supervisory Board shall hold regular meetings to exchange opinions with the President and CEO, Representative Director of the Board and with the Company's Independent Auditor, respectively.

Agreement for Limitation of Liability of Directors of the Board excluding Executive Directors and Audit & Supervisory Board Members

The Company has entered into an agreement with each of the Directors of the Board, excluding Executive Directors, and with Audit & Supervisory Board members, to limit their liability under Article 423, Paragraph 1 of the Companies Act of Japan. The maximum amount of liability for damages covered in the agreement is the minimum amount required under applicable laws and regulations. The limitation of liability, however, applies only when the respective personnel has performed their duties in good faith and are not deemed negligent.

Number of Directors of the Board

The Articles of Incorporation stipulate that the Company shall have no more than 11 Directors of the Board.

Requirements for Resolutions on the Appointment of Directors of the Board

The Articles of Incorporation stipulate that resolutions on the appointment of Directors require the attendance of at least one-third of shareholders with voting rights at Shareholders Meeting, and the approval based on the majority of those voting rights. The Articles of Incorporation also stipulate that resolutions on the appointment of Directors shall not be based on cumulative voting.

Requirements for Special Resolutions of Shareholders Meeting

The Articles of Incorporation stipulate that special resolutions of Shareholders Meeting as stipulated in Article 309, Paragraph 2 of the Companies Act of Japan require the attendance of at least one-third of shareholders with voting rights, and the approval based on at least two-thirds of those voting rights. The purpose of this is to facilitate the smooth operation of Shareholders Meeting by relaxing the quorum for special resolutions at the meeting.

Decision-making Body for Dividends from Surplus

The Articles of Incorporation stipulate that the matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act of Japan concerning dividends from surplus may be determined through a resolution of the Board of Directors without requiring a resolution of Shareholders Meeting, unless separately stipulated by laws and regulations. The purpose of this is to delegate authority over dividends from surplus to the Board of Directors so that profits can be returned to shareholders in a flexible manner.

Share Buyback

Pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act of Japan, the Articles of Incorporation stipulate that the Company may buy back its own shares based on a resolution of the Board of Directors. The purpose of this is to buy back the shares through market transactions to enable the execution of flexible capital policies in response to changes in the business environment.

Liability Exemption for Directors of the Board and Audit & Supervisory Board Members

Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act of Japan, the Company may, to the extent permitted by laws and regulations, exempt Directors (including former Directors) and Audit & Supervisory Board members (including former Audit & Supervisory Board members) from liability for damages due to negligence of their duties by a resolution of the Board of Directors. The purpose of this is to create an environment in which Directors and Audit & Supervisory Board members can fully demonstrate their abilities and fulfill their expected roles in the performance of their duties.

Leadership

Board of Directors

MASUMI MINEGISHI *Director of the Board since 2009*

CEO, President, and Representative Director of the Board

Age: 56
(Date of Birth: January 24th, 1964)

Number of Company shares held: 1,002,803

Career summary:

Masumi Minegishi has served as CEO, President, and Representative Director of the Board of Recruit Holdings since 2012. He is credited with leading the Company's transformation into a global tech company. Five years after joining the Company in 1987, Mr. Minegishi was transferred to the new business development office, where he contributed to the launch of Zexy, the bridal magazine. In 2009, as a newly-appointed Director of the Board and Managing Corporate Executive Officer, he led the housing information business and consolidated numerous operations to build the SUUMO brand.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2021.

Career summary, positions and responsibilities

Unless otherwise stated, position refers to Recruit Holdings Co., Ltd.
**Current position*

April	2012	• CEO*, President*, and Representative Director of the Board*
April	2011	• Senior Managing Corporate Executive Officer in charge of Corporate Strategy Office, Business Development, Corporate Planning, Human Resources, and Integrated Marketing Communication (IMC); Director of the Board
April	2010	• Managing Corporate Executive Officer in charge of Customer Action Platform Strategic Business Unit, Business Development, Corporate Planning, and Housing; Director of the Board *Customer Action Platform referring to the travel, dining, beauty, education, and other lifestyle business categories
June	2009	• Managing Corporate Executive Officer in charge of Business Development, Corporate Planning, and Housing; Director of the Board
April	2004	• Managing Corporate Executive Officer in charge of Important Strategy Control at Sales Promotion Business (formerly the Group-IMC Strategic Business Unit), Housing Division Company, and IMC Division Company
April	2003	• Corporate Executive Officer in charge of Information & Editing Department and IMC Division Company
April	1987	• Joined the Company

Significant concurrent position(s)

• Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives)

Reasons for being appointed as a Director of the Board

Masumi Minegishi has served as CEO of Recruit Holdings Co. Ltd., since 2012 and oversees the business of the entire group, which has greatly benefitted from his strong leadership. Mr. Minegishi has served as a Director of the Board since 2009 and we believe that he is the appropriate person to sustainably improve the enterprise value of the Company, and should continue to serve as a Director of the Board.

HISAYUKI IDEKOBA

Director of the Board since 2019

COO, Executive Vice President, and Director of the Board

Age: 45
(Date of Birth: April 22nd, 1975)

Number of Company shares held: 229,317

Career summary:

Hisayuki "Deko" Idekoba is COO and Executive Vice President of Recruit Holdings, overseeing the company's business operations. He was appointed as a Director of the Board in 2019. Mr. Idekoba has led the digital transformations of the Company's numerous businesses including travel, beauty and dining. He was responsible for transitioning print publications and marketing into online businesses. In his previous role as head of digital strategy, he led the acquisition of Indeed and later served as Indeed's CEO, turning the Company into the leading global HR technology company it is today.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2021.

Career summary, positions and responsibilities

Unless otherwise stated, position refers to Recruit Holdings Co., Ltd.
**Current position*

April	2020	• Executive Vice President* in charge of Finance* and Operations (COO)*; Director of the Board*
June	2019	• Senior Managing Corporate Executive Officer in charge of Corporate Planning (CSO), Administration (CRO), and Operations (COO); Director of the Board*
April	2019	• Senior Managing Corporate Executive Officer in charge of Corporate Planning (CSO), Administration (CRO), and Operations (COO); Director of the Board* of Indeed, Inc.
April	2018	• Director of the Board* of Recruit Co., Ltd.
January	2018	• Senior Managing Corporate Executive Officer in charge of Operations (COO); CEO* and Director of the Board* of RGF OHR USA, Inc.; Chairman and Director of the Board* of RGF Staffing B.V. (formerly Recruit Global Staffing B.V.)
April	2016	• Managing Corporate Executive Officer in charge of HR Technology Strategic Business Unit (SBU) (formerly Global Online HR SBU)
October	2015	• CEO of Indeed, Inc.
October	2013	• CEO and President of Indeed, Inc.
September	2012	• Chairman of the Board of Indeed, Inc.
April	2012	• Corporate Executive Officer in charge of R&D and Asia Job Board at Global Headquarters
April	1999	• Joined the Company

Significant concurrent position(s)

- Director of the Board of Indeed, Inc.
- CEO and Director of the Board of RGF OHR USA, Inc.
- Director of the Board of Recruit Co., Ltd.
- Chairman and Director of the Board of RGF Staffing B.V.

Reasons for being appointed as a Director of the Board

Hisayuki "Deko" Idekoba has served as a Corporate Executive Officer of the Company since 2012. Mr. Idekoba has driven much of the Company's technology-based business growth and has successfully grown Indeed into a world-class global job search engine. Mr. Idekoba has served as a member of the Board of Directors of the Company since 2019 and we believe that he is the appropriate person to sustainably improve the enterprise value of the Company, and should continue to serve as a Director of the Board.

AYANO SENAHA

Director of the Board since 2020

CSO, CHRO, CRO, Managing Corporate Executive Officer, and Director of the Board

Age: 37
(Date of Birth: December 5th, 1982)

Number of Company shares held: 19,500

Career summary:
Ayano "Sena" Senaha has played a major role in the rapid globalization of the Company, leading and contributing to a series of post-merger integrations. In 2012, she was transferred to newly acquired Advantage Group Limited, and skillfully turned around its financial performance being appointed Managing Director in 2014. While serving as Chief of Staff at Indeed, Inc., Ms. Senaha also serves as Recruit Holding's CSO, CHRO, CRO, Managing Corporate Executive Officer, and Director of the Board. She is credited with aiding the development of a business governance structure that neutralizes risks while enabling quick decision-making.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2021.

Career summary, positions and responsibilities

Unless otherwise stated, position refers to Recruit Holdings Co., Ltd.
**Current position*

June	2020	• Managing Corporate Executive Officer* in charge of Corporate Planning (CSO)*, Human Resources and General Affairs (CHRO)*, and Risk Management (CRO)* ; Director of the Board*
April	2020	• Managing Corporate Executive Officer* in charge of Corporate Planning (CSO)*, Human Resources and General Affairs (CHRO)*, and Risk Management (CRO)*
January	2020	• Director of the Board* of Glassdoor, Inc.
April	2018	• Corporate Executive Officer in charge of Corporate Planning, Corporate Communication, and Human Resources
January	2018	• Executive Manager in charge of Corporate Planning and Talent Management; Chief of Staff at Indeed, Inc.; Director of the Board* of RGF OHR USA, Inc.
April	2016	• Executive Manager in charge of Talent Management
July	2015	• Executive Manager in charge of R&D Business Development
January	2014	• Managing Director of Advantage Group Limited; Managing Director of ADVANTAGE PROFESSIONAL UK LIMITED; Director of Advantage XPO Limited
January	2013	• Director of ADVANTAGE RESOURCING UK LIMITED; Director of Advantage XPO Limited
April	2006	• Joined the Company

Significant concurrent position(s)

• Director of the Board of RGF OHR USA, Inc.
• Director of the Board of Glassdoor, Inc.

Reasons for being appointed as a Director of the Board

Ayano "Sena" Senaha has served as Corporate Executive Officer of the Company since 2018. Ms. Senaha has played a major role in the rapid globalization of the Company, having led and contributed to several post-merger integrations and having developed a corporate governance structure which ensures the balance of business strategies and risk management. Therefore, we believe that she is the appropriate person to sustainably improve the enterprise value of the Company, and should serve as a Director of the Board.

RONY KAHAN

Director of the Board since 2018

Director of the Board (Non-Executive)

Age: 52
(Date of Birth: November 26th, 1967)

Number of Company shares held: 116,050

Career summary:

Rony Kahan was appointed as a Director of the Board of Recruit Holdings in 2018. He also serves as Chairman of the Board of Indeed since 2013. Mr. Kahan started his career in the HR industry in 1998 by co-founding jobsinthemoney.com, which became the leading job site for finance professionals. In 2003 he sold the business, and the following year, co-founded Indeed with the mission to help people get jobs. This novel approach to the job search market caught the attention of Recruit Holdings, which acquired Indeed in 2012. Working together with the new leadership team, Mr. Kahan successfully grew Indeed into the world's leading job search engine.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2021.

Career summary, positions and responsibilities

Unless otherwise stated, position refers to Recruit Holdings Co., Ltd.
**Current position*

June	2018	• Director of the Board*
April	2018	• Chairman and Director of the Board* of RGF OHR USA, Inc.
October	2013	• Chairman of the Board* of Indeed, Inc.
September	2012	• CEO of Indeed, Inc.
November	2004	• Co-founder, President, and Chairman of the Board of Indeed, Inc.
August	1998	• Co-founder of jobsinthemoney.com, Inc.

Significant concurrent position(s)

- Chairman of the Board of Indeed, Inc.
- Chairman and Director of the Board of RGF OHR USA, Inc.

Reasons for being appointed as a Director of the Board

Rony Kahan is a co-founder of Indeed, Inc., a consolidated subsidiary of Recruit Holdings. We are confident that his extensive track record of innovation, his deep expertise and broad connections in the HR technology industry will help us further accelerate the global expansion of our HR technology business. Mr. Kahan has served as a Director of the Board of the Company since 2018 and we believe that he is the appropriate person to sustainably improve the enterprise value of the Company, and should continue to serve as non-Executive Director of the Board.

NAOKI IZUMIYA

Director of the Board since 2018

Outside Director of the Board (Non-Executive, Independent)

Age: 71
(Date of Birth: August 9th, 1948)

Number of Company shares held: 622

Career summary:

Naoki Izumiya, who is Chairman of the Board of Asahi Group Holdings, Ltd., has served as an outside Director of the Recruit Holdings Board since 2018. Before his role as Chairman, he promoted the growth of Asahi Group companies and spearheaded acquisitions including Calpis Co., Ltd. Mr. Izumiya served in various roles at Asahi Breweries, Ltd. including Senior General Manager of Strategy Planning Headquarters, General Manager of the Tokyo Branch and Public Relations before he was appointed President and Representative Director of Asahi Breweries, Ltd. in 2010.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2021.

Career summary, positions and responsibilities

**Current position*

March	2019	• Chairman of the Board* of Asahi Group Holdings, Ltd.
June	2018	• Outside Director of the Board* of Recruit Holdings Co., Ltd.
March	2018	• Chairman and Representative Director of Asahi Group Holdings, Ltd.
March	2016	• Chairman and Representative Director, CEO of Asahi Group Holdings, Ltd.
March	2014	• President and Representative Director, CEO of Asahi Group Holdings, Ltd.
July	2011	• President and Representative Director, COO of Asahi Group Holdings, Ltd.
March	2010	• President and Representative Director of Asahi Breweries, Ltd.
March	2009	• Senior Managing Director and Senior Managing Corporate Officer of Asahi Breweries, Ltd.
March	2006	• Managing Director, Managing Corporate Officer, and Senior General Manager of Sales & Marketing Headquarters for Alcoholic Beverages at Asahi Breweries, Ltd.
March	2004	• Managing Director of Asahi Breweries, Ltd.
March	2003	• Director of Asahi Breweries, Ltd.
September	2001	• Corporate Officer, Deputy General Manager of Tokyo Metropolitan Headquarters, and General Manager of Tokyo Branch at Asahi Breweries, Ltd.
October	2000	• Corporate Officer and Senior General Manager of Strategy Planning Headquarters at Asahi Breweries, Ltd.
March	2000	• Corporate Officer and Senior General Manager of Group Management Strategy Headquarters at Asahi Breweries, Ltd.
April	1972	• Joined Asahi Breweries, Ltd.

Significant concurrent position(s)

- Chairman of the Board of Asahi Group Holdings, Ltd.
- Independent Director of Obayashi Corporation

Reasons for being appointed as a Director of the Board

Naoki Izumiya has a strong background in advanced corporate communication strategy, a track record of executive development, and extensive experience enhancing enterprise value through aggressive acquisition and successful synergistic integration of overseas companies. Mr. Izumiya has served as an outside Director of the Board of Recruit Holdings since 2018. We believe that he is the appropriate person to advise the Company on overall management and supervise the execution of the business, and should continue to serve as outside Director of the Board.

Independence criteria

Mr. Izumiya meets both the requirements for independence stipulated by the Tokyo Stock Exchange and those of the Holding Company. Within the past 10 years, Mr. Izumiya has served as Chairman and Representative Director of Asahi Group Holdings, Ltd., which has a business relationship with the Company in services including temporary staffing. However, such transactions account for less than 1% of the consolidated revenue of Asahi Group Holdings, Ltd. and Recruit Holdings, respectively, and are thus too small to be material. Therefore, the Company believes that Mr. Izumiya has sufficient independence where there are no potential conflicts of interests with general shareholders.

HIROKI TOTOKI

Director of the Board since 2018

Outside Director of the Board (Non-Executive, Independent)

Age: 55
(Date of Birth: July 17th, 1964)

Number of Company shares held: 1,374

Career summary:

Hiroki Totoki, who is Executive Deputy President, CFO, Representative Corporate Executive Officer, and Director of the Board of Sony Corporation, has served as an outside Director of the Recruit Holdings Board since 2018. In previous roles at Sony Corporation, he contributed to the launch of Sony Bank, Inc., and led Sony's Business Strategy, Corporate Development, Finance, and New Business Development departments. In 2014, Mr. Totoki led the structural reformation of the smartphone business as President and CEO of Sony Mobile Communications Inc.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2021.

Career summary, positions and responsibilities

**Current position*

June	2020	• Director*, Executive Deputy President* and CFO*, Representative Corporate Executive Officer* of Sony Corporation
June	2019	• Director* of Sony Corporation
June	2018	• Senior Executive Vice President, CFO*, and Representative Corporate Executive Officer* of Sony Corporation; Outside Director of the Board* of Recruit Holdings Co., Ltd.
April	2018	• Executive Vice President, CFO, and Representative Corporate Executive Officer of Sony Corporation
June	2017	• Executive Vice President, CSO, and Corporate Executive Officer of Sony Corporation
April	2016	• Executive Vice President and Corporate Executive Officer of Sony Corporation; President and Representative Director of Sony Network Communications, Inc. (formerly So-net Corporation)
November	2014	• Group Executive of Sony Corporation; President and CEO of Sony Mobile Communications, Inc.
December	2013	• Senior Vice President and Corporate Executive of Sony Corporation
April	2013	• Representative Director, Corporate Executive Officer, Deputy President, and CFO of Corporate Executive Officer of Sony Network Communications, Inc. (formerly So-net Entertainment Corporation)
April	2012	• Representative Director, Corporate Executive Officer and Senior Managing Director of Sony Network Communications, Inc. (formerly So-net Entertainment Corporation)
June	2005	• Director, Corporate Executive Officer and Senior Managing Director of Sony Network Communications, Inc. (formerly Sony Communication Network Corporation)
February	2002	• Representative Director of Sony Bank, Inc.
April	1987	• Joined Sony Corporation

Significant concurrent positions

• Director, Executive Deputy President and CFO, Representative Corporate Executive Officer of Sony Corporation

Reasons for being appointed as a Director of the Board

Hiroki Totoki has deep insight, cultivated through years of managing a global company with diversified business portfolios and experience leading technology-based business development. Mr. Totoki has served as an outside Director of the Board of Recruit Holdings since 2018. We believe that he is the appropriate person to advise the Company on overall management and supervise the execution of business, and should continue to serve as outside Director of the Board.

Independence criteria

Mr. Totoki meets both the requirements for independence stipulated by the Tokyo Stock Exchange and those of the Holding Company. He currently serves as Director, Executive Deputy President and CFO, Representative Corporate Executive Officer of Sony Corporation, which has a business relationship with the Company including our Media & Solutions business. However, such transactions account for less than 1% of Sony Corporation consolidated sales and operating revenue and Recruit Holdings consolidated revenue, respectively, and are thus too small to be material. Therefore, the Company believes that Mr. Totoki has sufficient independence where there are no potential conflicts of interests with general shareholders.

Audit & Supervisory Board Members

YUKIKO NAGASHIMA (Name on family register: YUKIKO WATANABE)
Audit & Supervisory Board Member since 2016

Standing Audit & Supervisory Board Member

Age: 59
(Date of Birth: April 4th, 1961)

Number of Company shares held: 437,685

Career summary:

Yukiko Nagashima assumed her current role as a standing Audit & Supervisory Board member for Recruit Holdings in 2016. She started out in Recruit Holdings' HR business and transferred to the HR department in 1995, where she led talent management initiatives. In 2004, she spearheaded the growth of Zexy bridal business and, in 2006, was appointed a Corporate Executive Officer. Two years later in 2008, Ms. Nagashima became President and Representative Director of Recruit Staffing Co., Ltd., where she promoted productivity-focused work styles and diversity and inclusion in the workforce.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2024.

Career summary, positions and responsibilities

Unless otherwise stated, position refers to Recruit Holdings Co., Ltd.
**Current position*

March	2019	• Outside Director of the Board* of Japan Tobacco Inc.
April	2018	• Standing Audit & Supervisory Board Member* of Recruit Co., Ltd.
June	2016	• Standing Audit & Supervisory Board Member*
April	2016	• Advisor
January	2008	• President and Representative Director of Recruit Staffing Co., Ltd.
April	2006	• Corporate Executive Officer of the Bridal Information Division
April	1985	• Joined the Company

Significant concurrent position(s)

• Outside Director of the Board of Japan Tobacco Inc.

Reasons for being appointed as an Audit & Supervisory Board member

Yukiko Nagashima has served in the management of the Company as Corporate Executive Officer for many years. Ms. Nagashima has a wealth of experience and knowledge in human resources, the bridal related information business and the staffing business operations. She has served as an Audit & Supervisory Board member since 2016 and we believe that she is the appropriate person to supervise the Company's overall management, and should continue to serve as Audit & Supervisory Board member.

AKIHITO FUJIWARA

Audit & Supervisory Board Member since 2014

Standing Audit & Supervisory Board Member

Age: 57
(Date of Birth: September 8th, 1962)

Number of Company shares held: 408,176

Career summary:

Akihito Fujiwara has served as a standing Audit & Supervisory Board member for Recruit Holdings since 2014. He joined the Company in 1986 and managed the Company's transition to an online business model, building new business structure within the information network and internal IT systems departments. In 2004, as head of the Company's umbrella organization for IT (currently Recruit Technologies Co., Ltd.), Mr. Fujiwara established company-wide IT management processes. He was appointed a Corporate Executive Officer in 2006, and went on to head the automotive division and then the advertisement optimization organization.

Term of office:

From June 19, 2018 to the conclusion of the Annual Meeting of Shareholders to be held in 2022.

