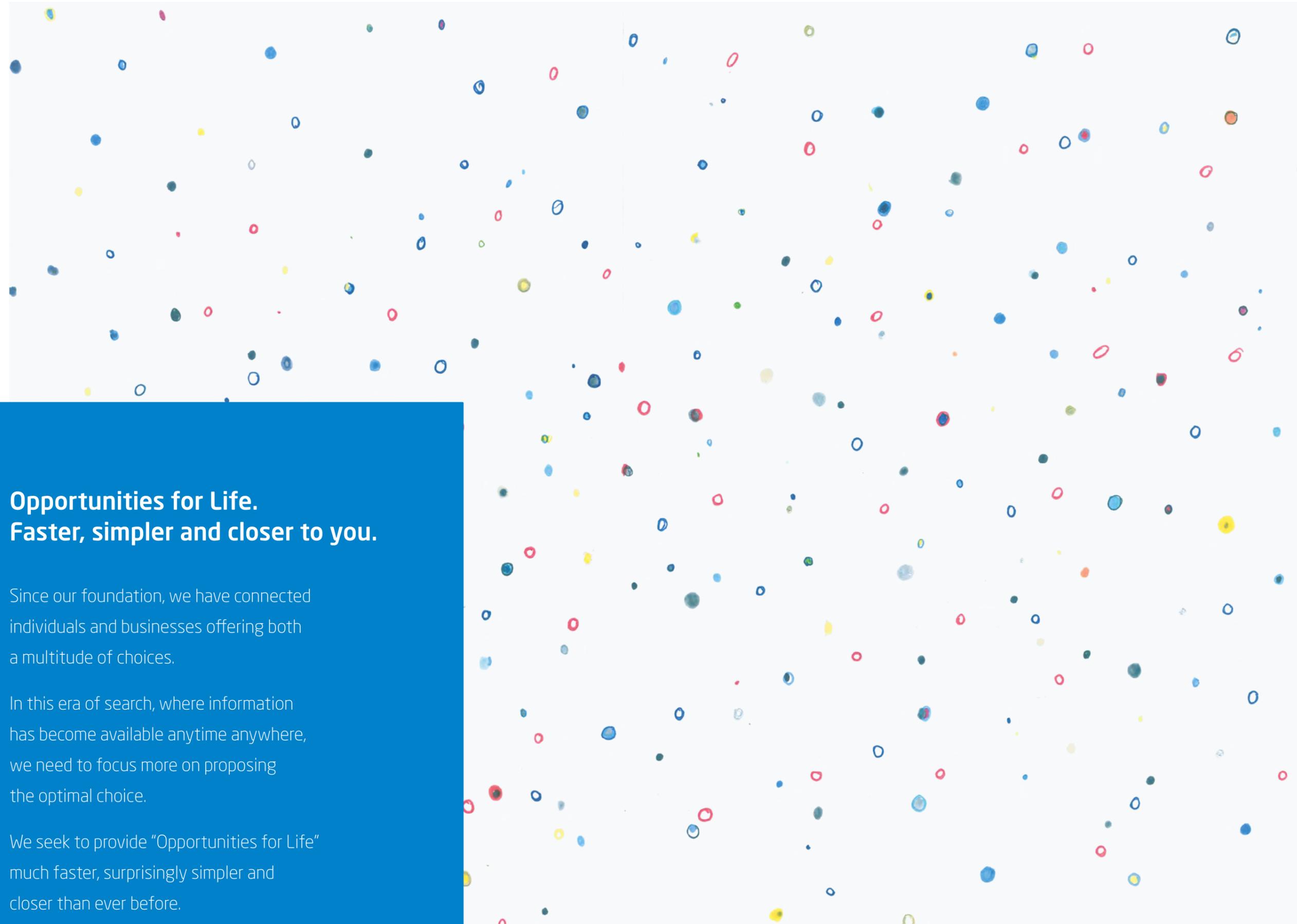


Annual Report 2019



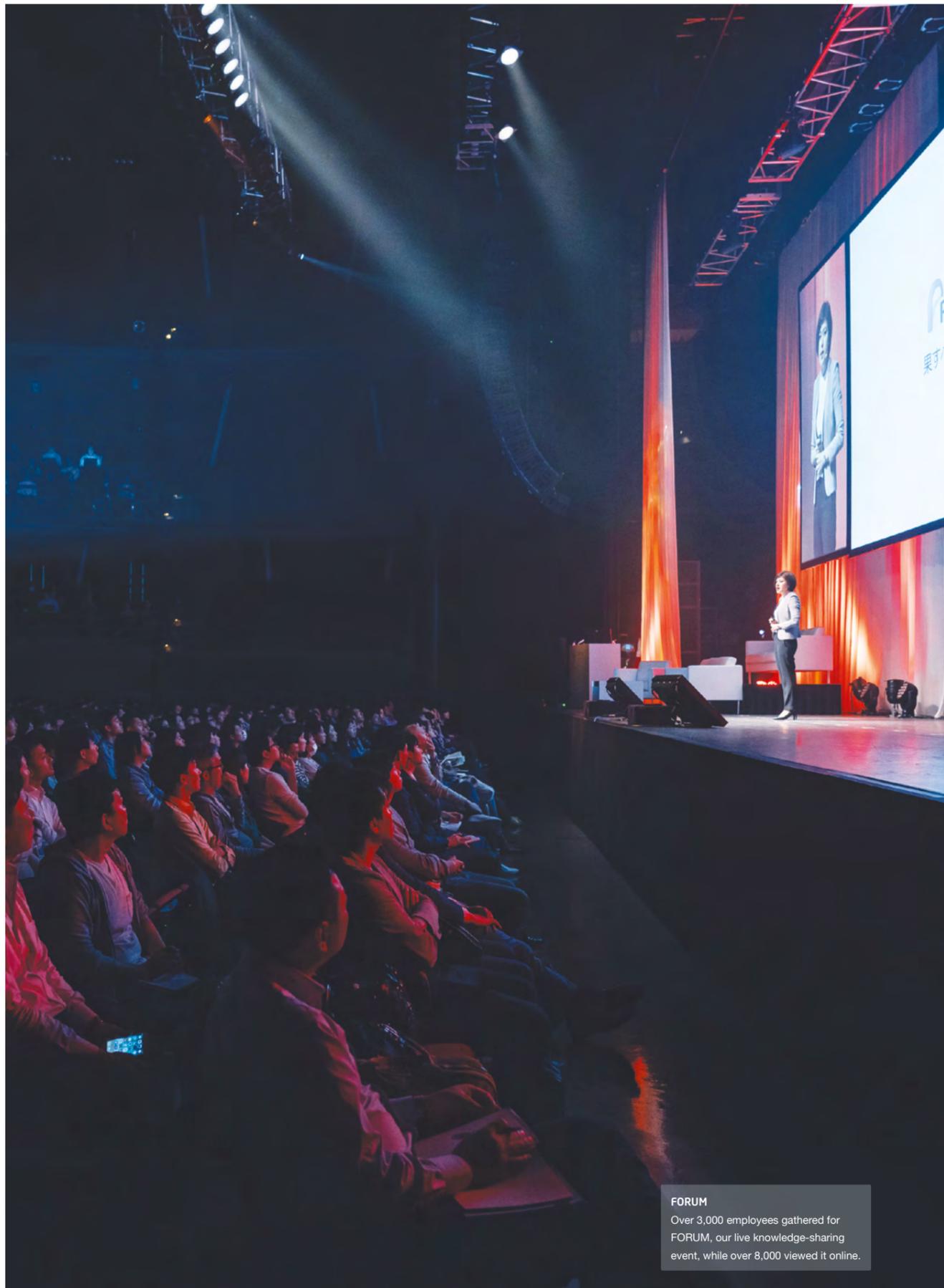


Opportunities for Life. Faster, simpler and closer to you.

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.



FORUM
Over 3,000 employees gathered for FORUM, our live knowledge-sharing event, while over 8,000 viewed it online.



Indeed University
Indeed's orientation program for new employees, where engineers from all over the world learn our product development philosophy.



The Gong project
During training at Indeed, new engineers think up ideas to improve Indeed's services. When a new code proposal passes the test and is implemented, a gong is sounded for good luck, and everyone celebrates the success.



The Great Place to Work® Award
 The Staffing SBU's Secretary Plus Belgium has been ranked two years in a row in Europe's Great Places to Work® program.



Solar Power Project Recruitment
 As a part of Australia's switch to renewable energy, Chandler Macleod Group recruited a diverse and talented group of people to work on the country's largest domestic solar project.



Glassdoor Engineers
 As of June 2019, Glassdoor has over 50 million reviews, salaries and insights into companies. Our engineers are hard at work continuing to develop services to support job seekers and employers.



Wheelchair Tennis Athlete Koji Sugeno
 Recruit Office Support has created a support system for athletes proposed by its employees, including Koji Sugeno, ranked first in Japan and fourth worldwide in the wheelchair tennis quad class (as of September 2019).



Cover and interior artwork by Aokid, an award-winning* choreographer and artist born in Tokyo in 1988 and who majored in Film at Tokyo Zokei University. The five pieces selected to illustrate this report, chosen for their youthful energy and dynamism, come from an unnamed series of work that was shortlisted for the art competition and exhibition '1_Wall'. Part of an art initiative by Recruit Holdings designed to support promising young creators through exhibitions of art created by the public, 1_Wall is held at Guardian Garden, one of two galleries operated by Recruit Holdings in Ginza, Tokyo.