Career summary, positions and responsibilities

Unless otherwise stated, position refers to Recruit Holdings Co., Ltd.
**Current position*

April	2018	• Standing Audit & Supervisory Board Member* of Recruit Co., Ltd.
June	2014	• Standing Audit & Supervisory Board Member*
April	2014	• Advisor
October	2012	• Corporate Executive Officer of Recruit Marketing Partners Co., Ltd.
April	2006	• Corporate Executive Officer of FIT (the Federation of IT)
August	1986	• Joined the Company

Reasons for being appointed as an Audit & Supervisory Board member

Akihito Fujiwara brings with him a wealth of experience and knowledge of the Company's IT infrastructure and system development. Mr. Fujiwara has served as an Audit & Supervisory Board member of Recruit Holdings since 2014 and we believe that he is the appropriate person to supervise the Company's overall management and should continue to serve as Audit & Supervisory Board member.

YOICHIRO OGAWA

Audit & Supervisory Board Member since 2020

Outside Audit & Supervisory Board Member (Independent)

Age: 64
(Date of Birth: February 19th, 1956)

Number of Company shares held: 0

Career summary:

Yoichiro Ogawa was appointed an outside Audit & Supervisory Board member of Recruit Holdings in 2020. He holds over 30 years of auditing, accounting, and leadership experience with Deloitte Touche Tohmatsu LLC. He served in various roles including Partner, Vice Chairman of the Board of Directors, Asia-Pacific Region Representative, and CEO of Deloitte Tohmatsu Group leading the enhancement of the brand value within Japan, and driving cooperation with countries across regions. Mr. Ogawa founded the Yoichiro Ogawa CPA Office in 2018.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2024.

Career summary, positions and responsibilities

**Current position*

June	2020	• Outside Audit & Supervisory Board Member* of Recruit Holdings Co., Ltd.
November	2018	• Founder* of Yoichiro Ogawa CPA Office
July	2015	• CEO of Deloitte Tohmatsu Group
June	2015	• Representative of the Asia-Pacific Region at Deloitte Touche Tohmatsu Limited
October	2013	• Deputy CEO of Deloitte Touche Tohmatsu LLC
June	2011	• Vice Chairman of the Board of Directors at Deloitte Touche Tohmatsu Limited
June	2007	• Member of the Board of Directors at Deloitte Touche Tohmatsu Limited
June	1993	• Partner at Deloitte Touche Tohmatsu LLC
March	1984	• Certified Public Accountant
October	1980	• Joined Deloitte Touche Tohmatsu LLC (formerly Tohmatsu & Aoki Audit Corporation)

Significant concurrent position(s)

- Chief of Yoichiro Ogawa CPA Office

Reasons for being appointed as an Audit & Supervisory Board member

Yoichiro Ogawa has international accounting expertise as a certified public accountant and has management experience, having served as CEO of a global accounting firm. Mr. Ogawa brings a neutral and objective perspective supported by deep insight and a wealth of international experience. We believe that he is the appropriate person to supervise the Company's overall management and that he should serve as an outside Audit & Supervisory Board member.

Independence criteria

Mr. Ogawa currently heads the Yoichiro Ogawa CPA Office. Within the past 10 years he has also worked for Deloitte Touche Tohmatsu Limited, Deloitte Touche Tohmatsu LLC, and the Deloitte Tohmatsu Group. These companies have business relationships with the Company including the Staffing business. However, such transactions account for less than 1% of the sales of those companies and Recruit Holdings consolidated revenue, respectively, and are thus too small to be material. Therefore, the Company believes that Mr. Ogawa has sufficient independence where there are no potential conflicts of interests with general shareholders.

KATSUYA NATORI

Audit & Supervisory Board Member since 2020

Outside Audit & Supervisory Board Member (Independent)

Age: 61
(Date of Birth: May 15th, 1959)

Number of Company shares held: 0

Career summary:

Katsuya Natori was appointed an outside Audit & Supervisory Board member of Recruit Holdings in June 2020. He worked at several law offices and JXTG Nippon Oil & Energy Corporation before joining Apple Japan, Inc. in 1995. In 1998, he became General Counsel at Oracle Information Systems (Japan), and in the mid-2000s, he took on multiple leadership roles at IBM Japan, Ltd. Mr. Natori founded the Natori Law Office in 2012 and simultaneously serves on the Board of Directors of various companies including MODEC, Inc., Global One Real Estate Investment Corporation, and Olympus Corporation.

Term of office:

From June 30, 2020 to the conclusion of the Annual Meeting of Shareholders to be held in 2024.

Career summary, positions and responsibilities

**Current position*

June	2020	• Outside Audit & Supervisory Board Member* of Recruit Holdings Co., Ltd.
June	2019	• External Director* and Chairman of Audit Committee* of Olympus Corporation
April	2016	• Supervisory Director* of Global One Real Estate Investment Corporation
March	2015	• External Director* of MODEC, Inc.
April	2012	• External Statutory Auditor at Olympus Corporation
February	2012	• Founder* of Natori Law Office
April	2010	• Vice President of Global Process Services at IBM Japan, Ltd.
January	2004	• General Counsel at IBM Japan, Ltd.
March	2002	• General Counsel and Executive Officer at Fast Retailing Co., Ltd.
January	1998	• General Counsel at Oracle Information Systems (Japan) G.K. (formerly Sun Microsystems K.K.)
January	1995	• General Counsel at Apple Japan, Inc. (formerly Apple Computer Co., Ltd.)
July	1993	• Counsel at JXTG Nippon Oil & Energy Corporation (formerly Esso Petroleum Corporation)
July	1992	• Visiting Lawyer at Wilmer, Cutler, Pickering, Hale and Dorr LLP (formerly Wilmer, Cutler & Pickering)
June	1990	• Visiting Lawyer at Davis Wright Tremaine LLP
April	1986	• Associate Lawyer at Nishimura & Asahi (formerly Masuda & Ejiri Law Office)

Significant concurrent position(s)

- Chief of Natori Law Office
- External Director of MODEC, INC.
- Supervisory Director of Global One Real Estate Investment Corp.
- External Director and Chairman of Audit Committee of Olympus Corporation

Reasons for being appointed as an Audit & Supervisory Board member

Katsuya Natori has developed expertise as a lawyer and has international legal experience, heading the legal department at several global IT companies. Mr. Natori brings a neutral and objective perspective supported by his deep insight and a wealth of international experience. We believe that he is the appropriate person to supervise the Company's overall management and should serve as an outside Audit & Supervisory Board member.

Independence criteria

Mr. Natori currently heads the Natori Law Office, which has no business relationship with the Company. Therefore, the Company believes that Mr. Natori has sufficient independence where there are no potential conflicts of interests with general shareholders.

* The above shares held are as of May 31 2020 and include a stake in the Recruit Group Officer Stock Ownership Association and a stake in American Depositary Receipt (ADR). Other information is based on information available as of June 30, 2020.

* The Company reported Messrs. Naoki Izumiya and Hiroki Totoki to the Tokyo Stock Exchange as Independent Directors of the Board, and reported Messrs. Yoichiro Ogawa and Katsuya Natori as Independent Audit & Supervisory Board members as specified by the Tokyo Stock Exchange.

Corporate Executive Officers

The Company has appointed Corporate Executive Officers. There are twelve Corporate Executive Officers including those who have Director of the Board responsibility and each of whom is in charge of the following.

Position	Name	Responsibilities
President	Masumi Minegishi	CEO
Executive Vice President and COO	Hisayuki Idekoba	Finance Division Business Operations Division HR Technology Segment CEO and Director of RGF OHR USA, Inc. Media & Solutions Segment Director of Recruit Co., Ltd. Staffing Segment Chairman and Director of RGF Staffing B.V.
Managing Corporate Executive Officer	Yoshihiro Kitamura	Finance Division Business Performance Management Media & Solutions Segment Recruit Co., Ltd. President and Representative Director
Managing Corporate Executive Officer, CSO, CHRO and CRO	Ayano Senaha	Corporate Planning Division Corporate Planning, Sustainability Human Resources / General Affairs Division Human Resources Risk Management Division HR Technology Segment Director of RGF OHR USA, Inc. Director of Glassdoor, Inc.
Managing Corporate Executive Officer	Rob Zandbergen	Staffing Segment CEO and Director of RGF Staffing B.V.
Corporate Executive Officer	Junichi Arai	Capital Market Strategies & Investor Relations
Corporate Executive Officer	Hiroaki Ogata	Investment
Corporate Executive Officer	Mio Kashiwamura	Public Relations
Corporate Executive Officer	Iwaaki Taniguchi	Finance, Accounting, Tax Media & Solutions Segment Director of Recruit Co., Ltd. Staffing Segment Director of RGF Staffing B.V.
Corporate Executive Officer	Takahiro Noguchi	General Affairs
Corporate Executive Officer	Kentaro Mori	Risk Management Division, Japan
Corporate Executive Officer	Lowell Brickman	Risk Management Division, International

For the leadership structure in each SBU, please refer to the following release announced on February 14, 2020.
https://recruit-holdings.com/ir/ir_news/2020/20200214_02.html

Activities of Outside Directors of the Board and Outside Audit & Supervisory Board Members during FY2019

Naoki Izumiya, Outside Director of the Board

Naoki Izumiya participated in all 13 meetings of the Board of Directors held during FY2019. He has made statements from a practical perspective as an outside Director of the Board, based on his deep insight cultivated through his experience as President and Representative Director as well as Chairman of the Board of Asahi Group Holdings, Ltd., a global manufacturing company, and outside Directors of listed companies.

Hiroki Totoki, Outside Director of the Board

Hiroki Totoki participated in all 13 meetings of the Board of Directors held during FY2019. He has made statements from a practical perspective as an outside Director of the Board, based on his deep insight cultivated through his experience as Director, Representative Corporate Executive Officer, Senior Executive Vice President, CFO of Sony Corporation, a global company with diversified business portfolios, and Director of its group companies.

Hiroki Inoue, Outside Audit & Supervisory Board Member

Hiroki Inoue participated in all 13 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during FY2019. He made statements from a neutral and objective perspective as an outside Audit & Supervisory Board member, based on his deep insight into corporate legal affairs cultivated through experience as a lawyer.

Yasuaki Nishiura, Outside Audit & Supervisory Board Member

Yasuaki Nishiura participated in 12 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during FY2019. He made statements from a neutral and objective perspective as an outside Audit & Supervisory Board member, based on his accounting knowledge and his deep insight cultivated as a certified public accountant in the United States, as well as the wealth of international experience he has amassed as a global business advisor.

Independence Criteria of Outside Directors of the Board and Outside Audit & Supervisory Board Members

The Company selects Independent Directors of the Board and Independent Audit & Supervisory Board members in accordance with the independence standards established by the Tokyo Stock Exchange. In addition, the Company has a policy to select candidates who meet all the following criteria:

- In case the candidate, or an entity for which the candidate serves as an executive member, is a shareholder of the Company, the voting rights held by the candidate or the entity should not exceed 10%.
- Transactions between the Company and the entity, where the candidate is an executive member, should not exceed 1% of the Company's consolidated revenue during the most recent fiscal year.
- Transactions between the Company and the entity, where the candidate is an executive member, should not exceed 1% of the consolidated revenue of the candidate or the entity to which the candidate belongs during the most recent fiscal year.

Cooperation between Outside Directors of the Board and Outside Audit & Supervisory Board Members with respect to Internal Audits, Audits Conducted by the Audit & Supervisory Board and Audits Conducted by the Independent Auditor

- Outside Directors receive reports from the Internal Audit Department, the Audit & Supervisory Board members, the Independent Auditor, and the internal control divisions at the Board of Directors meetings as appropriate to promote mutual cooperation. In addition, by attending the Nomination Committee, Evaluation Committee and Compensation Committee, which are advisory bodies to the Board of Directors, as chairpersons or members, they are able to improve the transparency and fairness of management.
- Outside Audit & Supervisory Board members receive reports from other Audit & Supervisory Board members, the Independent Auditor, and the Internal Audit Department at the Audit & Supervisory Board meetings on the methods and results of their respective audits as appropriate, and individually exchange information with them as appropriate to promote mutual cooperation. In addition, they monitor and verify the development and implementation of internal controls from an independent standpoint in their capacity as outside Audit & Supervisory Board members, and receive reports from the internal control divisions as necessary during the audit process.

Status of Audits

Mutual Cooperation among Internal Audits, Audits by the Audit & Supervisory Board Members and Audits by the Independent Auditor

The Company has adopted a three-way audit through which audits are conducted by the Audit & Supervisory Board members, an audit and assurance firm which serves as an Independent Auditor, and the Company's Internal Audit Department. Audits by Audit & Supervisory Board members and the Independent Auditor are statutory. Internal audits are voluntary, focusing on internal independent evaluations and prevention of internal misconduct, and carried out under the direction of management.

The Internal Audit Department, Audit & Supervisory Board members, and the Independent Auditor cooperate mutually. Audit & Supervisory Board members request the Independent Auditor and the Internal Audit Department to report on their methods and results as required at the meetings of the Audit & Supervisory Board. In addition, the standing Audit & Supervisory Board members exchange information individually with the Independent Auditor and the Internal Audit Department on a regular basis. The Internal Audit Department reports and shares information when requested by an Audit & Supervisory Board member or the Audit & Supervisory Board, and shares information individually with the Independent Auditor.

Status of Internal Audits, Audits by the Audit & Supervisory Board Members, and Audits by the Independent Auditor; and the Relationship with the Internal Control Division is as follows:

Internal Audits

Internal audits are conducted by the Internal Audit Department, which consists of twenty members as of April 1, 2020, and reports directly to the President, CEO, and Representative Director. The main duty of the Internal Audit Department is to conduct audits of operations and internal controls related to financial reporting, based on its annual auditing plan.

The Internal Audit Department evaluates the operational status and the maintenance of internal controls. When a deficiency is found, the Internal Audit Department notifies the audited division and the departments responsible for internal controls to improve the situation. The Internal Audit Department also follows up on the status of improvements to ensure that the business of the Company is conducted appropriately.

Audits by the Audit & Supervisory Board Members

The Audit & Supervisory Board comprises four members, including two outside members, and meets once a month regularly. The Audit & Supervisory Board determines the auditing policy and the division of duties, and audits the performance of the Directors of the Board in accordance with the annual auditing plan. The audits focus on the internal controls, compliance and risk management system of the Company.

The Audit & Supervisory Board works to improve effectiveness and efficiency of the audit process. This means ensuring that there is adequate time to conduct audits, engaging in active monitoring, and providing guidance for prevention and handling of cases of misconduct, deficiencies, and other negative issues. This is achieved by communicating and coordinating with the Audit & Supervisory Board members and other officers of subsidiaries and by receiving periodic reports on the audit results of the subsidiaries and associates. The Independent Auditor also provides periodic audit reports.

In order to evaluate Directors' performance of their duties, the Audit & Supervisory Board oversees maintenance and operation of internal controls, and receives reports from the departments responsible for internal controls and the Internal Audit Department. Additionally, the Company has designated Assistants to assist all Audit & Supervisory Board members including outside members in the performance of their duties.

Attendance and Activities at the Audit & Supervisory Board Meetings

During FY2019 (from April 1, 2019 to March 31, 2020), the Audit & Supervisory Board meetings were held 13 times.

The attendance record of each Audit & Supervisory Board member at the Audit & Supervisory Board meetings and the activities were as follows.

Title	Name	Attendance record and activities
Standing Audit & Supervisory Board member	Yukiko Nagashima[1]	Yukiko Nagashima attended all 13 meetings of the Audit & Supervisory Board held during FY2019. She made statements consistent with her knowledge and insight on the Company's business management. As a standing Audit & Supervisory Board member, she has been interviewing and exchanging opinions with the Representative Directors, internal and outside Directors of the Board, Corporate Executive Officers and the Independent Auditor.
Standing Audit & Supervisory Board member	Akihito Fujiwara[2]	Akihito Fujiwara attended all 13 meetings of the Audit & Supervisory Board held during FY2019. He made statements consistent with his knowledge and insight on the Company's IT strategy and business management. As a standing Audit & Supervisory Board member, he has been interviewing and exchanging opinions, with the Representative Directors, internal and outside Directors of the Board, Corporate Executive Officers and the Independent auditor.
Outside Audit & Supervisory Board member	Hiroki Inoue[3]	Hiroki Inoue attended 13 meetings of the Audit & Supervisory Board held during FY2019. He made statements from a neutral and objective perspective as an outside Audit & Supervisory Board member, based on his deep insight into corporate legal affairs cultivated through his experience as a lawyer.
Outside Audit & Supervisory Board member	Yasuaki Nishiura[4]	Yasuaki Nishiura attended all 13 meetings of the Audit & Supervisory Board held during FY2019. He made statements from a neutral and objective perspective as an outside Audit & Supervisory Board member, based on his accounting knowledge and his deep insight cultivated as a certified public accountant in the United States, as well as a wealth of international experience he has amassed as a global business advisor.

1 Yukiko Nagashima was a Corporate Executive Officer of the Company and was the President and Representative Director of Recruit Staffing Co., Ltd. She has considerable knowledge on the business management of the Company.

2 Akihito Fujiwara was a chief of the Company's systems division and Corporate Executive Officer of the Company. He has considerable knowledge on the IT strategies and business management of the Company.

3 Hiroki Inoue has numerous positions including Managing Partner of Nagashima Ohno & Tsunematsu, and possesses expertise and experience as a lawyer.

4 Yasuaki Nishiura has held numerous positions including Partner of Deloitte & Touche LLP and West Region Leader of Japanese Service Group of Deloitte & Touche LLP, and has considerable knowledge on finance and accounting.

Major activities of the Audit & Supervisory Board during FY2019 were as follows:

Operational Audits

The Audit & Supervisory Board members and the Audit & Supervisory Board conducted an operational audit through the following actions:

- Attending important meetings including the meetings of the Board of Directors, the Business Strategy Meetings and other committees and confirming the execution status of internal audits and controls, requesting explanations as necessary, and expressing opinions.
- Receiving periodic reports, from the departments responsible for internal controls and internal audits, on the status of maintenance and operation of the internal control systems, requesting explanations as necessary, and expressing opinions.
- Communicating and exchanging information with Representative Director, outside Directors, internal Directors of the Board, and Corporate Executive Officers, gathering information and exchanging opinions on the audit items.
- Determining the priority of audit items, which was corporate governance and group-wide risk management for FY2019, and studying and deliberating important audit findings.
- Reporting on the audit status of priority audit items to the Board of Directors every six months.

Accounting Audits

The Audit & Supervisory Board members and the Audit & Supervisory Board conducted an accounting audit through the following actions:

- Confirming the annual auditing plan of the Independent Auditor in advance, deliberating the possibility of consent to the audit fees and other matters.
- Listening to and deliberating the audit opinions and recommendations of the Independent Auditor regarding the quarterly and the year-end financial statements.
- Receiving information on and exchanging opinions of important accounting audits performed by the Independent Auditor on the Company including consolidated overseas subsidiaries.
- Evaluating the Independent Auditor and requesting improvements when necessary; deliberating the policy for the election and dismissal of the Independent Auditor.

Audits by the Independent Auditor

Name of the Independent Auditor

Ernst & Young ShinNihon LLC

Consecutive Auditing Period

Since 1984

Certified Public Accountants Who Performed the Audit

Yoji Murohashi

Yoshifumi Mitsugi

Takuto Miki

Composition of Assistants Involved in the Audit Work

23 certified public accountants and 22 other assistants*

*The above numbers have been corrected in October 2022 according to a report from Ernst & Young ShinNihon LLC.

Policy for the Selection of the Independent Auditor and Reasons for the Selection

The Company has selected Ernst & Young ShinNihon LLC as its Independent Auditor as a result of a comprehensive consideration of relevant factors including its quality control system, independence, expertise, and the understanding of the business areas the Company is engaged in on a global scale.

Evaluation of the Independent Auditor by the Audit & Supervisory Board

The Audit & Supervisory Board evaluates the Independent Auditor in accordance with the policy below.

- The Audit & Supervisory Board of the Company shall dismiss the Independent Auditor upon the consent of all Audit & Supervisory Board members, in the case that the Independent Auditor falls under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act of Japan.
- In cases other than the above, where the conduct of a proper audit is deemed difficult due to factors such as the occurrence of an event damaging the eligibility and independence of the Independent Auditor, the Audit & Supervisory Board shall propose the dismissal or non-reappointment of the Independent Auditor to the Shareholders Meeting.

The Audit & Supervisory Board assesses the appropriateness of the performance of the duties of the Independent Auditor through discussions when receiving regular audit reports from the Independent Auditor. At the same time, the independence and expertise of the Independent Auditor are confirmed by receiving reports on the securing of independence by the Independent Auditor and exchanging opinions on those occasions. In addition, as an annual evaluation of the Independent Auditor, the Audit & Supervisory Board, together with the Accounting Division of the Company, prepares evaluation standards, investigates and gains an understanding of the status of the audit work of the Independent Auditor, and conducts an evaluation.

Other

The Independent Auditor or engagement partners of the Independent Auditor engaged in the Company's audit have no special interests in the Company. In addition, the Independent Auditor receives an internal control report from the Representative Director, conducts internal control audits, monitors and verifies the development of an internal control and its operational status, and receives reports from the Internal Control Division as necessary in the audit process. At the same time, the Independent Auditor holds discussions with management to understand the general situation such as the nature of the business and trends in the business environment, and to understand management's assessment of internal control and fraud risk.

Fees for Independent Auditor

Fees for Independent Auditor

(In millions of yen)

Type	FY2018		FY2019	
	Audit fees	Non-audit fees	Audit fees	Non-audit fees
The Holding Company	454	1	387	53
Consolidated subsidiaries	35	7	143	2
Total	490	8	531	56

Non-audit services for the Holding Company and its consolidated subsidiaries include the preparation of the Comfort Letter for the secondary offering of shares the Company announced on August 28, 2019 and other services.

Fees for Organizations that Belong to the Same Network (Ernst & Young) as the Independent Auditor (excluding the above fees)

(In millions of yen)

Type	FY2018		FY2019	
	Audit fees	Non-audit fees	Audit fees	Non-audit fees
The Holding Company	—	5	—	1
Consolidated subsidiaries	425	32	515	29
Total	425	38	515	30

Non-audit services for the Holding Company and its consolidated subsidiaries include various advisory services.

Fees based on Other Important Audit Certification Services

Not applicable.

Policy to Determine Compensation for the Independent Auditor

Audit fees for the Independent Auditor are determined through a comprehensive consideration based on factors including the contents of audits up to the previous fiscal year and the contents of the auditing plan for the current fiscal year presented by the Independent Auditor.

Reason the Audit & Supervisory Board Agreed to the Fees for the Independent Auditor

The Audit & Supervisory Board verified the auditing time outlined in the auditing plan, change in the amount of audit fees, and past auditing plans and their performance results. As a result of careful review on the adequacy of the estimated amount of the fees, The Audit & Supervisory Board has approved the fees to be paid to the Independent Auditor, pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act of Japan.

Compensation

Compensation Policies for FY2020

Basic Compensation Policies

The compensation for Directors of the Board, Audit & Supervisory Board members and Corporate Executive Officers is determined in accordance with the following policies:

- Set compensation levels that will be attractive to outstanding management talent globally.
- Make compensation plans highly performance-based.
- Connect compensation to mid- to long-term enterprise value.
- Make the compensation decision process highly objective and transparent.

Compensation Levels

Compensation levels are set at a rate commensurate with peer companies, both in Japan and overseas, which are similar in both business type and scale, and are benchmarked using data from outside database services.

Compensation Elements

		Performance indicators	Overview of payment method
Base Salary (Cash)		None	A base amount[2] is paid in cash.
Annual Incentive (Cash)[1]		Annual consolidated financial results	An amount reflecting performance indicators in the base amount[2] is paid in cash.
Long-term Incentive (Equity)	BIP Trust	Annual consolidated financial results	The Company's shares in an amount equivalent to cash reflecting performance indicators in the base amount[2] are purchased on the market and held in a trust account, then turned over to the recipient upon retirement.
	Stock Options	None	Stock options are allotted equivalent to the base amount[2]. After a period prescribed by the Board of Directors has elapsed, the recipient by exercising the stock options can obtain Company shares at their closing price on the day of allotment. Profits are realized only when the share price appreciates.

1 Annual incentive, in addition to the above, reflects individual performance evaluation for the fiscal year.

2 The above "base amount" is decided separately for each type of compensation and based on each role.

The CEOs of each SBU Headquarters serve as Corporate Executive Officers of the Company. By applying the above compensation design and setting long-term incentives (equity) as a large proportion of their total compensation, the Company aims to motivate them to improve business performance and increase enterprise value from long-term perspectives.

For the purpose of attracting and retaining outstanding management talent globally, and in cases where personnel were recruited based on standards of markets with significantly different hiring practices and laws and regulations, the Company may adopt a compensation design differing from one described above.

Performance Indicators and Calculation of Compensation

The performance in FY2020 will be reflected in the annual incentive paid out in cash in FY2021 and in the amount of stock placed in the BIP trust to which rights are granted in FY2021.

The Company's target management KPIs, adjusted EBITDA[2] and adjusted EPS[3], are set as performance indicators.

		Performance indicators	Calculation of compensation amount
Annual Incentive Paid in Cash[1]		Adjusted EBITDA[2]	The base amount[7] is increased or decreased by an amount calculated by multiplying the growth rate from past years by a fixed coefficient.
Long-term Incentive Paid in Equity	BIP Trust	Adjusted EBITDA[2]	Fifty percent of the base amount[7] is multiplied by a payment ratio within the range of 0% to 150%[8] based on degree of target achievement.
		Adjusted EPS[3]	Fifty percent of the base amount[7] is multiplied by a payment ratio within the range of 0% to 150%[8] based on degree of target achievement.

1 Annual incentive, in addition to the above, reflects the individual performance evaluation for the fiscal year.

2 Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses

3 Adjusted EPS = adjusted profit[4] / (number of shares issued at the end of the period - number of shares of treasury stock 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 arising due to business combination ± non-recurring income/losses[6]

6 Non-recurring income/losses = gains or losses from disposals of shares of associates, expenses relating to Company restructuring, gains or losses from the sale or impairment of property and equipment, and income and expense items that the Company believes are unusual or non-recurring in nature which do not reflect the Company's underlying results of operations.

7 The above "base amount" is decided separately for each type of compensation and based on each role.

8 The payment ratio for BIP trust compensations for FY2021, which is determined based on performance indicators, will be capped at 100%, taking into consideration the impact of the spread of Covid-19 on the Company's financial results in FY2020. In addition, depending on the circumstances, the amount may be reduced regardless of the degree to which targets are achieved. The Evaluation Committee and Compensation Committee, which is composed of a majority of independent outside members, will deliberate such reduction when needed. The independent Director who chairs the Evaluation Committee and the Compensation Committee will decide if there is a need for such reductions and the details of implementation, following a resolution of the procedures at the Board of Directors meeting.

Ratio of Compensation Methods for FY2020

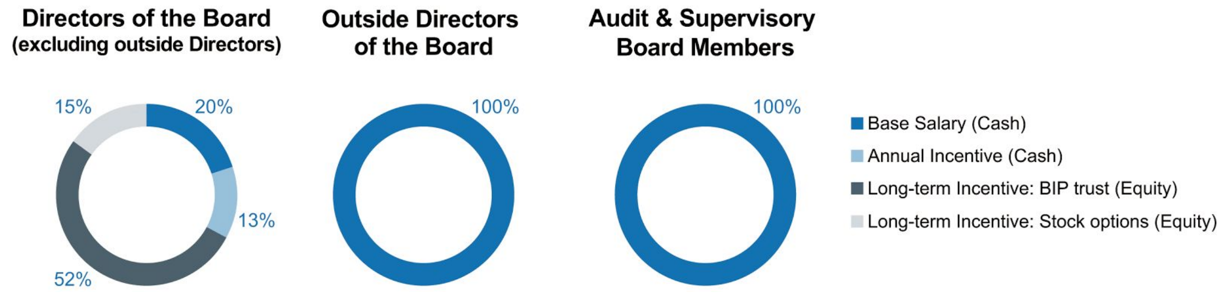
For FY2020, the following percentages of compensation will be paid to Directors of the Board and Audit & Supervisory Board members.

In the case of Directors of the Board, excluding outside Directors, the achievement percentage of set target will be reflected in their compensation. Their incentive ratio, especially for long-term incentives, increases in line with increasing role and responsibility.

Compensation for outside Directors of the Board and Audit & Supervisory Board members consists of base compensation only, not tied to performance, considering the importance of their role of oversight from an independent and objective standpoint.

	Base Salary (Cash)	Annual Incentive (Cash)	Long-term Incentive (Equity)	
			BIP Trust	Stock Options
Directors of the Board, excluding outside Directors[1, 2]	20%	13%	52%	15%

Outside Directors of the Board	100%	-	-	-
Audit & Supervisory Board members	100%	-	-	-



1 The composition above is based on a model with a target achievement rate of 100%.

2 The percentage to be paid to Directors of the Board excluding outside Directors is shown as the average for the four applicable Directors.

Governance

The Company has established an Evaluation Committee and Compensation Committee as advisory bodies to the Board of Directors. Each committee is chaired by an outside Director of the Board and has a majority of outside members. These committees are established for the purpose of enhancing objectivity and transparency of compensation for Directors, Corporate Executive Officers and Audit & Supervisory Board members.

The compensation amount for each Director is determined by the Board of Directors taking into account reports by the Evaluation Committee and the Compensation Committee. The compensation for each Audit & Supervisory Board member is determined by the Audit & Supervisory Board based on consultation among its members.

The amounts of individual compensation for Directors, Corporate Executive Officers and Audit & Supervisory Board members are determined within compensation ranges approved at the Annual Meeting of Shareholders. Dates and details of resolutions are as follows.

Directors of the Board and Senior Management

Types of compensation		Resolution date	Applicable recipients	Total amount and shares	Number of applicable recipients at the time of the resolution
Base Salary		June 19, 2019	Directors of the Board	Total annual amount not to exceed 1.4 billion yen (of which annual total for outside Directors not to exceed 100 million yen)	7 Directors of the Board (including 2 outside Directors)
Annual Incentive					
Long-term Incentive	BIP Trust	June 19, 2018	Directors of the Board, Corporate Executive Officers, and Corporate Professional Officers	Total annual amount not to exceed 2.5 billion yen (of which annual total for outside Directors not to exceed 200 million yen) Not to exceed 2,221,800 shares annually (of which annual total for outside Directors not to exceed 177,600 shares)	6 Directors of the Board (including 2 outside Directors) 8 Corporate Executive Officers not serving as Directors of the Board 0 Corporate Professional Officers

	Stock Options	June 19, 2019	Directors of the Board, excluding outside Directors	Total annual amount not to exceed 700 million yen Annual number of stock options not to exceed 9,000[1]	5 Directors of the Board excluding outside Directors

[1] The target number of shares per one stock option is 100 shares.

Audit & Supervisory Board Members

Types of compensation	Resolution date	Applicable recipients	Total amount and shares	Number of applicable recipients at the time of the resolution
Base salary	June 20, 2017	Audit & Supervisory Board members	Total monthly amount not to exceed 10 million yen	4 Audit & Supervisory Board members

Note that the Company appoints outside compensation consultants with a view to introducing objective viewpoints from outside the Company and expertise in compensation practices. With their support, the Company reviews its compensation levels and compensation elements in light of external data, the economic environment, industry trends, the state of business management, and other factors.

In addition, the Company has clawback clauses that limit or claim the return of part or all of long-term incentive compensation if there is a serious violation of duties or internal rules during the term of office of a Director of the Board, Corporate Executive Officers, and Corporate Professional Officers.

Compensation-Setting Process

Individual compensation amounts for each Director of the Board are determined by the Board of Directors taking into account the reports by the Evaluation Committee and the Compensation Committee. The compensation amount for each Audit & Supervisory Board member is determined by the Audit & Supervisory Board based on consultation among its members.The amount of individual compensation for Directors of the Board and Audit & Supervisory Board members are determined within compensation ranges approved at the Annual Meeting of Shareholders.

The Board of Directors also decides policy for deciding the compensation of Directors of the Board and Corporate Executive Officers, and the details of the compensation structure based on discussions in the Evaluation Committee and the Compensation Committee.

Individual compensation amounts for Directors of the Board other than the Representative Director, are approved by the Representative Director. The authority to approve this decision is delegated to the Representative Director following a resolution by the Board of Directors. The Evaluation Committee and the Compensation Committee assure objectivity and transparency by having these matters confirmed.

Actions of the Board of Directors and Committees in FY2019

At the meetings of the Board of Directors held in FY2019, matters relating to compensation of Directors and Corporate Executive Officers were raised twice.

The Evaluation Committee and Compensation Committee met twice, with all members present and taking part in deliberations each time. The main matters deliberated and decided were as follows:

- Compensation level of Directors of the Board and Corporate Executive Officers
- Evaluation and compensation of each Director of the Board

Results for Compensation

Total Compensation Amount in FY2019

(In millions of yen, unless otherwise indicated)

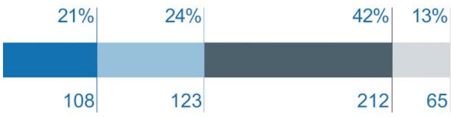
Executive level	Total compen-sation	Amount of compensation by type				Allowance for retirement benefits, etc.	Number of applicable recipients
		Cash compensation		Equity compensation			
				Long-term incentive			
		Base salary	Annual incentive	BIP trust	Stock options		
Directors of the Board, excluding outside Directors	1,334	237	240	672	183	—	5
Audit & Supervisory Board members, excluding outside members	79	79	—	—	—	—	2
Outside Directors of the Board	46	46	—	—	—	—	2
Outside Audit & Supervisory Board members	28	28	—	—	—	—	2

* The amounts shown above are calculated based on IFRS.

Compensation Amount for Each Individual in FY2019

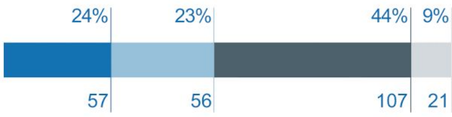
(In millions of yen, unless otherwise stated)

Masumi Minegishi
Representative Director, President and CEO



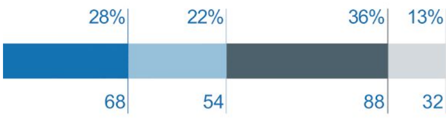
509 millions of yen

Shogo Ikeuchi
Director of the Board, CHRO and Senior Managing Corporate Executive Officer



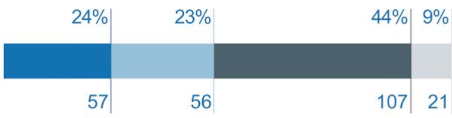
241 millions of yen

Hisayuki Idekoba
Director of the Board, CSO, CRO, COO and Senior Managing Corporate Executive Officer



244 millions of yen

Keiichi Sagawa
Director of the Board, CFO and Senior Managing Corporate Executive Officer



241 millions of yen

Rony Kahan
Director of the Board

244 millions of yen

- Base Salary (Cash)
- Annual Incentive (Cash)
- Long-term Incentive: BIP trust (Equity)
- Long-term Incentive: Stock options (Equity)

Detailed Individual Compensation Amounts in FY2019

(In millions of yen)

Name	Title as of the end of FY2019	Company	Total compensa-tion	Amount of compensation by type				Allowance for retirement benefits, etc.
				Cash compensation		Equity compensation		
				Base salary	Annual incentive	Long-term incentive: BIP trust	Long-term incentive: Stock option	
Masumi Minegishi	Represent-ative Director	Recruit Holdings Co., Ltd.	509	108	123	212	65	—
Shogo Ikeuchi	Executive Director of the Board	Recruit Holdings Co., Ltd.	241	57	56	107	21	—
Hisayuki Idekoba	Executive Director of the Board	Recruit Holdings Co., Ltd.	130	4	3	88	32	—
		RGF OHR USA, Inc.	78	43	35	—	—	—
		Indeed, Inc.	35	19	15	—	—	—
Keiichi Sagawa	Executive Director of the Board	Recruit Holdings Co., Ltd.	241	57	56	107	21	—
Rony Kahan	Non-Execu -tive Director of the Board	Recruit Holdings Co., Ltd.	211	10	—	157	43	—
		RGF OHR USA, Inc.	28	28	—	—	—	—
		Indeed, Inc.	4	4	—	—	—	—

1 Compensation is listed above if individual compensation of Directors of the Board or Audit & Supervisory Board members was 100 million yen or more in FY2019.

2 The amounts shown above are calculated based on IFRS.

Employees with Director Level Secondments

There are currently no employees with Director level secondments.

Targets for Compensation Paid in FY2019

The targets and results of the performance indicators related to performance-based annual bonuses paid in cash in FY2019 and long-term incentives granted in equity using the BIP trust scheme are as follows:

(In billions of yen, unless otherwise indicated)

		Performance indicators	Target	Actual
Annual Incentive[1]		EBITDA for FY2018[2]	285.0	293.2
Long-term Incentive	BIP Trust	EBITDA for FY2018[2]	285.0	293.2

		Average of annual growth of adjusted EPS[3] from FY2016 to FY2018 (%)	High Single Digits	15.5%

[1] In addition to the above, individual performance evaluations are reflected in annual incentives.

[2] EBITDA ＝ operating income + depreciation and amortization ± other operating income/expenses

[3] Adjusted EPS ＝ adjusted profit[4] / (number of shares issued at the end of the period - number of shares of treasury stock 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 arising due to business combination ± non-recurring income/losses[6]

[6] Non-recurring income/losses = gains or losses from disposals of shares of associates, expenses relating to Company restructuring, gains or losses from the sale or impairment of property and equipment, and income and expense items that the Company believes are unusual or non-recurring in nature which do not reflect the Company's underlying results of operations.

Targets for Compensation to Be Paid in FY2020

The targets and results of performance indicators related to annual cash incentives scheduled to be paid in FY2020 and long-term incentives paid in equity scheduled to be granted using the BIP trust scheme in FY2020 are as follows:

(In billions of yen, unless otherwise indicated)

		Performance indicators	Target	Actual
Annual Incentive[1]		Adjusted EBITDA for FY2019[2]	From 310 to 330	325.1
Long-term Incentive	BIP Trust	Adjusted EBITDA for FY2019[2]	From 310 to 330	325.1
		Adjusted EPS growth rate from FY2018 to FY2019[4]	Higher Single Digits	13%

[1] In addition to the above, individual performance evaluations are reflected in annual incentives.

[2] Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses

[3] Adjusted EPS = adjusted profit[4] / (number of shares issued at the end of the period - number of shares of treasury stock 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 arising due to business combination ± non-recurring income/losses[6]

[6] Non-recurring income/losses = gains or losses from disposals of shares of associates, expenses relating to Company restructuring, gains or losses from the sale or impairment of property and equipment, and income and expense items that the Company believes are unusual or non-recurring in nature which do not reflect the Company's underlying results of operations.

Stocks Held by the Company

Stocks Held by Recruit Holdings

Recruit Holdings Co., Ltd. holds the largest amount of investment stocks on the Balance Sheet in the Company

Classification of Stocks Held by Recruit Holdings

The Company classifies its stock ownership by holding purpose: stocks for capital and income gain, and stocks for Strategic Shareholdings. Strategic Shareholdings means that the Company holds stocks in other companies not only for investment but for strategic purposes, that is, maintaining or strengthening business relationships.

Stocks Held for Purpose Other Than Solely Capital and Income Gain (Strategic Shareholdings)

Policy of Strategic Shareholdings

In principle, the Company's policy is to reduce strategic shareholdings. The decision on whether or not to hold each company's stocks is made based on a comprehensive assessment of the economic value of its stocks, cost of capital, strategic importance, and other factors. The Board of Directors scrutinizes these shareholdings once a year and deliberates the reduction of their holdings if they do not meet the above criteria.

Exercising voting rights of strategic shareholdings is to be carried out appropriately upon verifying the agenda item and judging whether or not such proposed item contributes to improvement of shareholder value. If the agenda item significantly damages expected shareholder profit, the Company will not judge it positively. If the Company casts a dissenting vote to an agenda item, it will be reported to the Board of Directors.

If a company who holds shares of the Company as strategic shareholdings indicates the intention to sell the shares, the Company will do nothing to hinder the sale, such as hinting at reducing transactions.

Furthermore, the Company does not conduct transactions that may harm the shared interests of the Company and shareholders, such as continuing the transactions with companies that are strategic shareholders without adequately verifying the economic rationality of the transactions.

Number of Stock-Issued Companies of Which Recruit Holdings Owns Its Shares and the Amount on the Balance Sheet as of March 31, 2020

	Number of stock-issued companies	Amount on the balance sheet (In millions of yen)
Unlisted	5	6,380
Listed	13	36,778

Increased Strategic Shareholdings During FY2019[1]

Not applicable.

Decreased Strategic Shareholdings During FY2019[1]

Not applicable.

[1] These do not include changes due to initial public offering of shares, consolidation of shares, split of shares, share transfer, share exchange, merger, etc.

Stock Name, Number of Shares, Amount on the Balance Sheet of Specified Investment Securities and Deemed Shareholdings

Specified Investment Securities

Name of stock-issued company	FY2019 Number of shares / Amount on balance sheet (In millions of yen)	FY2018 Number of shares / Amount on balance sheet (In millions of yen)	Purpose and quantitative effect of holding[1], and reason for increase in number of shares	Ownership of Recruit Holdings' shares
Dentsu Group Inc.[2]	4,929,900	4,929,900	To enhance business relationship	Yes
	10,288	23,047		
Nippon Television Holdings, Inc.	6,454,600	6,454,600	To enhance business relationship	Yes
	7,777	10,714		
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	2,666,900	2,666,900	To enhance business relationship	No[3]
	4,011	5,403		
TV Asahi Holdings Corporation	2,100,000	2,100,000	To enhance business relationship	Yes
	3,427	4,078		
Dai Nippon Printing Co., Ltd.	1,232,500	1,232,500	To enhance business relationship	Yes
	2,835	3,262		
Toppan Printing CO., LTD.	1,552,300	1,435,500	To enhance business relationship Toppan Printing CO., LTD. executed a stock exchange with Tosho Printing Company, Limited	Yes
	2,570	2,398		
58.com Inc.	920,000	920,000	To enhance business relationship	No
	2,439	3,353		
FUJI MEDIA HOLDINGS, INC.	1,081,000	1,081,000	To enhance business relationship	Yes
	1,164	1,651		
Monex Group, Inc.	5,720,000	5,720,000	To enhance business relationship	No
	978	2,190		
LIFENET INSURANCE COMPANY	1,250,000	1,250,000	To enhance business relationship	No
	748	752		
All About, Inc.	984,900	984,900	To enhance business relationship	No
	458	668		
Oji Holdings Corporation	83,000	83,000	To enhance business relationship	No[4]
	48	57		
Kyodo Printing Co., Ltd.	11,000	11,000	To enhance business relationship	Yes
	29	27		
Tosho Printing Company, Limited	-	146,000	To enhance business relationship Exchanged shares for Toppan Printing CO., LTD.	Yes
	-	149		

1 The Company holds shares in other companies not only for investment but for strategic purposes, that is, maintaining or strengthening business relationships. The decision on whether or not to hold each company's stocks is made based on a comprehensive assessment of the economic value of its stocks, cost of capital, strategic importance, and other factors.