- *Awards:
 The 12th Graphic "1_WALL" Grand Prize (2015)
 The 5th Graphic "1_WALL" Finalist (2011)
 EPSON COLOR IMAGING CONTEST Honorable Mention (2009)
 EPSON COLOR IMAGING CONTEST Special Prize in Graphic Category (2008)

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*Recruit Group ("the Group" or "our Group") refers to Recruit Holdings Co., Ltd. ("Recruit Holdings") and its consolidated subsidiaries unless the context indicates otherwise.

*Recruit Holdings' fiscal year starts on April 1 and ends on March 31, therefore FY2019 refers to the period from April 1, 2019 to March 31, 2020, and so forth for preceding years.

Our Business Evolution

The 59 Years of Our Corporate History

AT A GLANCE

OUR BUSINESS EVOLUTION / PERFORMANCE HIGHLIGHTS / OUR GROUP STRUCTURE

FY2018
Consolidated Revenue
2,310.7bn yen

Business fields expansion

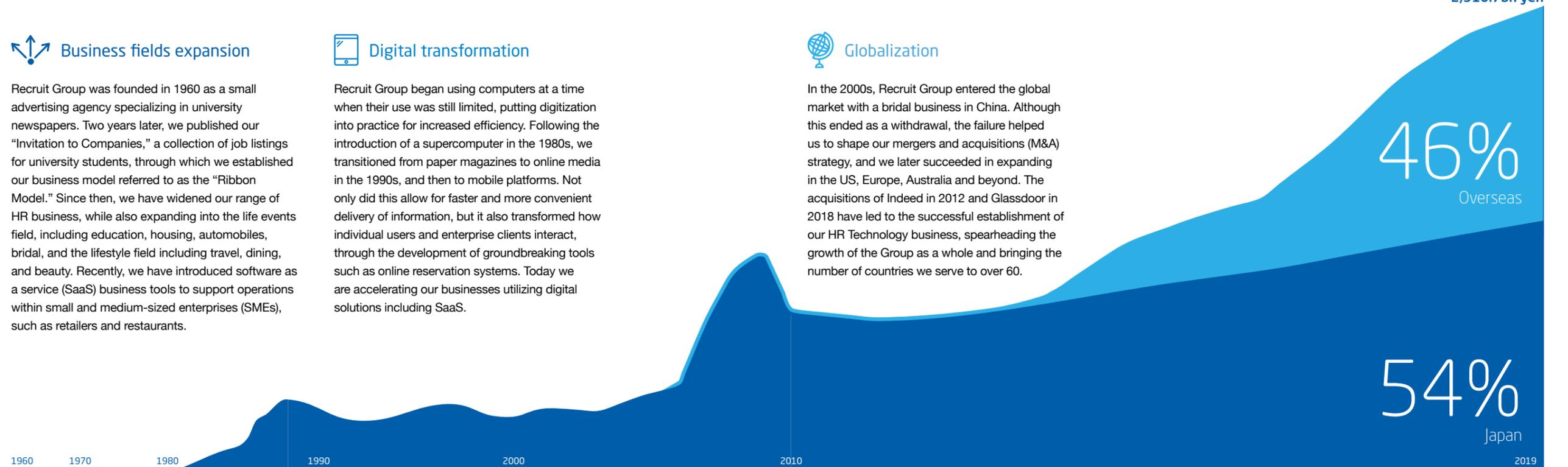
Recruit Group was founded in 1960 as a small advertising agency specializing in university newspapers. Two years later, we published our "Invitation to Companies," a collection of job listings for university students, through which we established our business model referred to as the "Ribbon Model." 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

Recruit Group 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, Recruit Group 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 Group as a whole and bringing the number of countries we serve to over 60.



<p>1960 Foundation.</p> <p>1962 Published Invitation to Companies which consolidated recruitment information for university students and established the "Ribbon Model" (see p26).</p>	<p>1976 Launched operations in the housing information industry in response to the recession precipitated by the oil crisis, and achieved rapid growth.</p>	<p>1980 Launched "Travailler," Japan's first career change magazine for women, published 5 years prior to Japan's legislative enactment of The Equal Employment Opportunity Law.</p>	<p>1984 Launched the magazine Car Sensor, a business born from a training program for new employees, focused on the used car market.</p>	<p>1990 Launched Jalan, an innovative travel magazine.</p> <p>1993 Launched Zexy, a bridal information magazine born from our new business proposal system, "Ring."</p>	<p>2000 While the Group expanded its businesses in the field of life events such as housing and bridal, it launched lifestyle information magazine Hot Pepper (now Hot Pepper Gourmet) which contains dining guides and coupons.</p>	<p>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.</p>	<p>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.</p>	<p>2015 Expanded the functions of AirREGI and launched AirPay, a payment system service that can handle various payment methods including credit cards and electronic money, QR (see p53).</p>	<p>2016 Established Recruit Finance Partners. Reinforced our expansion into the management support domain by providing loans to SMEs.</p>	<p>2018 Launched AirSHIFT, an app for the management of shift work using a SaaS solution, thereby contributing to operational efficiency in the service industry where labor shortages are a major problem.</p>
<p>1968 Introduced the IBM 1130 Computing System, becoming the first company in Japan to use this groundbreaking computer.</p>	<p>1971 Established Recruit Computer Print, a company specialized in digitized pre-production processes focused on adopting leading-edge publishing technologies.</p>	<p>1985 Against the backdrop of the privatization of Japan's telecommunication industry, launched Information Network Service operations and Remote Computing Service operations.</p>	<p>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.</p>	<p>1995 Launched Mix Juice (now ISIZE) marking the start of our online media business.</p> <p>1996 Digitized our job information magazines. Launched today's Rikunabi and Rikubani NEXT.</p>	<p>2000 Launched ISIZE Travel, a platform for making accommodation reservations online.</p> <p>2007 Launched Hot Pepper Beauty, an online reservation service.</p>	<p>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.</p>	<p>2012 Acquired Indeed (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.</p>	<p>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.</p>	<p>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 (see p42).</p>	<p>2018 Acquired Glassdoor, 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.</p>
		<p>1985 Established Recruit U.S.A. to support Japanese companies with local hiring in the US.</p>			<p>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.</p>	<p>2010 Acquired US-based staffing company, The CSI Companies, and implemented our Unit Management System (see p60). From this acquisition, we started the global expansion through M&As.</p>	<p>2015 Acquired the staffing companies Chandler Macleod and Peoplebank in Australia, companies with leading market positions and strong business fundamentals in this growth market.</p>	<p>2016 Acquired USG People (now Recruit Global Staffing), a leading European staffing company with a presence in the Netherlands, France, Germany, and Belgium among other countries, marking our full entry into Europe.</p>	<p>2019 Air BusinessTools Accelerating the expansion of our SaaS business through Air BusinessTools, a group of cloud-based operational and management support services.</p> <p>2018 Launched Indeed Assessments. Continued to introduce new services that improve efficiency in the recruiting and hiring process.</p>	

Performance Highlights

Three-year historical summary (FY2016 - FY2018)

Recent Achievements

 <p>Consolidated results: Adjusted EPS*¹ 3-Year CAGR 15.5%</p> <p>Greatly exceeded the FY2016-2018 target of “high single-digit growth” that we set in our mid-term strategy in May 2016.</p>	 <p>HR Technology: approximately 4x growth in revenue</p> <p>US\$2.94 billion in FY2018, compared to US\$0.77 billion in FY2015.²</p>	 <p>Global footprint: Services provided in over 60 countries</p> <p>45,000+ employees around the world.</p> <p>As of March 31, 2019</p>	 <p>19.3% ROE for FY2018</p> <p>Significantly exceeded our target of 15%.</p>	 <p>41.7% of managers globally are female</p> <p>The Group continues to promote gender diversity in our managerial positions.⁸</p> <p>As of April, 2019 Read more on p32</p>
 <p>Media & Solutions: No.1 in revenue in almost all major businesses</p>	 <p>Staffing: 5th largest in revenue globally³</p> <p>Our Staffing segment EBITDA margin increased through productivity improvements.</p>	 <p>Consolidated results for FY2018</p> <p>Revenue 2,310.7bn yen YoY growth: +6.3%</p> <p>EBITDA*⁴ 293.2bn yen YoY growth: +13.5%</p>	 <p>HR Technology Monthly Unique Visitors</p> <p>Indeed Over 250 million⁵</p> <p>Glassdoor Over 60 million⁶</p> <p>Read more on p41</p>	 <p>Almost 1,000 ideas submitted to Ring</p> <p>Recruit Group’s new business proposal system, and a symbol of a corporate culture that emphasizes the importance of innovation.</p> <p>2019 submissions, as of June 30 2019 Read more on p54</p>
		 <p>Almost 42% CO₂ reduction*⁷</p> <p>Greatly exceeded our target of 25% reduction in CO₂ emissions by FY2020 as set by our Japan-based businesses in FY2008.</p> <p>As of March 31, 2019 Read more on p84</p>	 <p>AirREGI: Over 420,000 accounts</p> <p>422,000 registered accounts for AirREGI, a cloud-based POS cash register linking with various SaaS applications to support SMEs.</p> <p>As of June 30, 2019 Read more on p50</p>	

¹ Adjusted EPS = adjusted profit / (number of shares issued at the end of the period - number of treasury stock at the end of the period).
Adjusted profit = profit attributable to owners of the parent ± adjustment items (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items.