2 The trade name was changed on January 1, 2020, from DENTSU INC. to Dentsu Group Inc.

3 This counterparty does not hold shares of Recruit Holdings, but its subsidiaries hold shares of Recruit Holdings.

4 This counterparty does not hold shares of Recruit Holdings, but retirement benefit trusts of its subsidiaries hold shares of Recruit Holdings.

Deemed Shareholdings

Not applicable.

Stocks Held Solely for Capital and Income Gain

Not applicable.

Stocks Held by Recruit Co., Ltd.

Recruit Co., Ltd. holds the second largest amount of investment stocks on the Balance Sheet in the Company

Stocks Held for Purpose Other Than Solely Capital and Income Gain (Strategic Shareholdings)

Number of Stock-Issued Companies of Which Recruit Co., Ltd. Owns Its Shares and the Amount on the Balance Sheet as of March 31, 2020

	Number of stock-issued companies	Amount on the balance sheet (In millions of yen)
Unlisted	3	1,489
Listed	5	13,112

Increased Strategic Shareholdings During FY2019[1]

	Number of stock-issued companies	Total purchase amount for increase in number of shares (In millions of yen)	Reason for increase in number of shares
Unlisted	-	-	-
Listed	1	0	Purchase through client stock ownership association

Decreased Strategic Shareholdings During FY2019[1]

	Number of stock-issued companies	Total proceeds from sale for decrease in number of shares (In millions of yen)
Unlisted	-	-
Listed	1	5

1 These do not include changes due to initial public offering of shares, consolidation of shares, split of shares, share transfer, share exchange, merger, etc.

Stock Name, Number of Shares, Amount on the Balance Sheet of Specified Investment Securities and Deemed Shareholdings

Specified Investment Securities

<table>
<tr><th rowspan="2">Name of stock-issued company</th><th>FY2019
Number of shares</th><th>FY2018
Number of shares</th><th rowspan="2">Purpose and quantitative effect of holding[1], and reason for increase in number of shares</th><th rowspan="2">Ownership of Recruit Holdings' share</th></tr>
<tr><th>Amount on balance sheet
(In millions of yen)</th><th>Amount on balance sheet
(In millions of yen)</th></tr>
<tr><td rowspan="2">freee K.K.</td><td>2,277,267</td><td>-</td><td rowspan="2">To enhance business relationship
Initial public offering of shares</td><td rowspan="2">No</td></tr>
<tr><td>7,856</td><td>-</td></tr>
<tr><td rowspan="2">Oisix ra daichi Inc.</td><td>2,648,000</td><td>2,648,000</td><td rowspan="2">To enhance business relationship</td><td rowspan="2">No</td></tr>
<tr><td>3,921</td><td>4,445</td></tr>
<tr><td rowspan="2">Premium Group Co., Ltd.</td><td>600,000</td><td>300,000</td><td rowspan="2">To enhance business relationship
Split of shares</td><td rowspan="2">No</td></tr>
<tr><td>972</td><td>576</td></tr>
<tr><td rowspan="2">Quick Co., Ltd.</td><td>301,532</td><td>301,046</td><td rowspan="2">To enhance business relationship
The shares were held through the client stock ownership association and the dividends on the shares were reinvested.</td><td rowspan="2">Yes</td></tr>
<tr><td>296</td><td>540</td></tr>
<tr><td rowspan="2">Tsunagu Solutions Inc.</td><td>186,300</td><td>186,300</td><td rowspan="2">To enhance business relationship</td><td rowspan="2">No</td></tr>
<tr><td>64</td><td>127</td></tr>
<tr><td rowspan="2">Ehime Bank, Ltd.</td><td>-</td><td>4,800</td><td rowspan="2">To enhance business relationship</td><td rowspan="2">No</td></tr>
<tr><td>-</td><td>5</td></tr>
</table>

[1] The Company holds shares in other companies not only for investment but for strategic purposes, that is, maintaining or strengthening business relationships. The decision on whether or not to hold each company's stocks is made based on a comprehensive assessment of the economic value of its stocks, cost of capital, strategic importance, and other factors.

Deemed Shareholdings

Not applicable.

Stocks Held Solely for Capital and Income Gain

Not applicable.

Financial Information

Preparation of Consolidated Financial Statements and Non-consolidated Financial Statements

- The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), based on the provisions set forth in 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, the "Ordinance on Consolidated Financial Statements").
- The non-consolidated financial statements of the Company have been prepared based on the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963, the "Ordinance on Financial Statements, etc.").
  Recruit Holdings falls under a special company submitting financial statements and prepares the non-consolidated financial statements pursuant to Article 127 of the Ordinance on Financial Statements, etc.

Audit Certificate

Pursuant to the provisions set forth in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements and non-consolidated financial statements for the year ended March 31, 2020 have been audited by Ernst & Young ShinNihon LLC.

Special Efforts to Ensure Appropriateness of Consolidated Financial Statements and Establishment of System for Preparing Consolidated Financial Statements Appropriately Based on IFRS

The Company has taken special efforts to ensure the appropriateness of consolidated financial statements and has worked to establish a system for appropriately preparing consolidated financial statements based on IFRS. The details are as follows:

- In order to properly understand the content of accounting standards and establish a system that can respond appropriately to revisions to accounting standards, the Company has joined the Financial Accounting Standards Foundation and has participated in seminars held by organizations with expertise.
- In order to prepare appropriate consolidated financial statements based on IFRS, the Company works to keep itself updated about the latest IFRS by obtaining press releases and standards disclosed by the International Accounting Standards Board. In addition, the Company develops internal rules and manuals to comply with IFRS and applies them in its accounting treatment.

Consolidated Financial Statements and Notes

Consolidated Statements of Financial Position

(In millions of yen)

	Notes	As of March 31, 2019	As of March 31, 2020
Assets			
Current assets			
Cash and cash equivalents	7	402,911	421,253
Trade and other receivables	8, 29	340,254	327,614
Other financial assets	9, 29	26,903	40,119
Other assets	10	38,938	40,991
Total current assets		**809,007**	**829,979**
Non-current assets			
Property and equipment	11	74,566	92,200
Right-of-use assets	13	-	258,230
Goodwill	12	410,651	383,163
Intangible assets	12	242,583	216,388
Investments in associates and joint ventures		50,557	64,614
Other financial assets	9, 29	127,458	120,656
Deferred tax assets	14	27,451	27,931
Other assets	10	6,706	5,752
Total non-current assets		**939,975**	**1,168,938**
Total assets		**1,748,982**	**1,998,917**

(In millions of yen)

	Notes	As of March 31, 2019	As of March 31, 2020
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15, 29	212,193	219,021
Bonds and borrowings	16, 29	24,869	24,551
Lease liabilities	13, 29	-	31,459
Other financial liabilities	29	1,175	816
Income tax payables		35,327	16,850
Provisions	18	4,665	5,810
Other liabilities	17	219,362	213,223
Total current liabilities		**497,594**	**511,733**
Non-current liabilities			
Bonds and borrowings	16, 29	137,212	112,148
Lease liabilities	13, 29	-	240,254
Other financial liabilities	29	1,334	2,043
Provisions	18	8,581	9,489
Net liability for retirement benefits	19	52,347	53,459
Deferred tax liabilities	14	52,240	52,912
Other liabilities	17	27,420	21,132
Total non-current liabilities		**279,137**	**491,440**
Total liabilities		**776,731**	**1,003,174**
Equity			
Equity attributable to owners of the parent			
Common stock	20	10,000	40,000
Share premium	20	49,136	18,904
Retained earnings	20	942,449	1,067,492
Treasury stock	20	(32,378)	(113,244)
Other components of equity		(3,431)	(24,702)
Total equity attributable to owners of the parent		**965,775**	**988,449**
Non-controlling interests		**6,475**	**7,293**
Total equity		**972,251**	**995,743**
Total liabilities and equity		**1,748,982**	**1,998,917**

Consolidated Statements of Profit or Loss

(In millions of yen)

	Notes	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Revenue	22	**2,310,756**	**2,399,465**
Cost of sales		1,141,594	1,106,249
Gross profit		**1,169,162**	**1,293,215**
Selling, general and administrative expenses	23	947,041	1,045,380
Other operating income		9,112	5,766
Other operating expenses	24	8,143	47,589
Operating income		**223,090**	**206,011**
Share of profit (loss) of associates and joint ventures		7,894	3,617
Gain (loss) on change in ownership interests in associates	25	988	12,326
Finance income		8,215	7,503
Finance costs		374	3,309
Profit before tax		**239,814**	**226,149**
Income tax expense	14	64,433	44,899
Profit for the year		**175,381**	**181,249**
Profit attributable to:			
Owners of the parent		174,280	179,880
Non-controlling interests		1,101	1,369
Profit for the year		**175,381**	**181,249**
Earnings per share attributable to owners of the parent			
Basic earnings per share (Yen)	27	104.31	108.27
Diluted earnings per share (Yen)	27	104.11	108.07

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Notes	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Profit for the year		175,381	181,249
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	26, 30	480	(5,998)
Remeasurements of defined retirement benefit plans	19, 26	(3,108)	537
Share of other comprehensive income of associates and joint ventures	26	655	(46)
Subtotal		**(1,972)**	**(5,507)**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	26	294	(22,407)
Effective portion of the change in the fair value of cash flow hedges	26	(246)	(363)
Subtotal		**48**	**(22,771)**
Other comprehensive income (loss) for the year, net of tax		(1,924)	(28,278)
Comprehensive income for the year		**173,456**	**152,970**
Comprehensive income attributable to:			
Owners of the parent		172,216	151,649
Non-controlling interests		1,240	1,321
Total comprehensive income		**173,456**	**152,970**

Consolidated Statements of Changes in Equity

Statement of Changes in Equity for the Year Ended March 31, 2019

(In millions of yen)

	Notes	Equity attributable to owners of the parent						
						Other components of equity		
		Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2018		10,000	50,115	811,287	(32,049)	3,723	(8,354)	881
Cumulative effects of changes in accounting policies				1,360				
Restated balance		10,000	50,115	812,647	(32,049)	3,723	(8,354)	881
Profit for the year				174,280				
Other comprehensive income							155	(246)
Comprehensive income for the year		-	-	174,280	-	-	155	(246)
Transfer from other components of equity to retained earnings				(1,972)				
Purchase of treasury stock			(24)		(1,299)			
Disposal of treasury stock			(153)		969	(815)		
Dividends	21			(42,603)				
Share-based payments	28					1,224		
Equity transactions with non-controlling interests			(819)					
Other			18	97				
Transactions with owners - total		-	(979)	(44,478)	(329)	408	-	-
Balance at March 31, 2019		10,000	49,136	942,449	(32,378)	4,132	(8,198)	635

	Notes	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 retirement benefit plans	Total			
Balance at April 1, 2018		-	-	(3,748)	835,605	5,055	840,660
Cumulative effects of changes in accounting policies				-	1,360		1,360
Restated balance		-	-	(3,748)	836,965	5,055	842,020
Profit for the year				-	174,280	1,101	175,381
Other comprehensive income		1,136	(3,108)	(2,063)	(2,063)	139	(1,924)
Comprehensive income for the year		1,136	(3,108)	(2,063)	172,216	1,240	173,456
Transfer from other components of equity to retained earnings		(1,136)	3,108	1,972	-		-
Purchase of treasury stock				-	(1,323)		(1,323)
Disposal of treasury stock				(815)	0		0
Dividends	21			-	(42,603)		(42,603)
Share-based payments	28			1,224	1,224		1,224
Equity transactions with non-controlling interests				-	(819)	260	(558)
Other				-	115	(80)	35
Transactions with owners - total		(1,136)	3,108	2,381	(43,406)	179	(43,226)
Balance at March 31, 2019		-	-	(3,431)	965,775	6,475	972,251

Statement of Changes in Equity for the Year Ended March 31, 2020

(In millions of yen)

	Notes	Equity attributable to owners of the parent						
						Other components of equity		
		Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2019		10,000	49,136	942,449	(32,378)	4,132	(8,198)	635
Profit for the year				179,880				
Other comprehensive income							(22,359)	(363)
Comprehensive income for the year		-	-	179,880	-	-	(22,359)	(363)
Transfer from share premium to common stock		30,000	(30,000)					
Transfer from other components of equity to retained earnings				(5,507)				
Purchase of treasury stock			(227)		(81,119)			
Disposal of treasury stock			(2)		253	(246)		
Dividends	21			(49,269)				
Share-based payments	28					1,697		
Other			(1)	(58)				
Transactions with owners - total		30,000	(30,232)	(54,836)	(80,866)	1,451	-	-
Balance at March 31, 2020		40,000	18,904	1,067,492	(113,244)	5,584	(30,557)	271

	Notes	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 retirement benefit plans	Total			
Balance at April 1, 2019		-	-	(3,431)	965,775	6,475	972,251
Profit for the year				-	179,880	1,369	181,249
Other comprehensive income		(6,044)	537	(28,230)	(28,230)	(48)	(28,278)
Comprehensive income for the year		(6,044)	537	(28,230)	151,649	1,321	152,970
Transfer from share premium to common stock				-	-		-
Transfer from other components of equity to retained earnings		6,044	(537)	5,507	-		-
Purchase of treasury stock				-	(81,346)		(81,346)
Disposal of treasury stock				(246)	4		4
Dividends	21			-	(49,269)	(538)	(49,808)
Share-based payments	28			1,697	1,697		1,697
Other				-	(60)	35	(25)
Transactions with owners - total		6,044	(537)	6,959	(128,975)	(502)	(129,477)
Balance at March 31, 2020		-	-	(24,702)	988,449	7,293	995,743

Consolidated Statements of Cash Flows

(In millions of yen)

	Notes	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Cash flows from operating activities			
Profit before tax		239,814	226,149
Depreciation and amortization		71,122	115,762
(Gain) loss on sales of investments in subsidiaries		(7,501)	(3,303)
(Gain) loss on change in ownership interests in associates	25	(988)	(12,326)
(Increase) decrease in trade and other receivables		(14,311)	5,372
Increase (decrease) in trade and other payables		7,742	9,776
Other		7,247	26,609
Subtotal		**303,125**	**368,039**
Interest and dividends received		6,656	6,031
Interest paid		(446)	(3,304)
Income taxes paid		(32,375)	(67,440)
Net cash provided by operating activities		**276,960**	**303,325**
Cash flows from investing activities			
Payment for purchase of property and equipment		(28,480)	(34,657)
Payment for purchase of intangible assets		(47,285)	(48,602)
Payment for purchase of shares of subsidiaries	5	(126,847)	(10,758)
Proceeds from sales of shares of subsidiaries		8,041	3,413
Other		(10,047)	1,612
Net cash used in investing activities		**(204,619)**	**(88,993)**
Cash flows from financing activities			
Repayments of long-term borrowings		(24,957)	(24,957)
Repayments of lease liabilities		-	(39,096)
Payment for purchase of treasury stock		(1,323)	(81,346)
Dividends paid	21	(42,616)	(49,268)
Other		376	1,948
Net cash used in financing activities		**(68,521)**	**(192,721)**
Effect of exchange rate changes on cash and cash equivalents		9,270	(3,269)
Net increase (decrease) in cash and cash equivalents		13,088	18,342
Cash and cash equivalents at the beginning of the year	7	389,822	402,911
Cash and cash equivalents at the end of the year	7	**402,911**	**421,253**

Notes to the Consolidated Financial Statements are as follows;

1. Reporting Entity

Recruit Holdings Co., Ltd. (the “Holding Company” or “Recruit Holdings”) 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 its website (https://recruit-holdings.com/). The details of businesses and principal activities of the Holding Company and its subsidiaries (the “Company”) are described in “6. Operating Segments.”

The Company’s consolidated financial statements for the year ended March 31, 2020 were approved on June 30, 2020 by Masumi Minegishi, CEO, President and Representative Director of the Board, and Hisayuki Idekoba, COO, Executive Vice President in charge of Finance and Director of the Board.

2. Basis of Preparation

Compliance with IFRS

The Company’s consolidated financial statements are prepared in conformity with IFRS. The Company applies the provisions of Article 93 of the Ordinance on Consolidated Financial Statements since it meets the requirements of the “Specified Company applying Designated IFRS” prescribed in Article 1-2 of the same ordinance.

Basis of Measurement

The consolidated financial statements of the Company are prepared on a historical cost basis except for certain assets and liabilities including financial instruments that are measured at fair value as described in “3. Significant Accounting Policies.”

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.

3. Significant Accounting Policies

Unless otherwise indicated, the following accounting policies have been applied to all the periods stated in the consolidated financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the Company’s equity in its associates. In cases where the accounting policies applied by a subsidiary or an associate are different from those applied by the Company, adjustments are made to the subsidiary’s or the associate’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.

<u>*Subsidiaries*</u>

A subsidiary is an entity that is controlled by the Company. Control is achieved if the Company 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 Company 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 Company 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.

Associates

An associate is an entity over which the Company 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 Company obtains significant influence until the date on which it loses such influence.

Business Combinations

The Company 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 Company’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 Company reports provisional amounts for the items for which the accounting is incomplete. The Company 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.

Effects of Changes in Foreign Exchange Rates

The Company’s consolidated financial statements are presented in Japanese yen, which is the functional currency of the Holding Company. Each entity 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 subsidiaries and the associates 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. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference is also recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated using the spot exchange rate at the closing date, while income 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.

Financial Instruments - Financial Assets

Recognition, Classification and Measurement of Financial Assets

Financial assets are recognized when the Company becomes a party to the contract of the financial instruments. The Company 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").

Financial Assets Measured at Amortized Cost

The Company 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.

FVTOCI Financial Assets

FVTOCI Debt Financial Assets

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

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

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

FVTOCI Equity Financial Assets

Of financial assets measured at fair value, the Company classifies equity financial assets for which the Company 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 Company, 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 represents the collection of the cost of investment.

FVTPL Financial Assets

The Company classifies all financial assets other than those measured at amortized cost, all 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.

Impairment of Financial Assets

The Company recognizes a provision for expected credit losses on financial assets measured at amortized cost or FVTOCI debt financial assets.

The Company 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 provision for that financial asset is measured at an amount equal to lifetime expected credit losses. If not, the provision 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 provision is measured at an amount equal to lifetime expected losses under a simplified approach, based on historical experience, regardless of changes in the credit risk.

Derecognition

The Company 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 are transferred.

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

Financial Instruments - Financial Liabilities

Recognition, Classification and Measurement of Financial Liabilities

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

Financial Liabilities Measured at Amortized Cost

The Company 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.

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.

<u>Derecognition</u>

The Company derecognizes financial liabilities when the obligations are discharged, canceled, or expired.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position only if there is a currently enforceable legal 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.

Financial Instruments - Derivatives and Hedge Accounting

To hedge the risks from fluctuations in interest rates and foreign exchange rates, the Company enters into derivative contracts, including interest rate swaps, currency swaps and forward foreign exchange contracts, and when appropriate, applies hedge accounting. 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 the 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.

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.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses by using the cost model.

The costs of property and equipment include those directly attributable to the acquisition of the asset and the estimate of the costs of dismantlement, removal and restoration.

Property and equipment are depreciated using the straight-line method over the useful life of each significant component of the asset. 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 of property and equipment are as follows:

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

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 Company obtains control.

Research and development expenditures are expensed as incurred, except for internally generated intangible assets, which are expenditures on development activities 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 of intangible assets are as follows:

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

Leases

For the Year Ended March 31, 2019

Leased Assets

At the inception of a lease contract, the Company assesses whether the contract is, or contains, a lease based on the substance of the contract. Leased assets are recognized if the fulfillment of obligations under the contract depends on the use of specified assets or groups of assets, and the right to use the assets is transferred under the contract.

Operating Lease Transactions

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

For the Year Ended March 31, 2020

At the inception of a lease contract, the Company assesses whether the contract is, or contains, a lease based on the substance of the contract.

A lease liability is recognized and measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made and remeasuring the carrying amount as necessary to reflect lease modifications. The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if it is reasonably certain to be exercised, and periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

A right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses by applying the cost model. The cost of a right-of-use asset includes the amount of the initial measurement of the lease liability at the commencement date, any lease payments made at or before the commencement date, and restoration costs required by the lease contract. A right-of-use asset is depreciated using the straight-line method over the lease term. The lease term is reassessed upon the occurrence of a significant event or a significant change in circumstances that affects whether the lessee is reasonably certain to exercise the extension or termination option. When the lease term is modified, the lease liability will be remeasured and, in principle, the amount of right-of-use assets will be adjusted.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets.

Impairment of Property and Equipment and Intangible Assets

At the end of each reporting period, the Company assesses whether there is any indication that property and equipment and intangible assets with definite useful lives may be impaired. If any such indication exists, impairment tests are performed to assess the recoverable amount of the asset or the cash-generating unit (“CGU”) to which it belongs.

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 or CGU’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 or CGU.

If the recoverable amount of an individual asset or a CGU falls below its carrying amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized as “Other operating expenses” in the consolidated statements of profit or loss.