Adjustment items = amortization of intangible assets by acquisitions ± non-recurring income/losses.
² The financial results of operating companies in the HR Technology segment on a US dollar basis, which differ from the consolidated financial results of Recruit Holdings.

³ SIA (Staffing Industry Analysts), “Largest Global Staffing Firms 2018”
⁴ EBITDA = operating income + depreciation and amortization ± other operating income/expenses.
⁵ Average monthly unique visitors in the three months ended June 30, 2019, based on Google Analytics service.

⁶ Peak monthly unique visitors during the three months ended June 30, 2019, based on Google Analytics service.
⁷ Compared to FY2008.
⁸ All of those in managerial positions that have subordinates, calculated from Recruit Holdings, SBU Headquarters, and primary operating companies of each SBU.

Our Group Structure

Our Group operates the business through three Strategic Business Units (SBUs). This structure supports business expansion on an individual SBU basis, allowing each SBU to operate businesses in a self-sustaining manner while also allowing Recruit Holdings to focus on its holding company functions, including further enhancement of its corporate governance and monitoring of the Group companies.

HR Technology

Through its leading online job search platforms and recruiting solutions, HR Technology SBU focuses on improving the job search experience for job seekers, and recruiting and hiring activities for employers. This SBU includes the operations of Indeed in more than 60 countries and the newly acquired operations of Glassdoor and has achieved the highest growth rate in all three SBUs of the Group in recent years.



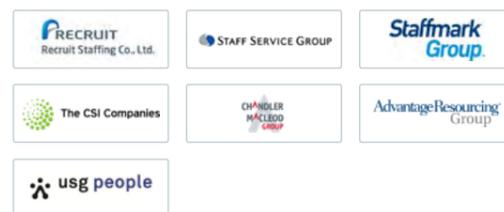
Media & Solutions

The Media & Solutions SBU consists of Marketing Solutions and HR Solutions, and has achieved the top market share in revenue for many of the core businesses in Japan, while maintaining the ability to generate high EBITDA margin. Marketing Solutions offers online and print-based advertising and marketing media services mainly in Japan, in a multitude of businesses such as Housing and Real Estate, Bridal, Travel, Dining, and Beauty. It also provides SaaS solutions to support our SME clients' efforts to improve their operational efficiency and managerial processes. HR Solutions supports individual users' job search activities and enterprise clients' recruiting activities through its job boards and placement services.



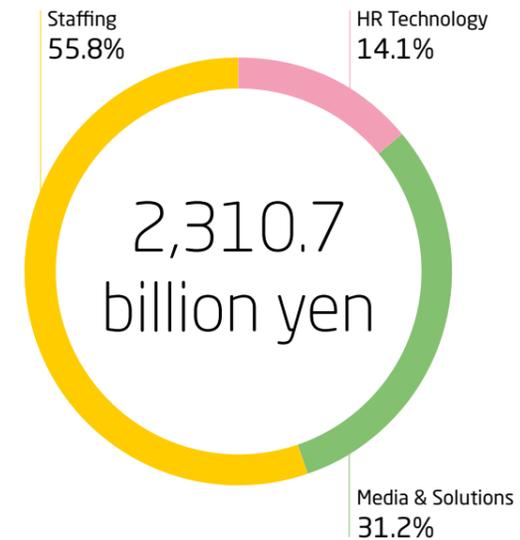
Staffing

The Staffing SBU consists of Japan and Overseas operations including North America, Europe, and Australia, and primarily offers temporary staffing services for clerical, manufacturing, light industry, and various professional positions. This SBU provides diverse job opportunities and flexible ways of working, to match the various needs of job seekers and enterprise clients in an ever-changing global work environment.

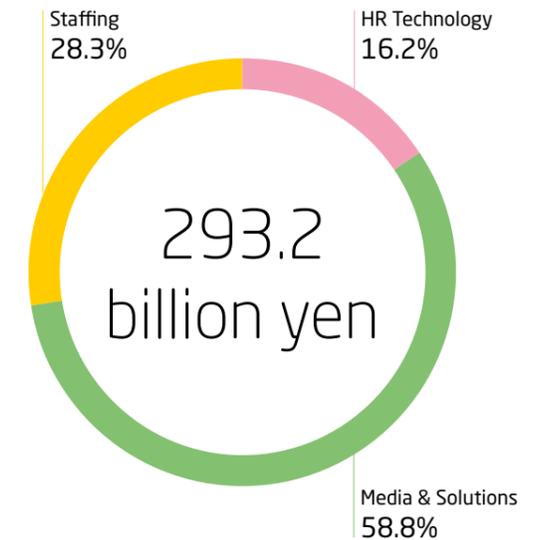


FY2018 Performance

Consolidated Revenue

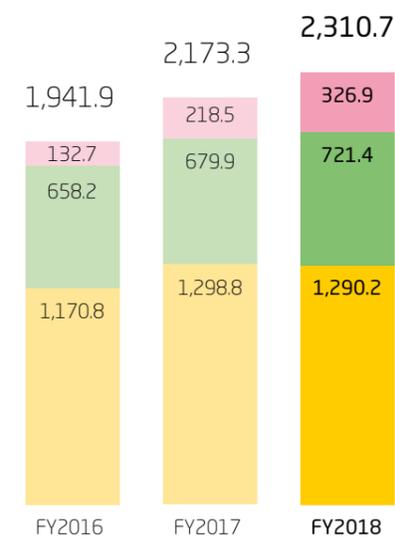


Consolidated EBITDA

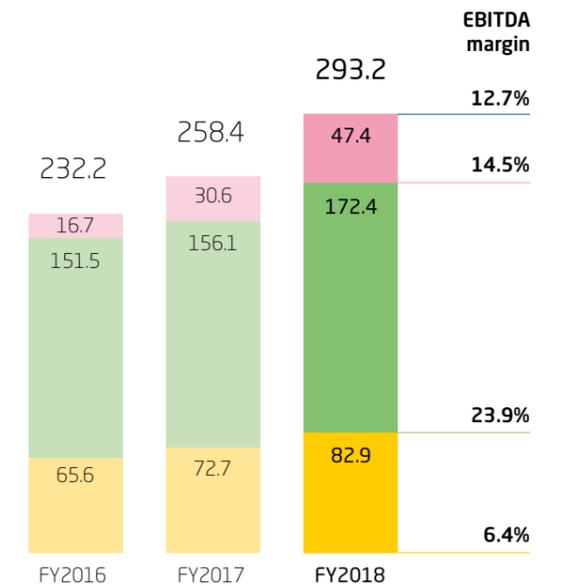


Historical Performance

Consolidated Revenue (in billions of yen)



Consolidated EBITDA (in billions of yen)



■ HR Technology ■ Media & Solutions ■ Staffing

Note: EBITDA = operating income + depreciation and amortization ± other operating income/expenses. The sum of the three segments does not correspond with consolidated revenue and EBITDA due to Eliminations and Adjustments, such as intra-group transactions.



Featured Stories

MESSAGE FROM OUR CEO
VALUE CREATION PROCESS
VISION, MISSION & VALUES
DIVERSITY & INCLUSION

Message from our CEO

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

We are committed to contributing to society through working together with our stakeholders to realize our mission.



Masumi Minegishi
President and CEO,
Representative Director

■ The goals of Recruit Group

We are living amid rapid and drastic change. In the last three decades, we have seen computer processing speeds increase to the point that we now hold tremendously powerful smart devices in our pockets, paving the way for an ever-more connected world and connected lifestyles.

Changes in the way that information and experiences are shared has transformed lifestyles, fundamentally altered economies, and had a colossal impact on society and the environment worldwide. Moreover, the frameworks and rules supporting this change have become burdensome and exceedingly complex. While many people take such progress for granted and enjoy the advantages of more freedom of choice when making life decisions, not everyone is benefiting from the shift. Rather, there is an increase in disparity between those who can leverage technology to process complex information and those who cannot. This gap also appears to have widened between countries, and even between different groups of people within countries.

Because of this, we believe that it is important that societies encourage a “Follow Your Heart” mindset, where individuals can determine their own direction and create the lives that they wish to lead. Since our foundation, we have advocated for a brighter world where all individuals can live life to the fullest, and we truly believe that by offering increased opportunities to everyone we can contribute to realizing such a world.

The theme of this annual report—Opportunities for Life. Faster, simpler and closer to you—represents Recruit Holdings’ mission as inspired by the philosophy

described above. Based on this mission, we endeavor to meet the diverse needs of individual users and enterprise clients by providing the very best matching solutions through our ambition combined with our technology. It is my hope that, through this report, we can communicate to all of our stakeholders that our management philosophy is rooted in our daily activities.

The Sustainable Development Goals (SDGs^{*)})—targets that the international community aims to achieve by 2030—declare first and foremost the objective of realizing a society where all people can pursue larger freedom. Larger freedom means the opportunity to determine one’s life through a multiplicity of choices, meaning that everyone can choose their own way of life. In this sense, Recruit Group’s “Follow Your Heart” vision is perfectly aligned with the aim of humanity as a whole. We strongly believe that we can make a significant contribution to the realization of such a future, and we are committed to continuing to work towards these goals.

Since our foundation, we have advocated for a brighter world where all individuals can live life to the fullest, and we truly believe that by offering increased opportunities to everyone, we can contribute to that.

* Acronym of Sustainable Development Goals, which were adopted by the United Nations summit meeting in September 2015 and are goals for the 193 member countries to achieve in the 15 years from 2016 to 2030.

■ Reflecting on FY2018, looking toward the future

We aim to become a global leader in the HR Matching market by promoting innovation with technology.

As a Group, we have carefully incorporated the social role we believe we should play into our management philosophy. Since our founding in 1960, we have been committed to eliminating dissatisfaction, inconvenience, and unease for society and customers, and creating value by solving these issues. We have operated our businesses in Japan and globally, connecting individual users and enterprise clients, including SMEs and offering each the best matching experience. For FY2018, our consolidated revenue was 2,310.7 billion yen (up 6.3% YoY) and consolidated EBITDA was 293.2 billion yen (up 13.5% YoY), both of which reached record highs.

We aim to continue providing the best matching solutions available. In particular, in our newly defined HR Matching market, there remains inefficiency, inconvenience, and mismatching in recruiting and hiring processes globally. Through innovative uses of cutting-edge technologies, we can significantly reduce the amount of time and effort currently invested by individual job seekers and companies in finding a good match.

The HR Matching market consists of the job advertising and talent sourcing tools market, the placement and search market, and the temporary staffing market. We believe that the total addressable market for our HR Matching business in 2018 was at least 150 billion US dollars^{*1} worldwide (see Fig. 1). The scale of our existing HR Matching business is approximately 870 billion yen^{*2}, compared to a potential HR Matching market of at least 150 billion US dollars^{*1} (approximately 16 trillion yen). Therefore, we have significant opportunity to continue to expand our HR Matching business globally.

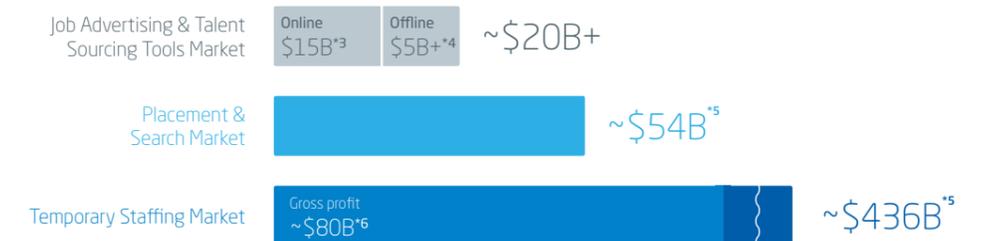
Within the HR Matching market, the online job advertising and talent sourcing tools market, which is the primary area for our HR Technology business, is estimated to be approximately 15 billion US dollars^{*3}. The online job advertising business in HR Solutions within our Media & Solutions business also operates in this market.

The job placement and search market is estimated to be worth approximately 54 billion US dollars^{*5} globally. Our placement services in the Media & Solutions business, and Indeed Hire, which was launched in 2016 in our HR Technology business, operate in this market. We will seek to expand our presence in this market in the mid- to long-term.

In addition, we believe that the size of the temporary staffing market is estimated to be even larger than the job placement and search market, with approximately 80 billion US dollars^{*6} globally on a gross profit basis, which exclude salaries of agency workers recorded as a cost of sales.

We aim to become a global leader in the HR Matching market by promoting innovation through the use of technology.

Fig. 1: HR Matching market^{*1}



■ Compliance and diversity for sustainable corporate value improvement

We act sincerely based on high ethical values and implement measures such as continuous education, improvement and monitoring.

We have strengthened our compliance system on a Group-wide scale, understanding how critical compliance is in helping us create sustainable, long-term value for society and industry. In addition to meeting existing laws and regulations in each country and industry, we are striving to ensure compliance with internal guidelines, including the Recruit Group Code of Ethics. In this rapidly changing social environment, it is imperative that we remain a reliable partner for our various stakeholders. Accordingly, we act sincerely based on high ethical values and implement measures such as continuous education, improvement and monitoring. We are also prioritizing the countermeasures against risks faced by individual users, enterprise clients, and other partners, associated with the rapid advancement of technology, such as the protection of personal information and cybersecurity. We believe that these are the key to sustainable business management and a resolution for social issues.

^{*1} The \$150 billion+ total addressable market is the total of the Job Advertising & Talent Sourcing Tools Market, the Placement & Search Market and the Temporary Staffing Market shown on this page. Recruit Holdings has estimated the size of its addressable markets based on a combination of internal and external data, estimates, market research and assumptions, which are inherently subject to a number of uncertainties. Accordingly, the estimated size of Recruit Holdings' addressable markets may differ materially from the actual size of such markets, and you should not place undue reliance on this information.

^{*2} Comprised of revenue of our HR Technology segment, revenue of the HR Solutions in our Media & Solutions segment and gross profit calculated as revenue minus salary for agency workers, etc. of our Staffing segment.

^{*3} Estimated market size in 2018 based on internal estimates, assumptions and market research by Recruit Holdings. The online job advertising and talent sourcing tools market is defined to include (i) revenue of Indeed and competing job advertising boards in Recruit Holdings' target operating

markets and (ii) revenue of the talent solutions business of LinkedIn in Recruit Holdings' target operating markets.

^{*4} The offline job advertising and talent sourcing market is defined to include newspaper, magazine, and other print channels only and excludes television, cinema, radio, and other non-print channels, and is derived by applying the proportion of online to offline spending in the overall advertising market to Recruit Holdings' estimated size of the online job advertising and talent sourcing tools market.

^{*5} Source: SIA (Staffing Industry Analysts), Global Staffing Industry Market Estimates and Forecast: May 2019 Update.

^{*6} Gross profit for the temporary staffing market is estimated by multiplying (i) the market size by revenue in 2018 of \$436 billion as estimated by SIA, Global Staffing Industry Market Estimates and Forecast: May 2019 Update, by (ii) 18.3%, which was the weighted average gross profit margin of the top three public staffing companies in terms of revenue in 2018.

We are proactively promoting sustainability, incorporating diversity and inclusion. We believe that creating a work environment where employees can leverage their diverse viewpoints and skills is indispensable for developing a competitive advantage. In addition to supporting career advancement for women and minorities, including racial and ethnic groups, the LGBTQ community, or those facing time constraints (resulting from duties such as childcare or nursing care), we have embedded a culture of acceptance for all people and their unique strengths and talents.

We recognize that establishing diversity within the Board of Directors is essential for improving the quality of discussions in Board of Directors Meetings and for promoting the innovation needed for long-term sustainable growth. Our policy in selecting and nominating Board Director candidates is to choose from a pool of candidates, assured to be diverse and qualified to fulfill the duties and responsibilities of the position, based on their skills, leadership, background, judgment, personality, insight, and experience. The Board of Directors believes that there is a strong need to increase the diversity of its membership, in particular in terms of gender. For this reason, we have committed to selecting at least one female Director candidate in the proposal for Director appointment at the Ordinary General Meeting of Shareholders to be held in June 2021.

■ To our stakeholders

Recruit Holdings continues to increase corporate value in a sustainable manner by promoting innovation in the HR Matching market and by transforming Marketing Solutions operations in our Media & Solutions business. The SDGs emphasize the importance of partnerships, and we truly believe that in order to realize a brighter world where all individuals can live life to the fullest, everyone must work together.

While paying careful attention to the voices of all of our stakeholders, including our individual users, enterprise clients, employees, agency workers, business partners, investors and shareholders, and civil society, we are working hard to achieve our mission—Opportunities for Life. Faster, simpler and closer to you.

Masumi Minegishi

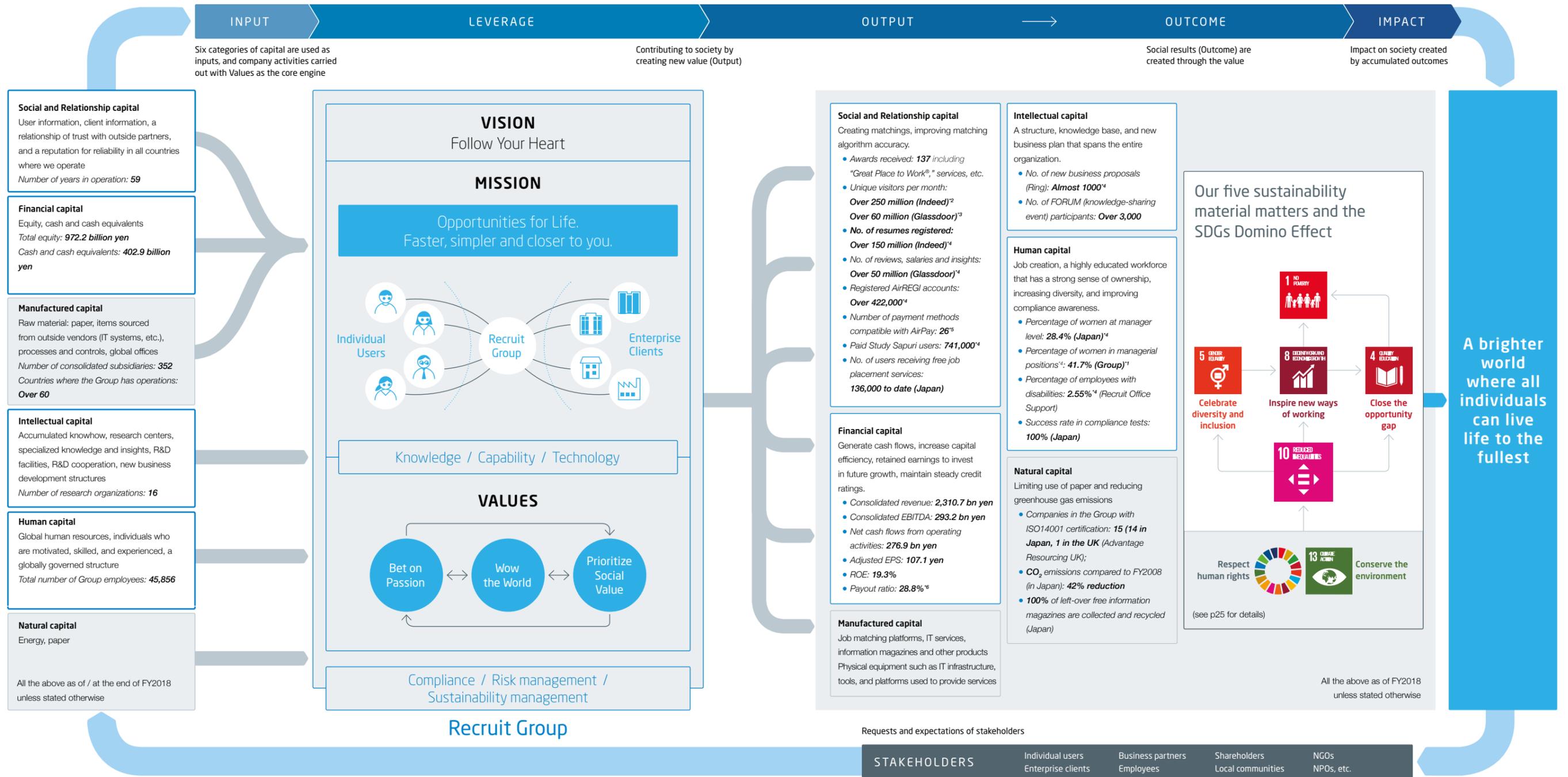
President and CEO,
Representative Director