For property and equipment and intangible assets for which impairment losses were recognized in the prior fiscal years, the Company 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 CGU 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 the prior fiscal years.

Goodwill

Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to a CGU or a group of CGUs that is expected to benefit from the synergies of the business combination. The Company performs an impairment test for the CGU or the group of CGUs to which goodwill was allocated at a specified point of time in each fiscal year or whenever there is an indication of impairment.

A CGU or a group of CGUs 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.

If the recoverable amount of a CGU or a group of CGUs 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 CGU or the group of CGUs is reduced and then the carrying amounts of the other assets in the CGU or the group of CGUs 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 as “Other operating expenses” and is not reversed in a subsequent period.

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 Company’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.

Provisions

Provisions are recognized when the Company 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 Company 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.

Post-employment Benefits

The Company operates 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 Company 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 of sales 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.

Equity

Common Stock and Share Premium

For equity instruments 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.

Treasury Stock

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

Share-based Payment

Equity-settled Stock Options

The Company grants equity-settled stock options as an incentive plan for the Directors of the Board, Corporate Executive Officers and Corporate Professional Officers (Corporate Executive Officers and Corporate Professional Officers are collectively referred to as "Senior Management") of Recruit Holdings.

The Company recognizes the services received as consideration for the stock options as an expense, and the corresponding amount is recognized as an increase in equity. The expense is estimated at the fair value of the stock 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.

Equity-settled Board Incentive Plan (BIP) Trust

The Company has had an equity-settled BIP Trust as an incentive plan for Directors of the Board and Senior Management of Recruit Holdings and some of its subsidiaries since the year ended March 31, 2017.

Consideration for services received is measured with reference to the fair value of shares of Recruit Holdings' common stock at the grant date and is recognized as an expense over the vesting period while the corresponding amount is recognized as an increase in equity.

Cash-settled Share-based Payment Plan

The Company 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.

Revenue Recognition

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

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The incremental costs of obtaining a contract are recognized as an asset ("asset recognized for costs of obtaining contracts") if those costs are expected to be recoverable.

The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

An asset recognized for costs of obtaining contracts is amortized on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates, unless the amortization period of the asset is one year or less. If the amortization period of the asset is one year or less, the incremental costs of obtaining a contract are expensed when incurred by using the practical expedient in IFRS 15.

Income Taxes

Income tax expense is a sum of current tax expense and deferred tax expense 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.

Current Tax Expense

Current tax expense is 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.

Deferred Tax Expense

Deferred tax expense is 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 Company 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.

There are certain cases where assets and liabilities arising from a single transaction are recognized at the same amount. In such transactions, deferred tax liabilities are recognized for taxable temporary differences of the recognized assets, and deferred tax assets are recognized for deductible temporary differences of the recognized liabilities.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the 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 related to income taxes are levied by the same taxation authority on the same taxable entity.

Earnings per Share

Basic earnings per share are determined by dividing profit (loss) attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding, adjusted for shares of treasury stock, during the period. Diluted earnings per share are adjusted for the effect of all dilutive potential shares of common stock.

Changes in Accounting Policies

The Company has applied IFRS 16 "Leases" ("IFRS 16") using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Company's accounting policies on leases are disclosed in "Leases."

In transitioning to IFRS 16, the Company has chosen the practical expedient in paragraph C3 of IFRS 16 when determining whether a contract is, or contains, a lease. Therefore, the previous assessment under IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease" has been carried forward for contracts entered into prior to the date of initial application of IFRS 16.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized in the consolidated statements of financial position at the date of initial application is 1.0%.

The reconciliation of operating lease contracts disclosed applying IAS 17 at the end of the year ended March 31, 2019 and lease liabilities recognized in the consolidated statements of financial position at the date of initial application is as follows:

	(In millions of yen)
Operating lease contracts disclosed at March 31, 2019	124,127
Amount discounted using the incremental borrowing rate at the date of initial application	121,310
Payments in optional extension periods not recognized as of March 31, 2019	143,133
Lease contracts before the commencement date of the lease*	(20,951)
Lease liabilities at April 1, 2019	243,492

* Lease contracts entered into but not yet commenced as of March 31, 2019

Right-of-use assets recognized in the consolidated statements of financial position at the date of initial application are 234,482 million yen.

In applying IFRS 16, the Company has used the following practical expedients:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review.
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Changes in Presentation Methods

Consolidated Statements of Profit or Loss

Gain on change in ownership interests in associates, which was included in “Finance income” for the year ended March 31, 2019, is presented separately as “Gain (loss) on change in ownership interests in associates” for the year ended March 31, 2020, due to an increase in materiality. To reflect this change in presentation, the amount of 988 million yen included in “Finance income” for the year ended March 31, 2019 has been reclassified as “Gain (loss) on change in ownership interests in associates.”

Consolidated Statements of Cash Flows

Gain on change in ownership interests in associates, which was included in “Other” in “Cash flows from operating activities” for the year ended March 31, 2019, is presented separately as “Gain (loss) on change in ownership interests in associates” for the year ended March 31, 2020, due to an increase in materiality. To reflect this change in presentation, the amount of 988 million yen included in “Other” in “Cash flows from operating activities” for the year ended March 31, 2019 has been reclassified as “Gain (loss) on change in ownership interests in associates.”

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 based on historical experience and various factors deemed to be reasonable. By their nature, however, actual results may differ from these estimates and assumptions, which may lead 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:

Fair Value Estimation of Assets Acquired and Liabilities Assumed in Business Combinations

Generally, the Company 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.

Method of Fair Value Measurement of Financial Instruments

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

Impairment of Property and Equipment, Goodwill and Intangible Assets

The Company tests property 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.

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.

Assessment of Defined Benefit Obligations

The Company 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 such as 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.

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 future taxable income will be available against which the deductible temporary differences can be utilized.

The period in which it is probable that sufficient future taxable income will be available represents management's best estimates and judgments. However, they may be affected by changes in uncertain future economic conditions.

5. Business Combinations

For the Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

Acquisition of stock of Glassdoor, Inc.

Name of the Acquiree and Description of Its Business

Name of the acquiree: Glassdoor, Inc. ("Glassdoor")

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

Date of Acquisition

June 21, 2018

Percentage of Voting Equity Interests Acquired

100%

Main Reason for the Business Combination

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

Method of Obtaining Control of the Acquiree

Stock acquisition in exchange for cash as consideration

Principal Component of Goodwill Recognized

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

Consideration Paid for Acquisition and Breakdown Thereof

(In millions of yen)

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

* The amount of consideration paid represents the conversion of 1,295 million US dollars, the amount paid including final price adjustments, at the spot exchange rate as of the acquisition date.

Fair Values of Assets Acquired and Liabilities Assumed, and Goodwill as of the Acquisition Date

(In millions of yen)

Item	Amount
Current assets[1]	20,705
Non-current assets[2]	32,101
Total assets	52,807
Current liabilities[3]	8,575
Non-current liabilities	1,014
Total liabilities	9,590
Total equity	43,217
Goodwill	99,828
Total	143,045

The allocation of the consideration was completed during the year ended March 31, 2020. The consolidated financial statements for the year ended March 31, 2019 have not been retrospectively adjusted, since changes in the fair value of assets and liabilities and goodwill are immaterial.

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

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

(In millions of yen)

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

3 Deferred income of 5,980 million yen is included.

Acquisition-related Expenses

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

For the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

No significant business combinations occurred during the year ended March 31, 2020.

6. Business Segments

Overview of Reportable Segments

The Company's operating segments are those components of the Company 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 Company has three operating segments by type of business, namely, HR Technology, Media & Solutions, and Staffing, which are also the reportable segments.

HR Technology consists of the operations of *Indeed*, *Glassdoor* and the other related businesses.

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

Staffing consists of two business operations, which are Japan operations and Overseas operations.

Information on Reportable Segments

Segment profit (loss) was previously defined as EBITDA (operating income + depreciation and amortization ± other operating income/expenses). However, in order to ensure comparability with prior management key performance indicators, the definition has been changed to adjusted EBITDA (operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses), starting from the year ended March 31, 2020.

Eliminations and Adjustments related to segment profit (loss) include 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 reported to management.

For the Year Ended March 31, 2019

(In millions of yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	320,771	714,957	1,275,027	2,310,756	-	2,310,756
Intersegment revenue or transfers	6,156	6,501	15,260	27,918	(27,918)	-
Total	326,928	721,458	1,290,288	2,338,675	(27,918)	2,310,756
Segment profit (loss)	47,449	172,431	82,952	302,832	(9,589)	293,243
Depreciation and amortization						71,122
Other operating income						9,112
Other operating expenses						8,143
Operating income						223,090
Share of profit (loss) of associates and joint ventures						7,894
Gain (loss) on change in ownership interests in associates						988
Finance income						8,215
Finance costs						374
Profit before tax						239,814

For the Year Ended March 31, 2020

(In millions of yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third party customers	417,737	749,364	1,232,363	2,399,465	-	2,399,465
Intersegment revenue or transfers	7,181	6,564	15,824	29,571	(29,571)	-
Total	424,919	755,928	1,248,188	2,429,036	(29,571)	2,399,465
Segment profit (loss)	71,263	182,910	81,288	335,462	(10,303)	325,159
Depreciation and amortization (Note)						77,324
Other operating income						5,766
Other operating expenses						47,589
Operating income						206,011
Share of profit (loss) of associates and joint ventures						3,617
Gain (loss) on change in ownership interests in associates						12,326
Finance income						7,503
Finance costs						3,309
Profit before tax						226,149

* Depreciation and amortization exclude depreciation of right-of-use assets.

Information on products and services

This information is omitted since the classification of products and services is the same as that of the reportable segments.

Information on Regions

Revenue from Third Party Customers

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Japan	1,258,423	1,326,496
The United States	437,530	491,837
Others	614,802	581,131
Total	2,310,756	2,399,465

Revenue is classified based on the locations where the third party customer resides.

Non-current Assets (excluding Financial Assets and Deferred Tax Assets)

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Japan	175,026	338,676
The United States	282,214	339,316
The Netherlands	180,969	173,954
Others	96,297	103,788
Total	734,507	955,736

Information on Major Customers

There are no third party customers who account for 10% or more of revenue in the consolidated statements of profit or loss for the years ended March 31, 2019 and 2020.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Cash and deposits	389,911	421,253
Short-term investments	13,000	-
Total	402,911	421,253

* Cash and cash equivalents are classified as financial assets measured at amortized cost.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Accounts receivable - trade	343,176	333,426
Other	804	643
Loss allowance	(3,726)	(6,455)
Total	340,254	327,614

* Trade and other receivables are classified as financial assets measured at amortized cost. The balance of trade and other receivables as of April 1, 2018 was 323,116 million yen.

9. Other Financial Assets

The breakdown of other financial assets is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Equity financial assets	93,996	88,374
Accounts receivable - other	22,957	35,288
Guarantee deposits for leases	22,641	22,112
Other	15,560	16,026
Loss allowance	(793)	(1,025)
Total	154,362	160,775
Current assets	26,903	40,119
Non-current assets	127,458	120,656
Total	154,362	160,775

* Equity financial assets are generally classified as financial assets measured at fair value through other comprehensive income, while accounts receivable - other and guarantee deposits for leases are classified as financial assets measured at amortized cost.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Equity financial assets, such as shares, are held primarily for maintaining and strengthening relationships with business partners as well as facilitating participation in their management. These assets are designated as financial assets measured at fair value through other comprehensive income.

The names of major securities held as financial assets measured at fair value through other comprehensive income and their fair values as of March 31, 2019 and 2020 are as follows:

As of March 31, 2019

(In millions of yen)

Name of security	Fair value
DENTSU INC.	23,047
Nippon Television Holdings, Inc.	10,714
Tokyo Broadcasting System Holdings, Inc.	5,403
Oisix ra daichi Inc.	4,445
TV Asahi Holdings Corporation	4,078
58.com Inc.	3,353
Dai Nippon Printing Co., Ltd.	3,262

As of March 31, 2020

(In millions of yen)

Name of security	Fair value
Dentsu Group Inc. (Note)	10,288
freee K.K.	7,856
Nippon Television Holdings, Inc.	7,777
Tokyo Broadcasting System Holdings, Inc.	4,011
Oisix ra daichi Inc.	3,921
TV Asahi Holdings Corporation	3,427
Dai Nippon Printing Co., Ltd.	2,835

* DENTSU INC. changed its trade name to Dentsu Group Inc. as of January 1, 2020.

10. Other Assets

The breakdown of other assets is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Prepaid expenses	19,040	22,037
Income taxes receivable	4,834	10,420
Consumption taxes receivable	8,800	2,423
Long-term prepaid expenses	6,689	5,635
Other	6,279	6,226
Total	45,644	46,744
Current assets	38,938	40,991
Non-current assets	6,706	5,752
Total	45,644	46,744

11. Property and Equipment

Changes in the carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses of property and equipment are as follows:

Carrying Amount

(In millions of yen)

	Buildings and structures	Tools, furniture and fixtures	Other	Total
As of April 1, 2018	26,415	21,149	9,646	57,211
Additions	13,752	9,678	8,789	32,219
Acquisition through business combinations	855	234	1	1,091
Depreciation	(6,410)	(7,224)	(330)	(13,966)
Other	(419)	(750)	(820)	(1,990)
As of March 31, 2019	34,192	23,087	17,285	74,566
Additions	18,251	10,212	9,716	38,181
Depreciation	(10,194)	(8,932)	(365)	(19,491)
Reclassification	8,796	5,099	(13,896)	-
Other	(304)	(463)	(287)	(1,055)
As of March 31, 2020	50,742	29,004	12,453	92,200

Acquisition Cost

(In millions of yen)

	Buildings and structures	Tools, furniture and fixtures	Other	Total
As of March 31, 2019	66,905	58,999	19,111	145,015
As of March 31, 2020	90,346	69,991	13,897	174,234

Accumulated Depreciation and Accumulated Impairment Losses

(In millions of yen)

	Buildings and structures	Tools, furniture and fixtures	Other	Total
As of March 31, 2019	32,712	35,911	1,825	70,449
As of March 31, 2020	39,604	40,986	1,443	82,034

* Depreciation is mainly included within "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

12. Goodwill and Intangible Assets

Changes in the carrying amount, acquisition cost, accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows:

Carrying Amount

(In millions of yen)

	Goodwill	Customer-related assets	Software	Other	Total
As of April 1, 2018	312,944	85,989	98,449	44,792	542,176
Additions	-	-	46,758	461	47,220
Acquisition through business combinations	100,555	14,732	63	16,749	132,100
Sale or disposal	-	-	(1,517)	(14)	(1,532)
Amortization	-	(12,935)	(34,913)	(9,307)	(57,156)
Impairment losses	-	-	(3,824)	(2)	(3,826)
Exchange differences on translation of foreign operations	(2,848)	(2,659)	(119)	125	(5,500)
Other	-	-	(280)	34	(246)
As of March 31, 2019	410,651	85,128	104,616	52,838	653,234
Additions	-	-	46,413	2,339	48,752
Acquisition through business combinations	9,923	42	-	1,124	11,090
Sale or disposal	-	-	(1,648)	-	(1,648)
Amortization	-	(10,377)	(37,746)	(9,709)	(57,832)
Impairment losses	(26,310)	(3,399)	(3,587)	(2,871)	(36,168)
Exchange differences on translation of foreign operations	(11,100)	(3,904)	(1,312)	(1,515)	(17,832)
Other	-	-	11	(54)	(42)
As of March 31, 2020	383,163	67,488	106,747	42,152	599,552

Acquisition Cost

(In millions of yen)

	Goodwill	Customer-related assets	Software	Other	Total
As of March 31, 2019	440,261	139,242	313,777	97,209	990,491
As of March 31, 2020	435,408	132,752	333,026	97,124	998,311

Accumulated Amortization and Accumulated Impairment Losses

(In millions of yen)

	Goodwill	Customer-related assets	Software	Other	Total
As of March 31, 2019	29,610	54,114	209,161	44,370	337,257
As of March 31, 2020	52,244	65,263	226,278	54,971	398,758

1 Software in intangible assets mainly comprises internally generated software.

2 Other intangible assets mainly include trademark rights.

3 Amortization of intangible assets is mainly included within “Selling, general and administrative expenses” in the consolidated statements of profit or loss.

4 Research and development expenses recognized as expenses for the year ended March 31, 2020 are 65,094 million yen.

Significant Intangible Assets

Significant items in intangible assets are customer-related assets arising from the acquisition of shares in RGF Staffing B.V. (53,149 million yen as of March 31, 2019 and 43,508 million yen as of March 31, 2020). The remaining amortization period as of March 31, 2020 for the customer-related assets is 10 years.

Impairment Tests on Goodwill

The Company groups its assets by CGU, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, in principle, by considering managerial segmentation of operations. Goodwill is allocated to each CGU or group of CGUs that is expected to benefit from the synergies of business combinations.

In HR Technology, goodwill is monitored for internal management purposes due to the expectations that the segment benefits from the synergies among the composing entities. Accordingly, HR Technology is tested for impairment in its entirety as a single CGU. On the other hand, in Media & Solutions and Staffing, in principle, each of the composing entities is tested for impairment as a CGU or a group of CGUs in light of its unique business environment.

The balance of goodwill of each CGU or group of CGUs is as follows:

(In millions of yen)

Reportable Segment	CGU or group of CGUs	As of March 31, 2019	As of March 31, 2020
HR Technology	HR Technology	190,296	196,496
Media & Solutions	Each entity	20,210	1,850
Staffing	RGF Staffing B.V.	143,211	137,669
	Each of the other entities	56,934	47,147
Total		410,651	383,163

The Company’s significant goodwill is that relating to HR Technology and that arising from the acquisition of shares of RGF Staffing B.V.

The Company tests goodwill for impairment annually, irrespective of whether there is any indication of impairment, or whenever there is an indication of impairment.

An impairment loss of goodwill is recognized when a recoverable amount of the CGU or the group of CGUs is less than its carrying amount.

The recoverable amount is determined based on value in use. The value in use is determined by discounting to present value the estimated cash flows before tax for the next one to five years based on the business plan of each CGU or group of CGUs approved by management. The business plans reflect management's assessment of future trends in the business and historical data, and are prepared based on external and internal information. For periods beyond those covered by the business plans, a terminal value is determined by discounting to present value the estimated cash flows before tax based on conservative growth rates. The growth rates are estimated taking into consideration the circumstances of the country and the industry to which the CGU or the group of CGUs belongs. The pre-tax discount rates are derived from the weighted-average cost of capital.

Major assumptions used in determining the recoverable amount of each CGU or group of CGUs are as follows:

(%)

Reportable Segment	CGU or group of CGUs	As of March 31, 2019		As of March 31, 2020	
		Growth rate	Discount rate	Growth rate	Discount rate
HR Technology	HR Technology	2.2	11.7	2.3	9.7
Media & Solutions	Each entity	0.0-2.6	10.3-27.3	0.0-4.0	9.8-17.2
Staffing	RGF Staffing B.V.	2.1	7.6	0.0	6.7
	Each of the other entities	1.3-2.5	9.5-15.5	0.0-1.4	8.7-12.3

The Company considers that significant impairment is unlikely to occur in each CGU or group of CGUs to which goodwill is allocated, even if major assumptions used for the impairment tests change within a reasonably foreseeable range.

For goodwill relating to HR Technology, a decrease of 12.7% in the growth rate or an increase of 18.0% in the discount rate could result in the recoverable amount being equal to the carrying amount.

For goodwill relating to RGF Staffing B.V., a decrease of 1.6% in the growth rate or an increase of 2.1% in the discount rate could result in the recoverable amount being equal to the carrying amount.

The business plan used in the impairment test for goodwill relating to RGF Staffing B.V. entails significant uncertainty due to the outbreak of the novel coronavirus (COVID-19). The business plan has been prepared based on management's best estimates under the assumption that the COVID-19 outbreak will have a significant impact on financial performance in the year ended March 31, 2021 but that the economy will return to business as usual during the year ended March 31, 2022. Accordingly, actual results may differ from those estimates as a result of uncertain changes in economic conditions due to various factors, including the spread of COVID-19.

Impairment of Goodwill

Impairment losses on goodwill and intangible assets are recorded within “Other operating expenses” in the consolidated statements of profit or loss. The breakdown of impairment losses on goodwill for the year ended March 31, 2020 by CGU or group of CGUs is as follows:

(In millions of yen)

Reportable Segment	CGU or group of CGUs	For the Year Ended March 31, 2020
HR Technology	HR Technology	-
Media & Solutions	Hotspring Ventures Limited	14,533
	Each of the other entities	3,548
Staffing	RGF Staffing B.V.	-
	Chandler Macleod Group Limited	7,831
	Each of the other entities	396
Total		26,310

The impairment losses in Media & Solutions are mainly related to Hotspring Ventures Limited, which operates *Treatwell* in the overseas operation of Marketing Solutions. This is mainly due to a change in its business strategy that has aimed to expand business scale through long-term investments. As a result, the carrying amount of the goodwill has been reduced to the recoverable amount. The recoverable amount has been determined based on the value in use, which has been calculated by discounting the future cash flows to the present value using a discount rate of 10.3%.

The impairment losses in Staffing are mainly related to Chandler Macleod Group Limited. This is due to revised business projections, reflecting its lower-than-planned business performance for the year ended March 31, 2020 which were negatively affected by the uncertain economic outlook in markets such businesses operate, as well as the expectation of the negative impact caused by COVID-19 to continue for a certain period of time after the closing date. As a result, the carrying amount of the goodwill has been reduced to the recoverable amount. The recoverable amount has been determined based on the value in use, which has been calculated by discounting the future cash flows to the present value using a discount rate of 11.0%.