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Value Creation Process

There are five steps in the process of realizing our management philosophy: **Input, Leverage, Output, Outcome, and Impact**. The input is provided by six categories of capital, which are leveraged through our activities to create value and transform the capital into output—not only in the form of earnings, but also in the form of positive contributions to society. The SDGs Domino Effect shown in the chart symbolizes outcomes that contribute to goals shared by the entire world. As these contributions accumulate, we produce a social impact, contributing to the creation of a world where all individuals can live life to the fullest. We are committed to continuing to strengthen this cycle.



¹ As of April 2019.

² Internal data based on Google Analytics service; average monthly unique visitors in the three months ended June 30, 2019.

³ Internal data based on Google Analytics service; peak monthly unique visitors in the three months ended June 30, 2019.⁴ As of June 2019. ⁵ As of end of August 2019.

⁶ Consolidated payout ratio based on profit available for dividends (Profit available for dividends = profit attributable to owners of the parent ± non-recurring income/losses, etc).

For detailed information on EBITDA and Adjusted EPS, see p11/12.

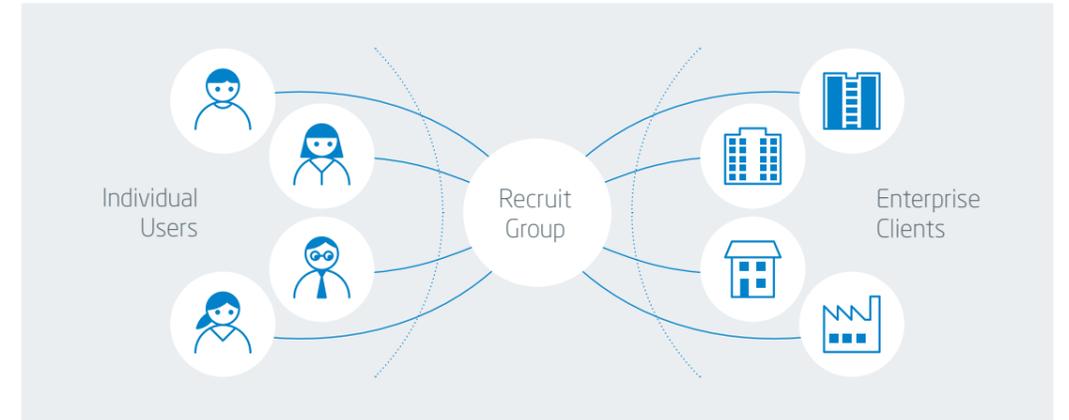
Supporting social change

Recruit Group places a special focus on six of the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly. We believe that by focusing on the SDGs which align with our strengths, we can contribute to the sustainable realization of all the SDGs. This same concept can be found in our Ribbon Model, a two-sided marketplace business model that

reduces asymmetries of information and broadens choices by providing optimal matchings for individual users and enterprise clients. Placing "SDG 10. Reduced Inequalities" at our core, we believe that through this domino-like chain reaction we can make a greater impact on society.



The Ribbon Model



Ever since our foundation, Recruit Group has sought to act as a meeting place that brings together individual users and enterprise clients, with a focus on services in the field of life-events and lifestyle, ranging from education to employment, and beauty to dining out. By providing a common platform through which users can find the service that best meets their needs, and business owners can connect with their ideal customers, we can facilitate the best possible matches for the mutual benefit of both parties. We refer to this two-sided marketplace business model as the 'ribbon model,' with the two sides connected with the tying of a ribbon.

By addressing the imbalance between the volume of information provided by enterprises and the limited ability of users to find what they are looking for, we seek to provide increased opportunities for everyone, and through this help reduce inequality. This is why SDG Goal 10: Reduced inequalities is at the center of the SDGs Domino Effect.

Thanks to the Internet and the mass adoption of smartphones, we now have a wealth of information at our fingertips. This also brings with it the need for increasingly sophisticated solutions to facilitate the best matches. At Recruit Group, we are actively integrating new technologies to ensure that the Ribbon Model continues to meet the needs of a rapidly changing society through the creation of opportunities that enable every individual to shine.

Vision, Mission & Values

Recruit Group Management Philosophy

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.

■ Reinforcing our management philosophy

In 2018, we redefined our Vision, Mission, and Values, which together form our management philosophy. The overarching basic principle remains the ideal that we have held since the founding of our company, namely "creating a brighter world where all individuals can live life to the fullest." We call the image of the world that we are aiming for our "Vision," and the role that we play within that our "Mission." To realize our Vision and Mission, we have three set "Values" that serve to guide us in our actions: "Wow the World," "Bet on Passion," and "Prioritize Social Value."

Underlying this philosophy are convictions that we have cultivated since our founding, based on our insights and understanding of human psychology and behavior. One of these is that people reveal their greatest strengths when they are free to pursue their internal motivations—their ambitions, dreams, desires, and passions. Empowered to follow these motivations, people will blossom and come to realize their full potential. This fundamental belief permeates every part of Recruit Group, and as shown in our "Value Creation Process" (see p23-24), when put into practice with our stakeholders creates a virtuous cycle leading to a positive sustainable impact.

In recent years, the rapid changes in customer needs and the speed of innovation developed to respond to these needs, have been remarkable. As the Group that operates on a global scale, we must continuously evolve our business to meet the changing expectations of our customers and society—while also maintaining a consistent management philosophy and corporate culture in the core. Our Vision, Mission and Values are our identity, which we embody in our daily actions, that provides us with a solid foundation (see p23/24).

■ Embodying our management philosophy and values



Shogo Ikeuchi
CHRO, Senior
Managing Corporate
Executive Officer and
Board Director

“Bet on Passion” is one of the core Values of Recruit Group, and is something that we have done since our founding—valuing the passion of those who are enthusiastic and committed about what they do has led to many new opportunities. For example, in the mid-1990s, employees in their twenties, aware of just how disruptive the Internet was set to become, pushed Recruit Group to become an early adopter of digitalization. Naturally, they had to fight against entrenched views that favored print, but ultimately as a company that designs its services based on the customer’s point of view, we made a bet on that passion to change the market.

To encourage entrepreneurial thinking, we have a system called “Ring.” This platform allows employees to use their individual passions to conceptualize and submit unique ideas that could one day become commercialized. This not only leads to innovative services and solutions, but also generates excitement and energy for creating new value for society—and it is this energy that is our driving force.

To continue being the service provider of choice in a rapidly changing world, we must maintain high ethical standards and ambitions, nurture talent, and embrace speed and agility. We must not be satisfied with just a 20% improvement in efficiency and price, but aim far beyond that. There is no point in being here if we can’t provide our users with overwhelming value, and keep stunning the world.

In order to contribute to a brighter world where all individuals can live life to the fullest, we have to turn our own organization into a place where employees can live life to the fullest. To make that happen, we will continue to reflect our learning from global best practices and internal feedback in our organization structure, procedures, training programs, IT systems and office environments.

We believe that we can make a difference in the world by constantly challenging ourselves to be a values-driven organization that brings our management philosophy to life.

■ Expert opinion: Globalizing Japan’s dream machine **Sandra Sucher** Professor of Management Practice, Harvard Business School

If Professor Sandra Sucher knows one thing, it is that business managers of all fields will face trust-related challenges sooner or later. And thanks to her decades of industry experience and her expertise as a Professor of Management Practice at Harvard Business School, she is well-equipped to help businesses navigate the gray areas of corporate accountability. She studies how companies can change, improve, and innovate while retaining stakeholder trust, and what it means to be a moral, ethical leader.



Create your own opportunities and let the opportunities change you

As a Harvard Business School professor, I had been working for seven years to identify best practices in workforce transitions—layoffs and restructuring—in companies across the globe. I became curious about how companies in Japan managed workforce change, faced with a historical white collar “salaryman” work culture of long hours, a strong sense of loyalty to the company, and lifetime employment. The result of our research is a Harvard Business School case, “Globalizing Japan’s Dream Machine: Recruit Holdings Co., Ltd.” which was first taught to Harvard MBAs in October 2018. This case study focuses on how Recruit Group’s corporate culture of individual employee empowerment has enabled the company to reinvent itself as a global organization ready for the digital era, something it achieved despite the 1988 bribery scandal and a period under massive debt. The research also provided a wealth of information that was used in a *Harvard Business Review* article, and a book being written about how companies earn, lose, and regain trust.

What are the challenges ahead?

Recruit Group is aiming to become a global leader in the HR Matching market, a goal that is superior to financial targets, which a company could achieve in ways that don’t result in value creation for customers. For sustainable growth, Recruit Group will need to stay focused on improving the quality of its services and not just the number of people it serves. The way ahead has at least two ethical minefields. The first is making sure that the algorithms Recruit Group creates don’t replicate patterns of discrimination, which is a known liability of AI. This could easily happen in job searches, with women and underrepresented minorities not being referred to jobs that are unusual for people like them.

The second is to continue to focus on the impact they create. Internet giants are facing backlash because they don’t take accountability for the harm they create in doing business or the kinds of businesses they engage in. As Recruit grows overseas, it will need to ensure that all of its businesses are committed to holding themselves accountable for the impact they have – as Recruit Group did after the scandal. Finally, with roughly half of revenue now coming from outside Japan, there is an even bigger and more diverse organization to manage and inspire, and this ultimately will be one of the key challenges.

Diversity & Inclusion

The key to our strength is our people **Ayano Senaha**

Corporate Executive Officer,
Corporate Planning, Sustainability,
Public Relations, Human Resources



Recruit Group's diversity and inclusion

As a Group that aims to contribute to a brighter world where all individuals can live life to the fullest, I believe our source of strength is our people. Our diverse employees are fully committed to providing solutions to the wide range of challenges faced by customers and society at large. When each employee uses their potential to its full extent, respect and embrace each other's differences, we can capitalize upon our diversity, deepen our collaboration, and bring about unexpected innovations.

Therefore, creating an environment that allows people's full potential to blossom forms an important part of our competitive strategy, making Diversity and Inclusion (D&I) a crucial agenda. To this extent, we carry out various initiatives both in Japan and overseas. There have been improvements, especially regarding gender diversity, but we understand the need for further enhancements, and continue to reinforce our initiatives.

The commitment of the Board of Directors

At Recruit Group, the management team is committed to promoting D&I both among employees and within the Board of Directors. For instance in Japan, we enhance the development and successes of our female employees by monitoring the number of women appointed to managerial positions and discussing the results in the Business Strategy Meetings. In addition to this, our top management participate in events such as Family Day, where we deepen our understanding of D&I.

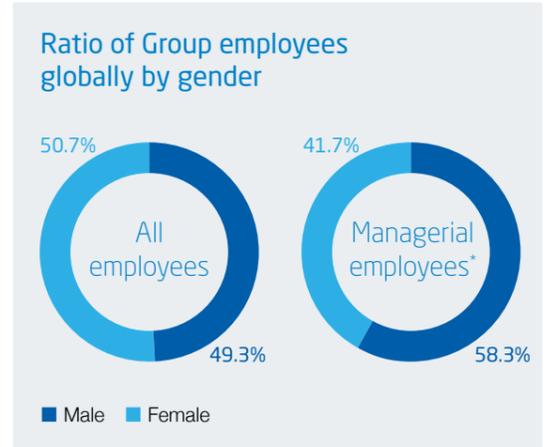
We are also committed to promote gender diversity in the Board of Directors. We are aware that its current composition is lacking in diversity from a gender perspective, and we have worked to improve the balance in composition. In response to this, the Board of Directors has created a policy of including at least one female candidate in the proposal for the appointment of Board Directors at the General Meeting of Shareholders by June 2021.



Recruit Group President and CEO Masumi Minegishi participating in Family Day

The status of gender diversity globally

We believe it is ideal that the ratio of male to female managers is equal to the ratio of male to female employees. Currently, the ratio of male to female employees across all SBUs globally is even. However, the ratio of males in managerial positions is higher than that of females, and rectifying this is a priority for the Group going forward. Further to this, we are also promoting gender diversity on the Board of Directors, as stated on page 31.



Figures shown are current as of April 2019, calculated from Recruit Holdings, SBU Headquarters, and primary operating companies of each SBU.

*All of those in managerial positions that have subordinates

D&I initiatives overseas

Promoting and celebrating gender diversity

To promote gender diversity, our employees organize events such as lunch meetings, panel discussions, and seminars. At "Women at Indeed" and "Women in Glassdoor" many male employees also participate, and together have created a lively and stimulating work environment where there is mutual respect for diversity.



An event celebrating diversity in the workplace

Employment support for those with disabilities

At Start People France, over 1,100 people with disabilities were hired as agency staff in 2018. To promote employment of people with disabilities, they have implemented hiring campaigns for their clients along with offering training sessions, suggesting office layout improvements, and creating activities to encourage positive changes in worker mentality.



Promoting employment opportunities for people with disabilities

D&I roadmap and progress in Japan

2006
Improved the working environment

2008
Introduced support for balancing work and childcare, and established an on-site daycare center to help create a working environment that gives employees greater stability

2010
Established support for women aiming to reach the managerial decision-making level, in addition to supporting work-life balance

2013
Set targets for women in managerial positions through Business Strategy Meetings and announced the targets both internally and to the public

2015
Implemented full-fledged work style innovation measures such as the introduction of remote working

2018
Focused on the creation of an environment wherein employees with diverse backgrounds and circumstances can reach their full potential, regardless of gender, sexual orientation, childcare needs, or nursing care responsibilities

The Group established a specialized organization in 2006 to promote D&I. As over 40% of our Group employees in Japan are female, we have prioritized supporting the work-life balance and success of our employees as the first step toward creating an environment where everyone can succeed.

The current D&I themes we have prioritized in Japan are: raising awareness in female employees; training for managerial positions; revamping working-styles to better support a work-life balance.

These themes were chosen with the purpose of supporting a balance between home life and work life, regardless of gender. We hope to create an environment where everyone, regardless of gender or demands on their time (such as caring for family or raising children), can succeed. As a result, we have brought about the following changes.

1 An increase in the work-life awareness of female employees

Our 2018 Diversity Survey, which had over 12,000 employee responses, demonstrated that 49.8% of female employees feel they are able to balance work and home life at our company. This is an improvement of from 31.1% in 2012.

2 An increase in working mothers

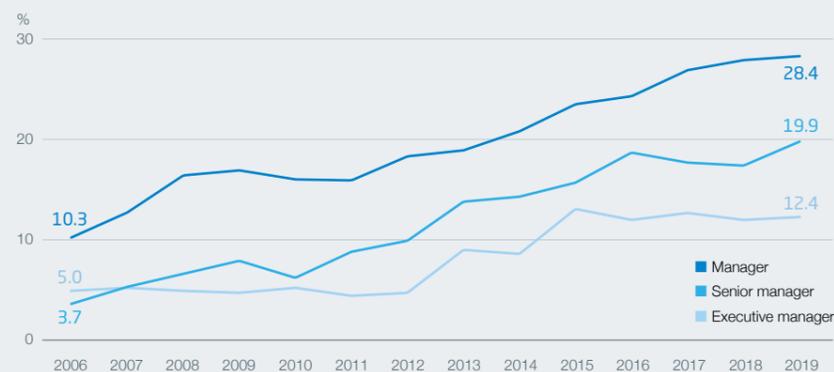
As a result of increasing our support for work-life balance, the number of working mothers has increased to 1,322 (23.2% of female employees, as of April 2019).

3 An increase in female managers taking maternity/childcare leave

As a result of the progress we have made in supporting a work-life balance, the number of female managers taking maternity/childcare leave has increased every year and is now 3.4 times what it was in 2013.

Ratio of female managers in our Group companies in Japan*1

*For information on global female managerial employees see p32.



* Figures through 2012 are for Recruit Co., Ltd., and figures for 2013 and thereafter are shown on a consolidated basis for ten Group companies in Japan, and Recruit Holdings. Figures for all eleven companies are as of April of each year.

* Executive manager by 2012 are those indicative of Corporate Executive Officer or above at Recruit Co., Ltd., while from 2013, the term is broadened to include Corporate Executive Officers at any of the Group companies in Japan*1 or positions with comparable authority at operating companies.

*1 Recruit Holdings, Recruit Career, Recruit Jobs, Staff Service Holdings, Recruit Staffing, Recruit Sumai Company, Recruit Marketing Partners, Recruit Lifestyle, Recruit Communications, Recruit, Recruit Technologies

D&I initiatives in Japan

Female employee awareness - Career Cafe 28

Career Cafe 28 provides training for female employees in their late twenties who may be worrying about their future work-life balance. It teaches them how to plan their careers so that they may find success regardless of what life events come their way. Over 700 employees have participated since it began in 2012, and it has helped them continue to develop professionally and advance their careers.



Career Cafe 28

Training for managerial positions - D&I VR training

We have been conducting experience-based training using Virtual Reality (VR) to train those in managerial positions to better support employees who are experiencing issues balancing work-life responsibilities. After receiving many requests, we have begun to offer the training externally. Furthermore, we also have diversity training for managerial positions, focusing on topics such as supporting LGBTQ employees, amongst others, through a range of e-learning programs.