Impairment of Intangible Assets

The impairment losses on intangible assets for the year ended March 31, 2020 are mainly related to USG People Germany GmbH, which is a CGU of RGF Staffing B.V. in Staffing. This is due to revised business projections, reflecting its lower-than-planned business performance for the year ended March 31, 2020 which were negatively affected by the uncertain economic outlook in markets such businesses operate, as well as the expectation of the negative impact caused by COVID-19 to continue for a certain period of time after the closing date. As a result, the carrying amount of the intangible assets has been reduced to the recoverable amount. The amount of impairment losses recognized was 3,873 million yen. The recoverable amount has been determined based on the value in use, which has been calculated by discounting the future cash flows to the present value using a discount rate of 9.9%.

13. Leases

For the Year Ended March 31, 2019

Overview of Leases

The Company leases office buildings and other assets as a lessee. Some lease contracts have renewal options, but no significant lease contracts have escalation clauses. There are no significant restrictions imposed by lease contracts (such as restrictions on additional borrowings and additional leases.).

Future minimum lease payments under noncancelable operating leases are as follows:

(In millions of yen)

	As of March 31, 2019
1 year or less	23,839
Over 1 year through 5 years	57,262
Over 5 years	43,025
Total	124,127

For the Year Ended March 31, 2020

Overview of Leases

The Company leases office buildings and other assets as a lessee. Some lease contracts have renewal options. There are no significant restrictions imposed by lease contracts (such as restrictions on additional borrowings and additional leases.).

The breakdown of expenses related to leases is as follows:

(In millions of yen)

	For the Year Ended March 31, 2020
Depreciation of right-of-use assets	
Buildings and structures	36,133
Other	2,305
Subtotal	38,438
Interest expenses on lease liabilities	2,873
Expenses on leases of low-value assets (Note)	1,659

* For leases for which the underlying asset is of low value, the lease payments are recognized as an expense on a straight-line basis over the lease term.

The breakdown of right-of-use assets is as follows:

(In millions of yen)

	As of March 31, 2020
Buildings and structures	253,377
Other	4,853
Total	258,230

* The increase in right-of-use assets is 64,116 million yen for the year ended March 31, 2020.

Future Cash Outflows to Which the Company Is Potentially Exposed That Are Not Reflected in the Measurement of Lease Liabilities

There are no significant future cash outflows to which the Company is potentially exposed that are not reflected in the measurement of lease liabilities.

Cash Outflows related to Leases

Total cash outflow for leases is 43,629 million yen for the year ended March 31, 2020.

14. Income Taxes

Deferred Tax Assets and Deferred Tax Liabilities

The breakdown by major components of deferred tax assets and deferred tax liabilities is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Deferred tax assets		
Unused tax losses	28,704	13,795
Liabilities related to employee benefits	41,290	44,480
Lease liabilities	-	36,248
Contract liabilities	12,247	10,851
Other	22,408	22,001
Total deferred tax assets	104,651	127,376
Deferred tax liabilities		
Investments in subsidiaries and associates	80,281	76,385
Right-of-use assets	-	31,620
Property and equipment, goodwill and intangible assets	34,969	26,040
Other	14,189	18,311
Total deferred tax liabilities	129,440	152,358
Net deferred tax assets (liabilities)	(24,789)	(24,981)

* In recognizing deferred tax assets, the Company takes into account taxable temporary differences, future taxable profit and tax planning.

The breakdown of changes in deferred tax assets and deferred tax liabilities is as follows:

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Net deferred tax assets (liabilities)		
Beginning balance	(17,582)	(24,789)
Recognized through profit or loss	(7,639)	(2,189)
Recognized in other comprehensive income	1,531	(923)
Acquisition through business combinations	1,003	(35)
Other (Note)	(2,102)	2,956
Ending balance	(24,789)	(24,981)

* Other includes exchange differences on translation of foreign operations.

Deductible Temporary Differences and Others for Which Deferred Tax Assets Are Not Recognized in the Consolidated Statements of Financial Position

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Deductible temporary differences	302,513	348,644
Unused tax losses	44,435	57,083

The breakdown by expiration of unused tax losses for which deferred tax assets are not recognized in the consolidated statements of financial position is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
1 year or less	83	319
Over 1 year through 5 years	3,413	2,623
Over 5 years	40,937	54,140
Total	44,435	57,083

The Breakdown of Income Tax Expense

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Current tax expense	56,793	42,710
Deferred tax expense	7,639	2,189
Total	64,433	44,899

Reconciliation of Statutory Effective Tax Rates and Actual Effective Tax Rates

(%)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Statutory effective tax rate	30.6	30.6
(Adjustments)		
Difference from applicable tax rates for subsidiaries	0.1	(2.7)
Share of profit (loss) of associates and joint ventures	(1.0)	(0.4)
Tax credits	(2.3)	(1.7)
Tax effect on investments in subsidiaries and associates	(0.8)	(1.4)
Changes in the assessment for recoverability of deferred tax assets	(0.5)	(3.8)
Other	0.8	(0.8)
Actual effective tax rate	26.9	19.9

1 The Company is mainly subject to income tax, inhabitants tax and enterprise tax (deductible for tax purpose), based on which the statutory effective tax rates are calculated at 30.6% for the years ended March 31, 2019 and 2020. The overseas subsidiaries are subject to local income taxes.

2 Changes in the assessment for recoverability of deferred tax assets, which were included in "Other" for the year ended March 31, 2019, are presented as "Changes in the assessment for recoverability of deferred tax assets" from the year ended March 31, 2020, due to an increase in materiality.

15. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Accounts payable – trade	58,614	54,458
Accrued expenses	133,330	144,240
Other	20,248	20,322
Total	212,193	219,021

* Trade and other payables are classified as financial liabilities measured at amortized cost.

16. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020	Average interest rate (%)[1]	Maturity (year)
Bonds[2]	49,899	49,927	0.14	2022 to 2024
Borrowings	112,183	86,772	(0.16)	2020 to 2033
Subtotal	162,082	136,699	-	-
Current liabilities	24,869	24,551		
Non-current liabilities	137,212	112,148		
Total	162,082	136,699		

1 “Average interest rate,” which is the weighted-average interest rate on the balance at the year-end, represents an effective interest rate including the impact of hedging instruments such as interest rate swaps and currency swaps.

2 The breakdown of bonds is as follows:

(In millions of yen)

Name of issuer	Name of bond	Date of issuance	As of March 31, 2019	As of March 31, 2020	Interest rate (%)	Collateral	Maturity date
The Holding Company	First series unsecured bonds	March 9, 2017	29,944	29,963	0.09	Unsecured	March 9, 2022
The Holding Company	Second series unsecured bonds	March 9, 2017	19,955	19,964	0.22	Unsecured	March 8, 2024
Total	-	-	49,899	49,927	-	-	-

17. Other Liabilities

The breakdown of other liabilities is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Contract liabilities (Note)	66,552	65,231
Accrued consumption taxes	37,688	34,359
Accrued bonuses	40,181	45,286
Accrued paid holiday	42,659	43,535
Other	59,700	45,943
Total	246,782	234,356
Current liabilities	219,362	213,223
Non-current liabilities	27,420	21,132
Total	246,782	234,356

* Contract liabilities are unsatisfied performance obligations for which consideration has been received. Most of the performance obligations related to contract liabilities outstanding as of April 1, 2019 were satisfied and related revenues were recognized in the year ended March 31, 2020. Revenue recognized in the year ended March 31, 2020 from performance obligations satisfied (or partially satisfied) in previous periods, due to changes in transaction prices or other reasons, is not material. The balance of contract liabilities as of April 1, 2018 was 48,788 million yen.

18. Provisions

The breakdown of and the changes in provisions are as follows:

For the Year Ended March 31, 2020

(In millions of yen)

	Provision for point program[1]	Asset retirement obligations[2]	Other	Total
Beginning balance	2,353	8,233	2,659	13,246
Increase	2,304	2,596	3,790	8,692
Decrease due to utilization	(2,119)	(1,328)	(1,407)	(4,855)
Reversal	(224)	(268)	(1,139)	(1,632)
Other	(3)	(62)	(84)	(150)
Ending balance	2,311	9,170	3,817	15,300
Current	2,311	17	3,481	5,810
Non-current	-	9,153	335	9,489
Total	2,311	9,170	3,817	15,300

1 The Company offers points to users to promote sales, and a provision for point program is recognized for estimated future expenses associated with the redemption of points by users based on historical experience. There is uncertainty about the amount or timing of the use of the points by users.

2 Asset retirement obligations are recorded for the obligation to restore assets to their original condition, such as those associated with lease contracts for offices used by the Company, at the amount that is expected to be paid in the future primarily based on historical experience and third-party estimates. Expenditure for the restoration is expected to be incurred mainly after one year, but is affected by future business plans and other factors.

19. Employee Benefits

Post-employment Benefits

The Company has established lump-sum retirement benefit plans, defined benefit corporate pension plans and defined contribution pension plans as retirement benefit plans.

Lump-sum retirement benefit plans are unfunded plans that are not externally funded but internally funded to pay lump-sum benefits.

Lump-sum retirement benefits are paid based on compensation, service periods, points earned in each service year and other conditions, pursuant to the provisions on retirement benefits, such as under the employment rules of the Holding Company and each subsidiary.

Some of the Company's subsidiaries have defined benefit corporate pension plans which pay lump-sum benefits or pension benefits based on points earned in each service year. Those subsidiaries bear responsibility for executing operations faithfully to control and manage the funds in compliance with laws and regulations on behalf of the plan participants.

Amounts Recognized relating to Defined Benefit Plans in the Consolidated Financial Statements

The amount of net defined benefit liability (asset) recognized in the consolidated statements of financial position is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Present value of defined benefit obligations (funded)	5,805	6,207
Fair value of plan assets	3,712	3,700
Subtotal	2,093	2,507
Present value of defined benefit obligations (unfunded)	50,254	50,951
Subtotal	52,347	53,459
Amount recognized in the consolidated statements of financial position		
Net liability for retirement benefits	52,347	53,459

The weighted-average duration of defined benefit obligations is as follows:

(In years)

	As of March 31, 2019	As of March 31, 2020
Weighted-average duration	9.3	9.6

Reconciliation of Defined Benefit Obligations

Changes in the present value of defined benefit obligations are as follows:

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Present value of defined benefit obligations at the beginning of the year	49,346	56,059
Current service cost	6,257	7,089
Interest expense	161	106
Benefits paid	(4,918)	(4,867)
Differences arising from remeasurement of present value of the defined benefit obligations (Note)	4,493	(900)
Past service cost (gain)	-	(62)
Other	719	(266)
Present value of defined benefit obligations at the end of the year	56,059	57,159

* The differences arise primarily from changes in financial assumptions.

Reconciliation of Plan Assets

Changes in the fair value of plan assets are as follows:

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Fair value of plan assets at the beginning of the year	3,564	3,712
Contribution to the plan	197	179
Other	(50)	(191)
Fair value of plan assets at the end of the year	3,712	3,700

The breakdown of the fair value by type of plan assets is as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Shares	779	707
Bonds	441	511
Cash and cash equivalents	33	69
General accounts of life insurance companies	2,287	2,260
Other	169	151
Total	3,712	3,700

Effects on Future Cash Flows

Major actuarial assumptions (weighted-average) are as follows:

	As of March 31, 2019	As of March 31, 2020
Discount rate	0.3 %	0.3 %

Sensitivity Analysis

The effects of a 0.5% increase or decrease in the discount rate on the present value of defined benefit obligations as of the end of the year are as follows:

This analysis assumes that the other variables are constant, but in reality the assumptions do not always change independently.

Negative figures represent a decrease in the present value of defined benefit obligations, and positive figures represent an increase in the present value of defined benefit obligations.

(In millions of yen)

	Changes in assumptions	As of March 31, 2019	As of March 31, 2020
Discount rate	0.5% increase	(2,321)	(2,371)
	0.5% decrease	2,373	2,411

Effects on Defined Contribution Plans

Expenses for contributions to the Company’s defined contribution pension plans for the years ended March 31, 2019 and 2020 are 61,089 million yen and 58,831 million yen, respectively, which are recognized as “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.

Employee Benefit Expenses

The total amounts of employee benefit expenses included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss for the years ended March 31, 2019 and 2020 are 1,435,758 million yen and 1,440,655 million yen, respectively.

20. Common Stock and Other Items of Equity

Common Stock

	Number of shares authorized (No-par value common stock)	Number of shares issued (No-par value common stock)
As of April 1, 2018	6,000,000,000	1,695,960,030
Changes during the period	-	-
As of March 31, 2019	6,000,000,000	1,695,960,030
Changes during the period	-	-
As of March 31, 2020	6,000,000,000	1,695,960,030

Treasury Stock

	Number of shares
As of April 1, 2018	25,412,567
Changes during the period	(236,497)
As of March 31, 2019	25,176,070
Changes during the period (Note)	22,398,389
As of March 31, 2020	47,574,459

* The increase in the number of shares of treasury stock for the year ended March 31, 2020 resulted mainly from the purchase of treasury stock based on the resolution at the meeting of the Board of Directors held on August 28, 2019.

Share Premium

The Companies Act of Japan prescribes that at least one-half of the consideration received on the issuance of shares must be recognized as common stock and the remaining amount must be recognized as legal capital surplus, which is included in share premium. Legal capital surplus may be reclassified to common stock by resolution at the Shareholders Meeting.

Retained Earnings

The Companies Act of Japan prescribes that one-tenth of the amount of dividends from distributable profits must be set aside as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches 25% of the amount of common stock. Legal retained earnings may be utilized to reduce a deficit or be reversed to retained earnings by resolution at the Shareholders Meeting.

21. Dividends

The amounts of dividends paid are as follows:

For the Year Ended March 31, 2019

Resolution	Type of shares	Total amount of dividends (In millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 15, 2018 Meeting of the Board of Directors[1]	Common stock	20,060	12.0	March 31, 2018	June 20, 2018
November 13, 2018 Meeting of the Board of Directors[2]	Common stock	22,574	13.5	September 30, 2018	December 10, 2018

1 The total amount of dividends includes dividends of 13 million yen on the shares of Recruit Holdings held by BIP trust.

2 The total amount of dividends includes dividends of 17 million yen on the shares of Recruit Holdings held by BIP trust.

For the Year Ended March 31, 2020

Resolution	Type of shares	Total amount of dividends (In millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 14, 2019 Meeting of the Board of Directors[1]	Common stock	24,246	14.5	March 31, 2019	June 20, 2019
November 13, 2019 Meeting of the Board of Directors[2]	Common stock	25,062	15.0	September 30, 2019	December 9, 2019

1 The total amount of dividends includes dividends of 19 million yen on the shares of Recruit Holdings held by BIP trust.

2 The total amount of dividends includes dividends of 19 million yen on the shares of Recruit Holdings held by BIP trust.

Dividends Whose Record Date Is in the Year Ended March 31, 2020 but Whose Effective Date Is in the Following Fiscal Year

Resolution	Type of shares	Total amount of dividends (In millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 27, 2020 Meeting of the Board of Directors (Note)	Common stock	24,748	15.0	March 31, 2020	June 23, 2020

* The total amount of dividends includes dividends of 22 million yen on the shares of Recruit Holdings held by BIP trust.

22. Revenue

Reconciliation of Disaggregated Revenue to Segment Revenue

A reconciliation of revenue disaggregated by major goods/service and operating segments is as follows:

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
HR Technology	326,928	424,919
Media & Solutions	721,458	755,928
Marketing Solutions	400,463	438,597
Housing and Real Estate	104,141	113,380
Bridal	54,947	52,025
Travel	61,646	73,420
Dining	38,851	39,213
Beauty	72,091	81,645
Others	68,784	78,911
HR Solutions	316,854	314,161
Recruiting in Japan	283,999	277,892
Others	32,855	36,268
Eliminations and Adjustments (Media & Solutions)	4,140	3,170
Staffing	1,290,288	1,248,188
Japan	542,508	567,805
Overseas	747,780	680,382
Eliminations and Adjustments	(27,918)	(29,571)
Total	2,310,756	2,399,465

The Company has three reportable segments, namely, HR Technology segment, Media & Solutions segment, and Staffing segment, whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance. Revenues from these businesses are recorded based on contracts with customers. The amount of variable considerations included in revenues is immaterial. In addition, the amount of promised consideration does not include significant financing components.

HR Technology

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

Media & Solutions: Marketing Solutions

The Company receives advertising fees from customers by providing housing, bridal, travel, dining and beauty related information through the Company’s websites and printed media to prospective users of services or purchasers of products.

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

For advertisement placement services in printed media, the Company provides advertisement-related services with an indefinite placement period to customers based on a contract, under which it is obliged to place an advertisement on a specific page of a magazine. Accordingly, the Company considers the performance obligation to be satisfied at the date of sale of the printed media and revenue is recognized when the media containing the advertisement are displayed at stores and are available for purchase or browsing by consumers, or when they are delivered to subscribers.

Media & Solutions: HR Solutions

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

The Company also receives advertising fees from customers who are recruiting new graduates or mid-career professionals by supporting the entire process from recruitment to employment through advertisement placements on the Company’s websites and printed media.

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

With regard to advertisement placement services in printed media, the Company provides advertisement-related services with an indefinite placement period to customers based on a contract, under which it is obliged to place an advertisement on a specific page of a magazine. Accordingly, the Company considers the performance obligation to be satisfied at the date of sale of printed media and revenue is recognized when the media containing the advertisement are displayed at stores and are available for purchase or browsing by consumers, or when they are delivered to subscribers. Regarding the sale of a set of services and a series of placements, the Company determines the arm's-length selling price at contract inception of the distinct service underlying each performance obligation in a contract and allocates the transaction price in proportion to those arm's-length selling prices.

Any discount is allocated in proportion to the arm's-length selling prices to each performance obligation in a contract.

Staffing

The Company provides staffing services mainly for clerical jobs, manufacturing jobs and light duty works, as well as various specialist positions to customers. For staffing services, the Company has an obligation to provide personnel based on a contract. The Company considers the performance obligation to be satisfied when labor is provided by the agency worker. Accordingly, revenue is recognized based on the total number of working hours of the agency worker during the dispatched period.

Contract Balances

The details of receivables and contract liabilities arising from contracts with customers are described in "8. Trade and Other Receivables" and "17. Other Liabilities," respectively.

Transaction Price Allocated to the Remaining Performance Obligations

The aggregate amount of the transaction prices allocated to the remaining performance obligations as of March 31, 2020 is 65,231 million yen, most of which is expected to be recognized as revenue in the following fiscal year.

Contracts for which the Company adopts the expedient in IFRS 15 to recognize revenue as the amount that can be invoiced to customers are not included in the above amount because the right to invoice corresponds directly with the value of the services performed.

There is no significant consideration from contracts with customers which is not included in the transaction price.

Assets Recognized for Costs of Obtaining or Fulfilling Contracts with Customers

The amount of assets recognized or costs of obtaining or fulfilling contracts with customers in the year ended March 31, 2020 is not material.

23. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Sales commission	44,619	40,572
Promotion expenses	42,497	47,716
Advertising expenses	159,163	173,219
Employee benefit expenses	388,583	441,488
Commissions to subcontractors	96,133	106,285
Rent expenses	48,056	20,373
Depreciation and amortization	69,976	111,312
Other	98,011	104,412
Total	947,041	1,045,380

24. Other Operating Expenses

The breakdown of other operating expenses is as follows:

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Impairment losses	4,120	36,447
Expenses related to integration of acquired subsidiaries	938	3,844
Loss on disposal of property and equipment and intangible assets	2,036	1,903
Other	1,047	5,394
Total	8,143	47,589

25. Gain (Loss) on Change in Ownership Interests in Associates

The Company recorded a gain on change in ownership interests in associates in the amount of 12,326 million yen for the year ended March 31, 2020. This was mainly due to an increase in the Company's interests in equity of 51job, Inc., an equity-method associate of the Company, as a result of an increase in equity of 51job, Inc. following the conversion of convertible bonds issued by 51job, Inc. to common stock in April 2019 by holders of the bonds.