D&I VR training

Work style/work-life balance support

1 Nursery school concierge

Given the difficulties employees face when looking for nursery schools in Japan, since 2018 we have been partnering with child care businesses that own nursery schools around the country, in addition to providing an on-site daycare center. Nursery School Concierge is a service that offers specialist advice from knowledgeable staff regarding the nursery schools in their local area, and is one of our many efforts to create a supportive environment where our female employees can return to work after having a child.



On-site daycare center "And's"

2 Paternity leave

We increased the limit for paid paternity leave from 2 days to 20 days to better support male employees so they can be more active in childcare, while offering remote working. Additionally, we host over 50 events per year where employees involved in childcare and nursing can meet and learn about maintaining a positive work-life balance. We have had great success with this program, with over 1,300 employees participating each year.



Childcare seminars for male employees

3 Remote work for employees with disabilities

At Recruit Office Support, a special subsidiary of Recruit Group, approximately 70 employees work from home across the country. They work closely with the rest of our employees through conversations and online meetings, primarily proofreading the language used in our recruitment ads. This form of flexible working enables employees who have both the will and ability to work to realize their potential, offering them an alternative to overcome any difficulties they may experience coming to the office due to a disability.



Working from home



Business Strategies

MESSAGE FROM OUR CFO
SBU PERFORMANCE SUMMARIES
HR TECHNOLOGY SBU
MEDIA & SOLUTIONS SBU
STAFFING SBU

Message from our CFO

Strengthening enterprise value with strategic acquisitions and technology



Keiichi Sagawa
CFO, Senior Managing Corporate Executive Officer and Board Director

Three-year historical performance summary FY2016 - FY2018

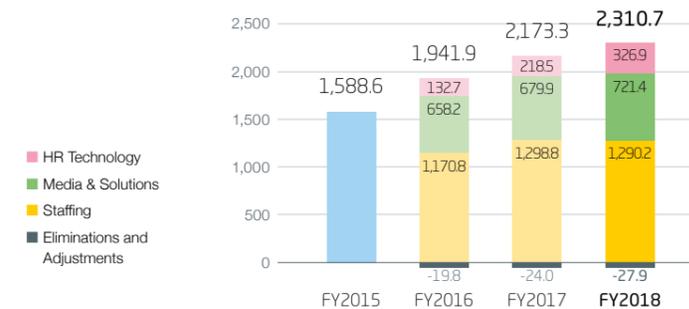
FY2018 was the final year of the mid-term management policy that was established when we announced the financial results for FY2015. During the three-year period from FY2016 to FY2018, our consolidated revenue, consolidated EBITDA, and adjusted EPS each delivered favorable growth. Consolidated EBITDA, a management KPI that we put great value on during the period, has grown by 45%, from 202.2 billion yen in FY2015 to 293.2 billion yen. Also, the result of the adjusted EPS target set in our mid-term management policy, three-year CAGR of high single digit, was 15.5%, greatly exceeding the target.

Significant progress was made in two key areas targeted in our mid-term management policy—further growth in overseas business and sustainable growth in our business in Japan.

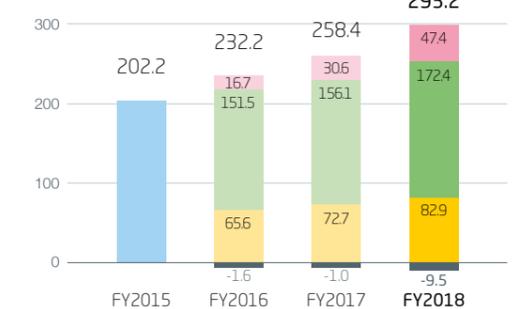
The success of our overseas business was primarily due to the high growth of Indeed over the past three years. Other factors such as the strategic acquisitions of Glassdoor in the HR Technology SBU and USG People (now Recruit Global Staffing) in the Staffing SBU, also contributed to the growth of our overseas business. As a result, the contribution from overseas business to our consolidated revenue increased from 36% in FY2015 to 46% in FY2018.

To continue the sustainable growth of our businesses in Japan, we have expanded both our individual user and enterprise client base mainly in the Media & Solutions SBU. We also focused on creating new growth areas such as operational and management support services through SaaS solutions for SMEs, and the online education service “Study Sapuri.”

Consolidated Revenue^{1*2}
(in billions of yen)



Consolidated EBITDA^{1*2}
(in billions of yen)



Consolidated financial guidance for FY2019³

In FY2019, consolidated revenue and adjusted EBITDA are expected to increase in all three of our SBUs: HR Technology, Media & Solutions, and Staffing. Adjusted EBITDA⁴ is expected to grow this fiscal year compared to the prior fiscal year, and is forecasted to be in a range of 310 billion to 330 billion yen. Adjusted EPS is targeted to grow high single digits.

In order to reflect the rapidly changing technology business environment and the growth of the HR Technology SBU, we changed our guidance practices for FY2019. We are no longer providing specific consolidated financial forecasts for revenue, EBITDA, operating income, profit attributable to owners of the parent, adjusted profit, and adjusted EPS.

Financial policies and shareholder returns

ROE was 19.3% for FY2018, which exceeded the target of 15%. We will continue to maintain ROE of approximately 15%. Recruit Group views dividends as an important tool to deliver returns to our shareholders. We aim to pay out consistent and stable dividends twice a year, with a target payout ratio of approximately 30%⁵. For FY2018, the annual dividend per share was 28 yen, which was comprised of the interim dividend of 13.5 yen, and the year-end dividend of 14.5 yen, up 1 yen from the initial dividend forecast. For FY2019, we plan to pay an annual dividend of 30 yen per share, up 2 yen from the previous fiscal year, with 15 yen for each of the interim and year-end dividends.

Also, we expect to utilize capital for strategic acquisitions that will help us realize our ambitious goals. We will work to retain sufficient capital that will enable us to move flexibly and quickly for strategic M&A, when necessary. Additionally, we consider external financing through borrowings for acquisitions as needed, provided we ensure our financial soundness is maintained. Based on the capital market environment and financial outlook, we may consider implementing a share repurchase program, as necessary, after meeting the above-mentioned funding needs.

¹ Recruit Holdings adopted IFRS from the beginning of the FY2017. Figures for FY2016 were calculated assuming IFRS were applied on pro forma basis. Figures for FY2015 are based on Japanese GAAP.

² Recruit Holdings changed the structure of its reportable segments from FY2016; figures for FY2015 under the current structure are not available.

³ Guidance based on the financial results for the first quarter of FY2019.

⁴ Recruit Holdings 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 from Q1 FY2019 when Recruit Group started to adopt IFRS 16 and changed its accounting policy. Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expense.

⁵ Payout ratio (consolidated) based on profit available for dividends. (Profit available for dividend = profit attributable to owners of the parent ± non-recurring income/losses, etc).

SBU Performance Summaries

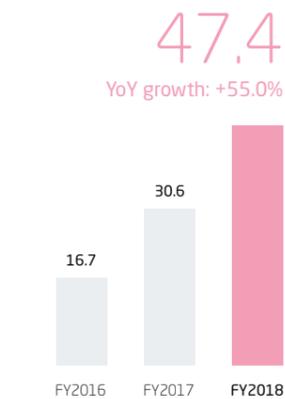
Segment Revenue (in billions of yen)

Segment EBITDA*1 (in billions of yen)

FY2018 financial results by segment

HR Technology

Focuses on improving the job search experience for job seekers and recruitment and hiring activities for employers including SMEs through its online platform and recruiting solutions using advanced technology.



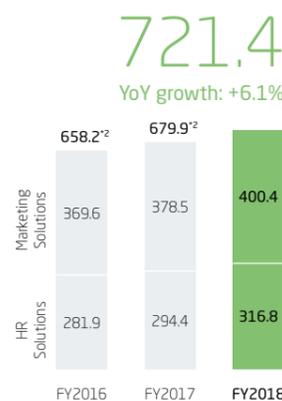
Segment revenue increased 49.6% YoY, supported by a favorable economic environment and tight labor market, resulting in increased sponsored job advertising revenue from new and existing clients at Indeed. Revenue from Glassdoor, which was acquired in June 2018, also contributed to revenue growth.

Revenue growth in US dollar terms was 54.0% YoY³, assuming IFRS 15⁴, which we adopted in the beginning of FY2018, had been applied in FY2017 on a pro forma basis.

Segment EBITDA increased 55.0% YoY. To support future revenue growth, we continued to invest in sales and marketing activities to acquire new individual users and enterprise clients, and in product enhancements to increase user and client engagement.

Media & Solutions

Comprised of Marketing Solutions and HR Solutions, providing matching services to individual users and enterprise clients including SMEs in a multitude of markets and businesses.

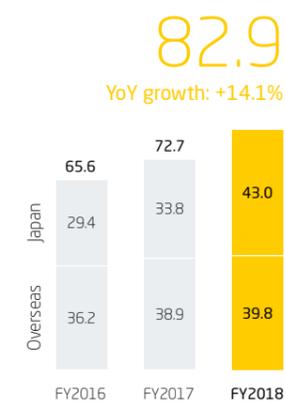
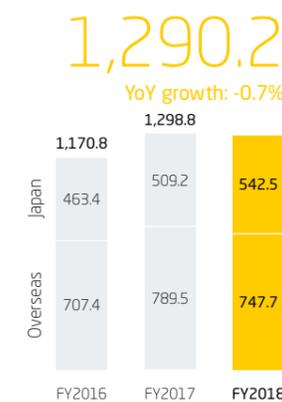


Segment revenue increased 6.1% YoY, primarily driven by increased revenue in the Beauty business, where an increase in the number of beauty salon clients lead to growth in online beauty salon reservations, and Housing and Real Estate business in Marketing Solutions. HR Solutions also contributed to revenue growth, primarily due to increased revenue in the Recruiting in Japan business, which focused on enhancing its brand value, strengthening user attractiveness, and reinforcing its sales structure in an extremely tight Japanese labor market.