26. Other Comprehensive Income

The breakdown of each item of other comprehensive income and the tax effects thereof (including non-controlling interests) are as follows:

(In millions of yen)

Category	For the Year Ended March 31, 2019			For the Year Ended March 31, 2020		
	Before tax effects	Tax effects	After tax effects	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss:						
Net change in financial assets measured at fair value through other comprehensive income						
Amount recognized	454	26	480	(5,135)	(862)	(5,998)
Changes during the year	454	26	480	(5,135)	(862)	(5,998)
Remeasurements of defined retirement benefit plans						
Amount recognized	(4,504)	1,395	(3,108)	773	(236)	537
Changes during the year	(4,504)	1,395	(3,108)	773	(236)	537
Share of other comprehensive income of associates and joint ventures						
Amount recognized	655	-	655	(46)	-	(46)
Changes during the year	655	-	655	(46)	-	(46)
Items that may be reclassified subsequently to profit or loss:						

Exchange differences on translation of foreign operations						
Amount recognized	96	61	157	(22,422)	14	(22,407)
Reclassification adjustment on profit	197	(60)	136	-	-	-
Changes during the year	294	0	294	(22,422)	14	(22,407)
Effective portion of the change in the fair value of cash flow hedges						
Amount recognized	4,971	(1,522)	3,449	297	(91)	206
Reclassification adjustment on profit	(5,327)	1,631	(3,695)	(821)	251	(570)
Changes during the year	(355)	108	(246)	(524)	160	(363)
Total other comprehensive income (loss)	(3,455)	1,531	(1,924)	(27,355)	(923)	(28,278)

27. Per Share Information

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

(In millions of yen, unless otherwise indicated)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Basic earnings per share (Yen)	104.31	108.27
Basis for calculation:		
Profit attributable to owners of the parent	174,280	179,880
Amount not attributable to common shareholders of the parent	-	-
Profit used in the calculation of basic earnings per share	174,280	179,880
Weighted average number of shares of common stock outstanding (thousand shares)	1,670,820	1,661,362

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

(In millions of yen, unless otherwise indicated)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Diluted earnings per share (Yen)	104.11	108.07
Basis for calculation:		
Profit used in the calculation of diluted earnings per share		
Profit used in the calculation of basic earnings per share	174,280	179,880
Adjustment on profit	-	-
Profit used in the calculation of diluted earnings per share	174,280	179,880
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)	1,670,820	1,661,362
Effect of dilutive potential common stock (thousand shares)	3,176	3,160
Weighted average number of shares of common stock outstanding used in the calculation of diluted earnings per share (thousand shares)	1,673,997	1,664,522

28. Equity Compensation

Stock Options

Overview of Stock Option Plan

The Company has a stock option plan under which stock options are granted to Directors of the Board, Corporate Executive Officers and Corporate Professional Officers (Corporate Executive Officers and Corporate Professional Officers are collectively referred to as “Senior Management”) of Recruit Holdings.

Stock options are granted to persons as resolved by the Board of Directors of Recruit Holdings based on items approved by its Shareholders Meeting.

The Company’s stock option plan is accounted for as an equity-settled share-based payment.

The Company implemented a ten-for-one stock split of its common stock effective July 31, 2014 and a three-for-one stock split of its common stock effective July 1, 2017. Number of shares granted for stock options presented in each fiscal year are adjusted to reflect those stock splits.

Equity compensation agreements as of the year ended March 31, 2020 are as follows:

Type	For the Year Ended March 31, 2014	For the Year Ended March 31, 2015	For the Year Ended March 31, 2016	For the Year Ended March 31, 2020
Grant date	August 31, 2013	December 26, 2014	September 25, 2015	July 31, 2019
Number of shares granted	1,002,000 shares of common stock	876,000 shares of common stock	967,800 shares of common stock	434,900 shares of common stock
Contractual life	20 years	20 years	20 years	10 years
Method of settlement	Equity	Equity	Equity	Equity
Vesting conditions	–	–	–	(Note 1)
Exercise period	From September 1, 2013 to August 31, 2033[2, 3]	From December 27, 2014 to December 26, 2034[2, 3]	From September 26, 2015 to September 25, 2035[2, 3]	From July 31, 2019 to July 30, 2029[2, 4]

1 In principle, vesting conditions requires continuous service to the vesting date, and stock options are vested in stages depending on the service period from the grant date.

2 The exercise period is specified in the allotment agreement. If stock options are not exercised within the exercise period, the stock acquisition rights are forfeited.

3 The stock options holders can only exercise their options within 10 days from the date on which they cease to be Directors of the Board or Senior Management during the exercise period.

4 The stock options holders can only exercise their options for the period up to the earlier of the day that is the last day of the exercise period of the stock options or three years from the date on which they cease to be Directors of the Board or Senior Management during the period.

Estimation Method for Fair Value of Unit Price of Stock Options Granted

The fair value of unit price of the stock options is estimated by applying the Black-Scholes model. The grant-date weighted-average fair value of the stock options granted during the year ended March 31, 2020 is 915 yen.

The assumptions used in the Black-Scholes model for valuing the stock options granted during the year ended March 31, 2020 are as follows:

	For the Year Ended March 31, 2020		
Vesting period	From July 31, 2019 to April 1, 2020	From July 31, 2019 to April 1, 2021	From July 31, 2019 to April 1, 2022
Remaining life of options	5.5 years	6 years	6.5 years
Share price	3,718 yen	3,718 yen	3,718 yen
Exercise price	3,718 yen	3,718 yen	3,718 yen
Volatility (Note)	29.542%	29.542%	29.542%
Dividend per share	30 yen	30 yen	30 yen
Risk-free interest rate	(0.258)%	(0.260)%	(0.259)%

* Calculated based on historical daily share prices since going public.

Share-based Payment Expenses

Expenses for the stock option plan, which are included within "Selling, general and administrative expenses" in the consolidated statements of profit or loss, are 285 million yen for the year ended March 31, 2020.

Changes in the number of stock options and weighted-average exercise price thereof

The weighted-average share prices at exercise of stock options exercised during the year are 2,616 yen and 3,096 yen for the years ended March 31, 2019 and 2020, respectively. The weighted-average remaining contractual lives are 15.6 years and 13.6 years as of March 31, 2019 and 2020, respectively.

Changes in the number of stock options and weighted-average exercise prices thereof are as follows:

	For the Year Ended March 31, 2019		For the Year Ended March 31, 2020	
	Number of options	Weighted-average exercise price (Yen)	Number of options	Weighted-average exercise price (Yen)
Outstanding at the beginning of the year	2,285,700	1.00	1,845,000	1.00
Granted	-	-	434,900	3,718.00
Exercised	440,700	1.00	15,300	1.00
Forfeited	-	-	-	-
Expired at maturity	-	-	-	-
Outstanding at the end of the year	1,845,000	1.00	2,264,600	714.82
Outstanding and exercisable as of the end of the year	1,845,000	1.00	2,264,600	714.82

Performance-based Equity Compensation Plan

Overview of Performance-based Equity Compensation Plan

The Company introduced a performance-based equity compensation plan (the "Scheme") as an incentive plan for its Directors of the Board and Senior Management of Recruit Holdings and some of its subsidiaries.

The Scheme was implemented as a long-term incentive plan for Directors of the Board and Senior Management, by establishing a strong connection between their compensation and shareholder value. The Company believes this Scheme contributes to an increase in its mid- to long-term business performance and enterprise value. The Scheme adopts the structure used for a Board Incentive Plan (BIP) trust, in which Directors of the Board and Senior Management are granted the Recruit Holdings' shares or receive the monetary equivalent value of such shares according to their rank and the level of attainment of performance targets.

The Scheme is accounted for as an equity-settled share-based payment.

Share-based Payment Expenses

Expenses for the performance-based stock compensation plan, which are included within "Selling, general and administrative expenses" in the consolidated statements of profit or loss, are 1,224 million yen and 1,411 million yen for the years ended March 31, 2019 and 2020, respectively.

Method for Measurement of Fair Value of the Recruit Holdings Shares Granted during the Year Based on the Scheme

The weighted-average fair value of Recruit Holdings shares granted during the year is determined based on the following preconditions:

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Number of shares granted (Shares)	446,067	244,468
Weighted-average fair value (Yen)[1]	2,912	4,579
Vesting conditions	(Note 2)	(Note 2)

1 In granting shares, the fair values are measured based on observable market prices.

2 In principle, vesting conditions requires continuous service to the vesting date.

29. Financial Instruments

Capital Management

Details of capital management are as presented in "Capital Resources and Liquidity" in "Management's Discussion and Analysis of Financial Position, Results of Operations, and Cash Flows."

Financial Risk Management

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

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

Credit Risk Management

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

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

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

Except for guarantee obligations made by the Company, its maximum exposure to credit risk is the carrying amount (after impairment) of the financial assets presented in the consolidated statements of financial position.

Reconciliation of Loss Allowance

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Beginning balance	3,686	4,519
Increase	4,775	8,020
Decrease (utilization)	(2,848)	(4,110)
Decrease (reversal)	(1,275)	(945)
Decrease due to loss of control	(0)	-
Other	182	(3)
Ending balance	4,519	7,480

Assessment of Credit Risk Exposure

Trade and other receivables

The Company is not exposed to credit risk that is excessively concentrated in any single counterparty or group to which it belongs.

Liquidity Risk Management

The Company manages its liquidity risk by preparing and updating a cash management plan at each subsidiary level, and by ensuring liquidity is available based on estimated revenue and expenditures. In addition, the Company centralizes and manages funds through group financing, under which the Company receives funds from consolidated subsidiaries with surplus funds and lends funds to others as necessary.

Financial liabilities by maturity are as follows. Contractual cash flows are presented as undiscounted cash flows including interest payments.

As of March 31, 2019

(In millions of yen)

	Carrying amount	Contractual cash flows	1 year or less	Over 1 year through 5 years	Over 5 years
(Financial liabilities other than derivatives)					
Trade and other payables	212,193	212,193	211,632	560	-
Bonds and borrowings	162,082	167,081	26,565	139,551	964
(Derivatives)					
Derivative liabilities[1]	289	289	64	225	-
Total	374,565	379,565	238,262	140,338	964

As of March 31, 2020

(In millions of yen)

	Carrying amount	Contractual cash flows	1 year or less	Over 1 year through 5 years	Over 5 years
(Financial liabilities other than derivatives)					
Trade and other payables	219,021	219,021	219,021	-	-
Bonds and borrowings	136,699	140,017	25,891	112,830	1,295
Lease liabilities[2]	271,713	300,412	40,859	106,859	152,693
(Derivatives)					
Derivative liabilities[1]	1,549	1,549	442	1,106	-
Total	628,984	661,001	286,215	220,796	153,989

1 The cash flows are expected to affect profit or loss in almost the same periods as cash flows occur.

2 Expected repayments of lease liabilities after the closing date are newly stated due to the application of IFRS 16 from the year ended March 31, 2020.

Foreign Currency Risk

Foreign Currency Risk Management

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

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

Foreign Currency Sensitivity Analysis

The effect of a 1% strengthening of Japanese yen against the US dollar on profit before tax of the Company in each reporting period is as follows. Currencies other than the one used in the analysis are assumed to be constant. In addition, this analysis does not include the effects of translating financial instruments denominated in the functional currency as well as the assets and liabilities of foreign operations into Japanese yen.

A 1% weakening of Japanese yen against the US dollar on profit before tax of the Company will have an opposite effect by the same amount as shown in the following table.

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Profit before tax		
US dollar	28	1

Interest Rate Risk

Interest Rate Risk Management

Borrowings are appropriated for working capital and funds for capital investment, and since a large portion of borrowings have floating interest rates, the Company are exposed to interest rate fluctuation risk. With regard to interest rate fluctuation risk of borrowings, interest rate swaps are used to fix a portion of or all interest expense.

Price Risk

Price Risk Management

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

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

Price Sensitivity Analysis

Assuming that the fair values of all equity financial assets in active markets decrease by 10% at the end of each fiscal year, the effects on other comprehensive income (before tax effects) are as follows:

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Other comprehensive income (before tax effects)	(6,471)	(5,068)

Derivatives and hedge accounting

Risk Management Policies

The Company uses derivatives to hedge foreign currency risk and interest rate risk. Derivatives are limited to transactions with actual demand and not entered into for speculative purposes. Where natural hedges cannot be used against market risk, the Company applies hedge accounting by designating such derivatives as hedges based on the risk management policies.

To mitigate interest rate risk and foreign currency risk arising from business operations, cash flow hedges are applied. The Company generally assesses qualitatively whether key criteria for the hedged item and the hedging instrument are matched or closely matched, or quantitatively whether changes in the values of the hedged item and the hedging instrument have an offsetting relationship on the same risk in order to confirm the economic relationship between the hedged item and the hedging instrument.

For a hedging relationship in which ineffectiveness is expected to occur, the amount of the ineffectiveness is determined by a quantitative method. The Company implements highly effective hedges, and the amount of hedge ineffectiveness is not material.

Derivatives subject to hedge accounting are managed under the risk management policies, and part or all of the risk is hedged.

Quantitative Information on Derivatives (Subject to Hedge Accounting)

(In millions of yen)

	Hedging instrument	As of March 31, 2019		As of March 31, 2020	
		Notional amount	Carrying amount	Notional amount	Carrying amount
Interest rate risk	Interest rate swaps	-	-	34,940	(12)
Foreign currency risk	Currency swaps	-	-	68,474	-
Interest rate risk/ Foreign currency risk	Interest rate and currency swaps	67,385	(289)	52,410	(1,536)
Total		67,385	(289)	155,826	(1,549)

Assets and liabilities arising from derivatives are recorded within “Other financial assets” and “Other financial liabilities,” respectively, in the consolidated statements of financial position.

The fair values are determined based on prices presented by counterpart financial institutions.

The periods in which cash flows are expected to occur under cash flow hedges are one year through five years. The cash flows are expected to affect profit or loss in almost the same periods as cash flows occur.

Effects of Applying Hedge Accounting on the Consolidated Statements of Profit or Loss and the Consolidated Statements of Comprehensive Income

(In millions of yen)

	For the Year Ended March 31, 2019		For the Year Ended March 31, 2020	
	Gain (loss) on hedge recognized in cash flow hedge reserves	Amount reclassified from cash flow hedge reserves to profit or loss	Gain (loss) on hedge recognized in cash flow hedge reserves	Amount reclassified from cash flow hedge reserves to profit or loss
Interest rate risk	-	-	(7)	(0)
Interest rate risk/ Foreign currency risk	3,449	(3,695)	214	(569)
Total	3,449	(3,695)	206	(570)

The amount reclassified from cash flow hedge reserves to profit or loss is recorded within “Finance income” or “Finance costs” in the consolidated statements of profit or loss.

30. Fair Value Measurement

Method of Fair Value Measurement

Assets

Since cash and cash equivalents, and trade and other receivables are settled within a short period of time, their carrying amounts approximate their fair values.

The fair value of other financial assets other than the following is determined by discounting them to their present value using an interest rate that reflects the remaining term and credit risk of the asset, and their carrying amounts approximate their fair value.

Equity Financial Assets

The fair value of stocks included in equity financial assets for which active markets exist is determined based on market prices. The fair value of stocks for which active markets do not exist is assessed using valuation techniques mainly based on the discounted cash flow method and on the recent arm’s length transactions between knowledgeable, willing parties.

Derivative Assets

The fair value of derivative assets is determined based on prices presented by counterpart financial institutions.

Liabilities

Since trade and other payables, and short-term borrowings are settled within a short period of time, their carrying amounts approximate their fair values.

The fair value of long-term borrowings is determined by discounting the sum of principal and interest to the present value by using an interest rate that would be applied for new similar borrowings.

The fair value of bonds is determined with reference to market prices.

The fair value of other financial liabilities other than the following is determined by discounting them to the present value using an interest rate that reflects the remaining term and credit risk of the liability, and their carrying amounts approximate their fair values.

Derivative Liabilities

The fair value of derivative liabilities is determined based on prices presented by counterpart financial institutions.

Fair Value Hierarchy

Fair value measurements in the Company are categorized, depending on their observability in the market, into three different levels defined as follows:

Level 1: Fair value measured at quoted prices in active markets
Level 2: Fair value determined, either directly or indirectly, by using observable prices other than Level 1
Level 3: Fair value determined using valuation techniques based on unobservable inputs

When more than one input is used to measure fair value, the level of the fair value is determined based on the lowest level input that is significant to the measurement of the overall fair value.

There were no significant transfers between Level 1, Level 2 and Level 3 during the years ended March 31, 2019 and 2020. The Company recognizes transfers between the levels of the hierarchy at the end of the reporting period during which the event causing the transfer occurred.

The Breakdown by Level of Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The breakdown by level of the fair value hierarchy of financial instruments at the end of each fiscal year is as follows:

As of March 31, 2019

(In millions of yen)

	Carrying amount	Level 1	Level 2	Level 3
Financial assets				
Equity financial assets	93,996	64,830	-	29,166
Derivative assets	-	-	-	-
Total financial assets	93,996	64,830	-	29,166
Financial liabilities				
Derivative liabilities	289	-	289	-
Total financial liabilities	289	-	289	-

As of March 31, 2020

(In millions of yen)

	Carrying amount	Level 1	Level 2	Level 3
Financial assets				
Equity financial assets	88,374	50,803	-	37,570
Derivative assets	-	-	-	-
Total financial assets	88,374	50,803	-	37,570
Financial liabilities				
Derivative liabilities	1,549	-	1,549	-
Total financial liabilities	1,549	-	1,549	-

Equity financial assets categorized within Level 1 are mainly stocks for which active markets exist.

Derivative assets and derivative liabilities categorized within Level 2 are mainly derivative financial instruments including interest rate swaps, currency swaps and forward foreign exchange contracts.

Equity financial assets categorized within Level 3 are mainly unlisted stocks for which active markets do not exist.

There are no material changes in financial assets categorized within Level 3 of the fair value hierarchy in the year ended March 31, 2020.

Financial Assets and Financial Liabilities Measured at Amortized Cost

The carrying amount and fair value of financial assets and financial liabilities measured at amortized cost at the end of each fiscal year are as follows:

(In millions of yen)

	As of March 31, 2019		As of March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	49,899	50,147	49,927	49,946

The above table does not include financial assets and financial liabilities measured at amortized cost whose carrying amount approximates their fair value. Long-term borrowings mainly bear interest at floating rate, which reflects market interest rate, and thereby their carrying amount approximates their fair value.

The fair value hierarchy of long-term borrowings is categorized within Level 3.

The fair value hierarchy of bonds is categorized within Level 2.

31. Cash Flow Information

Reconciliation of Liabilities from Financing Activities

Changes in liabilities from financing activities are as follows:

(In millions of yen)

	Borrowings	Bonds	Lease liabilities	Total
Balance at April 1, 2018	133,204	49,871	-	183,075
Cash movements	(24,445)	-	-	(24,445)
Effects of changes in foreign exchange rates	3,753	-	-	3,753
Other	(329)	27	-	(301)
Balance at March 31, 2019	112,183	49,899	-	162,082
Cumulative effects of changes in accounting policies	-	-	243,492	243,492
Restated balance at April 1, 2019	112,183	49,899	243,492	405,574
Cash movements	(24,652)	-	(39,096)	(63,748)
New leases	-	-	68,838	68,838
Effects of changes in foreign exchange rates	(764)	-	(2,040)	(2,805)
Other	6	28	519	553
Balance at March 31, 2020	86,772	49,927	271,713	408,413

* Cash movements in "Borrowings" represent the net amount of "Proceeds from long-term borrowings," "Net increase (decrease) in short-term borrowings" included in "Other," and "Repayments of long-term borrowings" under cash flows from financing activities in the consolidated statements of cash flows.

32. Related Party Transactions

Transactions with Related Parties

There are no significant transactions with related parties (except for those eliminated in the consolidated financial statements).

Compensation for Key Management Personnel

Compensation for Directors of the Board of Recruit Holdings is as follows:

(In millions of yen)

Type	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Annual Incentive	355	625
Post-employment benefits	0	0
Equity Compensation	429	856
Total	785	1,482

33. Major Subsidiaries

Major subsidiaries of the Holding Company are as presented in "Major Subsidiaries and Associates" in "Company Overview."

34. Subsequent Events

Commitment Line Contracts

In accordance with the resolution at the Board of Directors meeting held on April 7, 2020, the Company entered into the following commitment line contracts as of April 30, 2020:

Use

Working capital

Lenders

Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd.

Line of Credit

399,999 million yen

Date of the Contracts

April 30, 2020

Term of the Contracts

From April 30, 2020 to April 30, 2021

Borrowing Rate

Base rate + spread

Collateral

None

Other

<u>Quarterly Information for the Year Ended March 31, 2020</u>

(In millions of yen, unless otherwise stated)

(Cumulative period)	First three months	First six months	First nine months	Full year
Revenue	594,409	1,201,201	1,809,716	2,399,465
Profit before tax	82,336	157,834	229,704	226,149
Profit attributable to owners of the parent	59,311	114,148	166,534	179,880
Basic earnings per share (Yen)	35.50	68.32	99.98	108.27

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	35.50	32.82	31.65	8.10

Non-consolidated Financial Statements and Notes

Balance Sheets

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	205,036	198,424
Accounts receivable - trade	20,932	38,407
Securities	13,000	-
Prepaid expenses	250	237
Short-term loans receivable	45,875	46,773
Accounts receivable - other	26,997	12,933
Other current assets	5,602	394
Allowance for doubtful accounts	(141)	(130)
Total current assets	**317,552**	**297,040**
Non-current assets		
Property, plant and equipment		
Buildings	33	39
Machinery and equipment	1	1
Vehicles	0	-
Tools, furniture and fixtures	77	99
Total property, plant and equipment	**113**	**140**
Intangible assets		
Software	200	431
Other intangible assets	71	59
Total intangible assets	**271**	**490**
Investments and other assets		
Investment securities	59,368	39,533
Stocks of subsidiaries and associates	761,667	827,403
Long-term loans receivable	281,667	240,441
Other assets	4,247	4,412
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	**1,106,947**	**1,111,786**
Total non-current assets	**1,107,332**	**1,112,417**
Total assets	**1,424,884**	**1,409,458**

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Short-term borrowings	251,618	318,178
Accounts payable - other	711	4,455
Accrued expenses	2,870	2,042
Income taxes payable	8,279	1,182
Deposits received	77	86
Other current liabilities	271	2,042
Total current liabilities	**263,828**	**327,987**
Long-term liabilities		
Bonds payable	50,000	50,000
Long-term borrowings	87,351	62,393
Deferred tax liabilities	86,501	91,550
Provision for retirement benefits for directors (and other officers)	1,282	1,044
Provision for Board Incentive Plan trust	2,437	3,015
Other long-term liabilities	815	667
Total long-term liabilities	**228,388**	**208,670**
Total liabilities	**492,216**	**536,658**
Equity		
Shareholders' equity		
Common stock	10,000	40,000
Capital surplus		
Legal capital surplus	6,716	-
Other capital surplus	24,857	1,571
Total capital surplus	**31,574**	**1,571**
Retained earnings		
Legal retained earnings	750	3,256
Other retained earnings		
General reserve	820,909	820,909
Retained earnings brought forward	75,198	109,237
Total retained earnings	**896,857**	**933,403**
Treasury stock	(32,378)	(113,244)
Total shareholders' equity	**906,053**	**861,730**
Valuation and translation adjustments		

Unrealized gain (loss) on available-for-sale securities	25,165	9,350
Total valuation and translation adjustments	**25,165**	**9,350**
Stock acquisition rights	1,449	1,719
Total equity	**932,667**	**872,799**
Total liabilities and equity	**1,424,884**	**1,409,458**

Statements of Income

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Operating revenue		
Royalty income	19,385	35,325
Dividends from subsidiaries and associates	43,362	66,736
Total operating revenue	**62,748**	**102,061**
Operating expenses		
Salaries and allowances	3,041	3,682
Business commissions	3,025	3,044
Other	3,560	3,277
Total operating expenses	**9,627**	**10,004**
Operating income	**53,121**	**92,056**
Non-operating income		
Interest income	836	805
Dividend income	1,168	1,116
Other	923	1,247
Total non-operating income	**2,928**	**3,169**
Non-operating expenses		
Interest expense	586	675
Foreign exchange losses	-	101
Other	48	382
Total non-operating expenses	**635**	**1,160**
Ordinary income	**55,413**	**94,065**
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	395	-
Other	0	25
Total extraordinary income	**396**	**25**
Extraordinary losses		
Loss on retirement of non-current assets	11	0
Loss on valuation of investment securities	3	-
Other	0	-
Total extraordinary losses	**14**	**0**

Income before income taxes	**55,795**	**94,090**
Income taxes - current	(12,182)	(1,200)
Income taxes - deferred	33,731	9,436
Total income taxes	21,548	8,235
Net income	**34,247**	**85,854**

Statements of Change in Equity

For the Year Ended March 31, 2019

(In millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at April 1, 2018	10,000	6,716	25,064	31,780	750	465,185	439,309	905,245	(32,102)	914,924
Changes of items during the period										
Cash dividends				-			(42,634)	(42,634)		(42,634)
Provision of general reserve				-		355,724	(355,724)	-		-
Net income				-			34,247	34,247		34,247
Purchase of treasury stock				-				-	(1,300)	(1,300)
Disposal of treasury stock			(206)	(206)				-	1,023	817
Other changes during the period										
Total changes of items during the period	-	-	(206)	(206)	-	355,724	(364,111)	(8,387)	(276)	(8,870)
Balance at March 31, 2019	10,000	6,716	24,857	31,574	750	820,909	75,198	896,857	(32,378)	906,053

	Valuation and translation adjustments			
	Unrealized gain (loss) on available-for-sale securities	Total valuation and translation adjustments	Stock acquisition rights	Total equity
Balance at April 1, 2018	29,773	29,773	1,790	946,487
Changes of items during the period				
Cash dividends				(42,634)
Provision of general reserve				-
Net income				34,247
Purchase of treasury stock				(1,300)
Disposal of treasury stock				817
Other changes during the period	(4,608)	(4,608)	(340)	(4,948)
Total changes of items during the period	(4,608)	(4,608)	(340)	(13,819)
Balance at March 31, 2019	25,165	25,165	1,449	932,667

For the Year Ended March 31, 2020

(In millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at April 1, 2019	10,000	6,716	24,857	31,574	750	820,909	75,198	896,857	(32,378)	906,053
Changes of items during the period										
Cash dividends				-	2,506		(51,815)	(49,308)		(49,308)
Net income				-			85,854	85,854		85,854
Purchase of treasury stock				-				-	(81,119)	(81,119)
Disposal of treasury stock			(2)	(2)				-	253	250
Transfer from legal capital surplus to common stock	6,716	(6,716)		(6,716)				-		-
Transfer from surplus to common stock	23,283		(23,283)	(23,283)				-		-
Other changes during the period										
Total changes of items during the period	30,000	(6,716)	(23,286)	(30,002)	2,506	-	34,039	36,545	(80,866)	(44,323)
Balance at March 31, 2020	40,000	-	1,571	1,571	3,256	820,909	109,237	933,403	(113,244)	861,730

	Valuation and translation adjustments		Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Total valuation and translation adjustments		
Balance at April 1, 2019	25,165	25,165	1,449	932,667
Changes of items during the period				
Cash dividends				(49,308)
Net income				85,854
Purchase of treasury stock				(81,119)
Disposal of treasury stock				250
Transfer from legal capital surplus to common stock				-
Transfer from surplus to common stock				-
Other changes during the period	(15,814)	(15,814)	269	(15,545)
Total changes of items during the period	(15,814)	(15,814)	269	(59,868)
Balance at March 31, 2020	9,350	9,350	1,719	872,799

Notes to Non-consolidated Financial Statements are as follows;

(Significant Accounting Policies)

Valuation Standards and Valuation Methods of Assets

Valuation standards and valuation methods of securities

Shares of Subsidiaries and Associates

Stated at cost using the moving-average method

Available-for-sale Securities

Available-for-sale securities with market value

Market value method based on the market price at the end of the period, etc. (Valuation differences are directly recorded as equity and cost of securities sold is calculated by the moving-average method.)

Available-for-sale securities without market value

Stated at cost using the moving-average method

Depreciation and Amortization Methods of Non-current Assets

Property, Plant and Equipment

Straight-line method

The principal useful lives are as follows:

- Buildings: 2 to 50 years
- Tools, furniture and fixtures: 2 to 10 years

Intangible Assets

Straight-line method

The principal years of amortization are as follows:

- Software (for internal use): 5 years (period available for internal use)

Accounting Standards for Allowances and Provisions

Allowance for Doubtful Accounts

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

Provision for Retirement Benefits for Directors (and Other Officers)

In order to provide for the payments of retirement benefits to Directors (and other officers), an estimated amount of benefits payable at the end of the fiscal year is recorded in accordance with the internal rules.

Provision for Board Incentive Plan Trust

In order to provide for the grant of shares of Recruit Holdings to Directors (and other officers), an estimated amount of shares to be granted for the points awarded to Directors (and other officers) is recorded in accordance with the stock delivery regulations.

Significant Hedge Accounting

Hedge Accounting

Deferred hedge accounting is applied.

Exceptional treatment is applied to interest rate swaps that meet the requirements for exceptional treatment. Integrated treatment (exceptional treatment/appropriation treatment) is applied to interest rate and currency swap transactions that meet the requirements for integrated treatment.

Hedging Instruments and Hedged Items

Hedging instruments	Hedged items
Interest rate swap	Interest on borrowings
Interest rate and currency swap	Foreign currency-denominated debt

Hedging Policy

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

Methods for Evaluating the Effectiveness of Hedges

Evaluation of effectiveness on exceptional treatment for interest rate swaps and integrated treatment for interest rate and currency swaps is omitted.

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

Translation of Significant Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

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

Accounting Method for Consumption Taxes

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

Application of the Consolidated Taxation System

The consolidated taxation system is applied.

Application of Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax Sharing System

Concerning items which transitioned to the group tax sharing system and those for which the non-consolidated tax payment system were reviewed in line with the transition to the group tax sharing system, which has been established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), the Company will not apply the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of February 16, 2018), in accordance with Paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39 of March 31, 2020). As a result, the amounts of deferred tax assets and deferred tax liabilities are reported based on the provisions of the tax act before the amendment.

Changes in Presentation Methods

Matters related to Balance Sheets

"Provision for retirement benefits for directors (and other officers)" and "Provision for Board Incentive Plan trust," which were included in "Other long-term liabilities" under "Long-term liabilities" in the previous fiscal year, are presented separately for clarification from the year ended March 31, 2020. To reflect this change in presentation, the non-consolidated financial statements of the previous fiscal year have been reclassified.

As a result, the amount of 3,719 million yen which was presented as "Other long-term liabilities" under "Long-term liabilities" in the balance sheet of the previous fiscal year has been reclassified as "Provision for retirement benefits for directors (and other officers)" of 1,282 million yen and "Provision for Board Incentive Plan trust" of 2,437 million yen.

Additional Information

Board Incentive Plan (BIP) Trust

The Company has introduced a performance-based equity compensation plan (the "Scheme") as an incentive plan for Directors of the Board, Corporate Executive Officers and Corporate Professional Officers (Corporate Executive Officers and Corporate Professional Officers are collectively referred to as "Senior Management") of Recruit Holdings in 2016, and for Directors of the Board and Senior Management of its subsidiaries in 2018.

Overview of the transaction

See "28. Equity Compensation" in "Notes to the Consolidated Financial Statements."

Shares of Recruit Holdings held by the BIP Trust

Shares of Recruit Holdings held by the BIP Trust are recorded as treasury stock in equity at their carrying amount in the trust.

The carrying amount and number of those treasury shares are 2,794 million yen and 1,367,801 shares as of March 31, 2019 and 3,679 million yen and 1,521,856 shares as of March 31, 2020.

Matters related to Balance Sheets

Assets and Liabilities in Relation to Subsidiaries and Associates

Those included in each item that are not presented separately are as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Short-term monetary receivables	93,197	97,979
Short-term monetary payables	228,420	297,493
Long-term monetary receivables	281,652	240,441

Contingent Liabilities

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

As of March 31, 2019 (In millions of yen)		As of March 31, 2020 (In millions of yen)	
Indeed, Inc.	44,722	Indeed, Inc.	75,939
Indeed Ireland Operations Limited	22,821	Indeed UK Operations Limited	31,671
Staffmark Group, LLC	10,284	Glassdoor, Inc.	18,047
Start People SAS	6,605	Staffmark Group, LLC	10,364
USG People Interservices NV	6,143	Start People SAS	6,860
Staffmark Investment, LLC	2,048	USG People Interservices NV	5,771
Chandler Macleod Group Limited	1,620	Chandler Macleod Group Limited	672
Hotspring Ventures Limited	110	Megagon Labs, Inc.	291
Other	48	Hotspring Ventures Limited	108
		Other	18
Total	94,406	Total	149,746

Overdraft Agreements

The Company has entered into overdraft agreements with four financial institutions to secure liquidity and raise operating funds efficiently.

The amount of maximum borrowings available and the balances of outstanding borrowings and unused borrowings under the overdraft agreements at the end of the fiscal year are as follows:

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
Maximum borrowings available	113,000	113,000
Outstanding borrowings	-	-
Unused borrowings	113,000	113,000

Matters related to Statements of Income

Transaction Volume with Subsidiaries and Associates

(In millions of yen)

	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Transaction volume of operating transactions (revenue)	62,748	102,061
Transaction volume of operating transactions (expenses)	623	684
Transaction volume of non-operating transactions (revenue)	343	445
Transaction volume of non-operating transactions (expenses)	380	483

Matters related to Securities

Stocks of Subsidiaries and Stocks of Associates

As of March 31, 2019

(In millions of yen)

Category	Amount reported on the balance sheet	Market value	Difference
(1) Stocks of subsidiaries	-	-	-
(2) Stocks of associates	8,367	202,647	194,280
Total	8,367	202,647	194,280

As of March 31, 2020

(In millions of yen)

Category	Amount reported on the balance sheet	Market value	Difference
(1) Stocks of subsidiaries	-	-	-
(2) Stocks of associates	8,367	156,630	148,263
Total	8,367	156,630	148,263

* The amounts reported on the balance sheet for stocks of subsidiaries and stocks of associates whose market values are considered extremely difficult to identify.

(In millions of yen)

Category	As of March 31, 2019	As of March 31, 2020
(1) Stocks of subsidiaries	753,300	819,036
(2) Stocks of associates	-	-
Total	753,300	819,036

Given that these stocks do not have market prices and it is considered extremely difficult to identify their market values, they are not included in the above tables of “Stocks of subsidiaries and stocks of associates.”

Matters related to Tax Effect Accounting

Breakdown by Cause of Deferred Tax Assets and Deferred Tax Liabilities

(In millions of yen)

	As of March 31, 2019	As of March 31, 2020
(Deferred tax assets)		
Stocks of subsidiaries and associates	25,470	26,125
Tax losses carry-forward	19,932	11,058
Loss on valuation of investment securities	3,449	3,429
Other	2,897	2,310
Subtotal of deferred tax assets	51,749	42,924
Valuation allowance	(29,477)	(30,051)
Total deferred tax assets	22,271	12,873
(Deferred tax liabilities)		
Stocks of subsidiaries and associates	(102,257)	(102,608)
Unrealized gain (loss) on available-for-sale securities	(6,202)	(1,815)
Other	(312)	-
Total deferred tax liabilities	(108,772)	(104,423)
Net deferred tax liabilities	(86,501)	(91,550)

Breakdown by Cause of Significant Differences between the Statutory Effective Tax Rate and the Actual Effective Tax Rate for Income Taxes after Tax Effect Accounting

(%)

	As of March 31, 2019	As of March 31, 2020
Statutory effective tax rate	30.6	30.6
(Adjustments)		
Permanently non-taxable income, including dividend income	(23.9)	(20.5)
Valuation allowance	31.5	0.4
Other	0.4	(1.7)
Actual effective tax rate for income taxes after tax effect accounting	38.6	8.7

Significant Subsequent Events

Commitment Line Contracts

See “34. Subsequent Events” in “Notes to Consolidated Financial Statements.”

Annexed Detailed Schedules

Annexed Detailed Schedule of Property, Plant and Equipment, Etc.

(In millions of yen)

Category	Type of assets	Balance at the beginning of the year	Increase during the year	Decrease during the year	Amortization during the year	Balance at the end of the year	Accumulated depreciation
Property, plant and equipment	Buildings	33	8	0	2	39	47
	Machinery and equipment	1	-	-	0	1	0
	Vehicles	0	-	0	-	-	-
	Tools, furniture and fixtures	77	36	1	14	99	558
	Total	113	45	1	17	140	606
Intangible assets	Software	200	298	7	60	431	
	Other	71	7	4	14	59	
	Total	271	306	11	75	490	

* Increase during the year of “Software” mainly consists of assets received associated with the implementation of the consolidated accounting system.

Annexed Detailed Schedule of Provisions

(In millions of yen)

Item	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year
Allowance for doubtful accounts	146	-	10	135
Provision for retirement benefits for directors (and other officers)	1,282	132	371	1,044
Provision for Board Incentive Plan trust	2,437	796	218	3,015

Components of Major Assets and Liabilities

See the consolidated financial statements.

Other

There are no applicable items

Other Information

Outline of Share-related Administration of the Company

Fiscal year	April 1 to March 31 of the following year
Annual Meeting of Shareholders	June
Record date	March 31
Record date for dividends from surplus	September 30 March 31
Number of shares per trading unit	100 shares
Purchase of fractional shares	
Place of handling	(Special Account) Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Japan
Administrator of shareholder registry	(Special Account) Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Japan
Broker	—
Trade commissions	A separately stipulated amount equivalent to the commissions for the entrustment of share trades
Public notification method	The Company uses digital notification as the public notification method. However, if digital notification is not possible due to an accident or other unavoidable circumstances, notification will be made through the *Nikkei* newspaper. The URL for public notification by the Company is as follows https://recruit-holdings.co.jp/ir/library/fr_public/
Gift to shareholders	None

* Shareholders holding fractional shares cannot exercise their rights except for those listed below.

- The rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act of Japan
- The rights to make claims pursuant to Article 166, Paragraph 1 of the Companies Act of Japan
- The rights to receive allotments of shares for subscription and allotments of stock options for subscription based on the number of shares held by the shareholder

Information on the Parent Company of the Holding Company

The Company does not have a parent company, etc. prescribed in Article 24-7 Paragraph1 of the Financial Instruments and Exchange Act of Japan.

Other Reference Information

The following documents were submitted from the beginning of the fiscal year under review until the submission date of the Annual Report.

Annual Report and Its Attachments and Confirmation Documents

Annual Report for FY2018 submitted to Director-General of the Kanto Local Finance Bureau on June 20, 2019.

Internal Control Report and Its Attachments

Submitted to Director-General of the Kanto Local Finance Bureau on June 20, 2019

Quarterly Report and Its Confirmation Form

Quarterly Report and its confirmation form for the 1st quarter of FY2019 submitted to Director-General of the Kanto Local Finance Bureau on August 9, 2019.

Quarterly Report and its confirmation form for the 2nd quarter of FY2019 submitted to Director-General of the Kanto Local Finance Bureau on November 13, 2019.

Quarterly Report and its confirmation form for the 3rd quarter of FY2019 submitted to Director-General of the Kanto Local Finance Bureau on February 14, 2020.

Amendment Report for Quarterly Report and Its Confirmation Form

Amendment Report and its confirmation form for the 3rd quarter of FY2018 submitted to Director-General of the Kanto Local Finance Bureau on May 14, 2019.

Extraordinary Report

Extraordinary report based on Article 19, Paragraph 2, Item 2-2 (issuance of stock acquisition rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs

Submitted to Director-General of the Kanto Local Finance Bureau on July 16, 2019

Extraordinary report based on Article 19, Paragraph 2, Item 1 (secondary distribution of common stock in the international markets) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs

Submitted to Director-General of the Kanto Local Finance Bureau on August 28, 2019

Amendment Report for Extraordinary Report

Amendment report (Amendment report for the above extraordinary report submitted on July 16, 2019)

Submitted to Director-General of the Kanto Local Finance Bureau on July 31, 2019.

Amendment report (Amendment report for the above extraordinary report submitted on August 28, 2019)

Submitted to Director-General of the Kanto Local Finance Bureau on September 10, 2019.

Amendment report (Amendment report for the above extraordinary report submitted on August 28, 2019)

Submitted to Director-General of the Kanto Local Finance Bureau on September 18, 2019.

Share Buyback Report

Submitted to Director-General of the Kanto Local Finance Bureau on September 13, 2019, October 4, 2019, November 8, 2019 and December 5, 2019.

Amended Shelf Registration Statement (Straight Bonds)

Submitted to Director-General of the Kanto Local Finance Bureau on May 14, 2019, June 20, 2019, July 16, 2019, July 31, 2019, August 28, 2019, September 10, 2019 and September 18, 2019.

Information on Guarantor of the Holding Company

Not applicable.

(Translation)

Independent Auditor's Report

June 29, 2020

The Board of Directors

Recruit Holdings Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Yoji Murohashi
Certified Public Accountant
Designated and Engagement Partner

Yoshifumi Mitsugi
Certified Public Accountant
Designated and Engagement Partner

Takuto Miki
Certified Public Accountant
Designated and Engagement Partner

[Audit of Financial Statements]

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Recruit Holdings Co., Ltd. and its subsidiaries (the Company), which comprise the consolidated statement of financial position as of March 31, 2020, and the consolidated statement of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

Audit & Supervisory Board members and Audit & Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board members and Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to have impacts on our independence, and where applicable, related safeguards.

[Audit of Internal Control]

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the management's report on internal control over financial reporting of Recruit Holdings Co., Ltd., as of March 31, 2020.

In our opinion, the management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Recruit Holdings Co., Ltd. as of March 31, 2020 is effectively maintained, presents fairly, in all material respects, the results of management's assessment of internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Company in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Management's Report on Internal Control over Financial Reporting

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board members and Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our responsibility is to obtain reasonable assurance about whether the management's report on internal control over financial reporting is free from material misstatement, and to express an opinion from an independent perspective on an internal control report, based on our internal control audit.

As part of an audit in accordance with auditing standards for internal control over financial reports generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence for the assessment results for internal control over financial reporting in management's report on internal control. Internal control audit procedures selected and applied depend on the auditor's judgment, taking into account the significance of effects on the reliability of financial reporting.
- Examine representations on the scope, procedures, and results of assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of assessment of internal control over financial reporting in the management's report on internal control. We are responsible for direction, supervision and performance of the audit of management's report on internal control. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board members and Audit & Supervisory Board regarding the planned scope and timing of the internal control audit, results of the internal control audit, including identified material weakness which should be disclosed, the results of remediation, and other matters that are required by auditing standards for internal control.

We also provide the Audit & Supervisory Board members and Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to have impacts on our independence, and where applicable, related safeguards.

Conflicts of Interest

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

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Notes: 1. The above is a digital version of the matters stated on the original audit report. The original is stored separately by the Holding Company (the company submitting this Annual Report translated from *Yukashouken Houkokusho*).

2. XBRL data is not included in the scope of the audit.

(Translation)

Independent Auditor's Report

June 29, 2020

The Board of Directors

Recruit Holdings Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Yoji Murohashi
Certified Public Accountant
Designated and Engagement Partner

Yoshifumi Mitsugi
Certified Public Accountant
Designated and Engagement Partner

Takuto Miki
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements of Recruit Holdings Co., Ltd. (the Holding Company), which comprise the balance sheet as of March 31, 2020, and the statement of income, the statement of changes in equity, significant accounting policies, the notes to the non-consolidated financial statements and the related supplementary schedules for the year then ended.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Holding Company as of March 31, 2020, and its non-consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Holding Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Holding Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board members and Audit & Supervisory Board are responsible for overseeing the Holding Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Holding Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Holding Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Holding Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit & Supervisory Board members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board members and Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

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

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2. XBRL data is not included in the scope of the audit.