Segment EBITDA increased 10.4% YoY. Both HR Solutions and particularly Marketing Solutions recorded higher EBITDA.

Staffing

Primarily offers temporary staffing services mainly in Japan, North America, Europe, and Australia, for various job types including office clerks, in a multitude of industries.



Segment revenue for FY2018 decreased 0.7% YoY resulting from a decline in revenue in Overseas operations primarily due to an uncertain outlook for the European economy, the negative impact of foreign exchange rate movements, and the adoption of IFRS 15⁴, while revenue in Japan operations increased reflecting a tight labor market.

Segment EBITDA increased 14.1% YoY as a result of improvement in operational productivity. In addition, in Japan operations, placement fee revenue increased YoY as a result of law revisions effective October 1, 2018 which encouraged enterprise clients to hire agency workers directly and contributed to higher EBITDA.

*1 EBITDA = operating income + depreciation and amortization ± other operating income/expenses
² The sum of Marketing Solutions and HR Solutions does not correspond with segment revenue and EBITDA due to Eliminations and Adjustments, such as intra-group transactions.

³ 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 Recruit Holdings.

⁴ Recruit Holdings adopted IFRS 15 in the beginning of FY2018, and changed its accounting policy, and revenues from certain customers which were previously presented on a gross basis with agent commissions classified in cost of sales are now presented on a net basis.

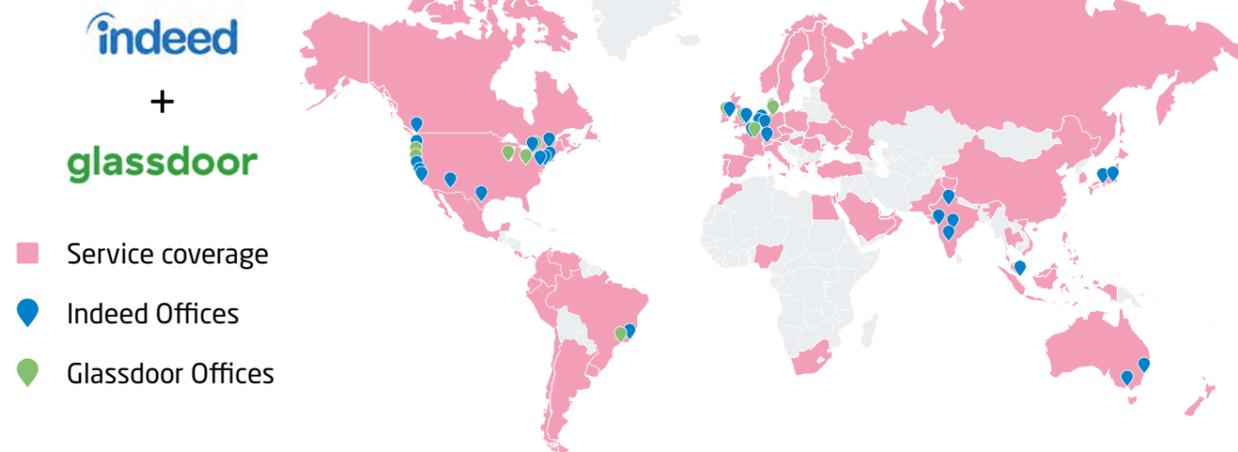
HR Technology SBU

The HR Technology SBU consists of the operations of Indeed, an online job search engine, and the operations of Glassdoor, an online job and company information site. HR Technology has maintained the highest growth of all the SBUs, and in the three-year period from FY2015, sales on a US dollar basis increased nearly fourfold from \$770 million to \$2.94 billion.¹

Business summary	Operational data No. of employees	FY2018 Financial performance
 <p>Founded in 2004 and acquired by Recruit Holdings in 2012, Indeed utilizes aggregation technology, a hosted job platform, and a proprietary search algorithm to simplify the job search experience by creating a single destination for job seekers to find relevant job openings. The job listings on Indeed are aggregated from thousands of company websites, job boards, staffing firm websites, and direct job postings on Indeed's online platform. Indeed helps employers recruit and hire talent through job advertising, providing an efficient platform to post jobs and source candidates through multiple pay-per-performance pricing models. Indeed also offers employers the ability to directly source candidates from its database of millions of resumes and is continuing to develop new recruiting solutions. Indeed has offices in 29 cities across 14 countries,² helping people find jobs in more than 60 countries.</p>	<p>Over 250 million monthly unique visitors⁴</p> <p>Over 150 million resumes³</p> <p>9,500 employees³</p>	<p>Segment revenue: 326.9 billion yen</p> <p>YoY growth: +49.6%</p> <p>Segment EBITDA: 47.4 billion yen</p> <p>YoY growth: +55.0%</p>
 <p>Founded in 2007, and acquired by Recruit Holdings in 2018, Glassdoor combines job postings with millions of reviews, salaries, and insights shared by users to increase transparency and help people everywhere find a job and company they love. Glassdoor helps employers hire talent at scale through recruiting solutions including job advertising, job posting, and employer branding products.</p>	<p>Over 60 million monthly unique visitors⁵</p> <p>960 employees³</p>	

Global presence

As of August 31 2019



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 Recruit Holdings.

² Approximate, as of March 31, 2019.

³ Approximate, as of June 30, 2019.

⁴ Internal data based on Google Analytics service; Average monthly unique visitors in the three months ended June 30, 2019.

⁵ Internal data based on Google Analytics service; Peak monthly unique visitors in the three months ended June 30, 2019.

Mid-term strategy

The HR Technology SBU aims to maintain growth through the continued expansion of our existing online job advertising services. We intend to pursue further growth by utilizing technology and automation to simplify the job search experience and lower the cost-per-hire for employers. We are expanding our capabilities through internal investments and will consider acquisitions to advance in these areas. The HR Technology SBU aims to improve the efficiency of our HR Matching business across

the Group by leveraging our industry expertise and through collaboration with the Media & Solutions and Staffing SBUs (see p19/20 for information on the HR Matching market). Together, Indeed and Glassdoor are committed to reaching more job seekers and employers by growing the business in key markets around the world. We expect that our non-US operations, which in FY2018 accounted for almost 30% of HR Technology SBU revenue, will represent an increasingly larger portion of our business over time.

Client success stories

Austin Capital Bank: Indeed Hire makes hiring easy



made our recruiting and hiring process enjoyable” said Erik. “It’s efficient, reasonably priced and it makes hiring easy, allowing us to focus again on critical operations functions. We plan to keep using Indeed Hire.”

Takashi Nishimura, General Manager at Indeed, explains that Indeed Hire is the next step in the evolution of a business with a singular focus—to help people get jobs. “We built Indeed Hire to provide an end-to-end recruitment solution at a fraction of the industry-average cost, helping employers lower their costs and helping more job seekers find the right job for them. Leveraging Indeed’s technology and data, we have dramatically simplified the entire process through automation, while backing it up with highly skilled specialists. Our simple success-based pricing model aligns our interests directly with those of our enterprise clients including SMEs, and our hiring professionals are seen as an extension of their talent attraction teams.” Takashi continues “This innovative approach places us at the forefront of the evolving HR market, enabling us to fulfill our focus of improving the experience for job seekers while helping employers find great hires.”

Founded in 2006, Austin Capital Bank is a national leader in US financial services innovation. In June 2017, the bank was experiencing rapid growth and its hiring needs grew as a result. President and CEO Erik Beguin and COO Stephanie Rankin found themselves overwhelmed with a large volume of resumes and unable to screen the hundreds of applicants. It was then that they turned to Indeed Hire, who assigned a hiring specialist who quickly came to understand their needs and deftly identified the right candidates for them. “Using Indeed Hire has been a huge time saver for us and has actually

■ Simplifying the job search process with innovative technology



Hisayuki Idekoba
Head of HR Technology
SBU

Isn't there a better way?

Recruit Group has been evolving its HR business since it was founded 59 years ago in order to meet the changing needs of the HR industry. What we have always considered important is to continue asking "Isn't there a better way?" One answer can be found in the HR Technology SBU, which uses technology to improve job search activities of individual users and recruiting activities of enterprise clients in a simple and efficient manner.

We made a full-scale entry into this field in 2012 with the acquisition of Indeed. Not so long ago, searching for a job was a burdensome process whereby job seekers had to use a wide variety of sources, including print media and online job boards, to try to find a job that met their needs. Founded in the US in 2004, Indeed uses aggregation technology to bring together job listings scattered across the Internet onto a single site, making the job search process much more efficient. We have made it easy and efficient for people to find and get jobs in more than 60 countries.

In addition, Glassdoor, acquired by Recruit Group in 2018, facilitates transparency in job searching by providing word-of-mouth information that helps people choose a job, including reviews of the work environment and information on salaries.

Indeed and Glassdoor are working towards a common goal of making it easier to help people get jobs, while helping employers recruit and hire talent. Utilizing each company's respective strengths, we are committed to achieving this goal.

Beyond online job advertising

Our core business of online job advertising has grown significantly over the last few years, and we will continue to expand our business on a global scale. At the same time, we will seek to expand into new markets beyond our existing online job advertising business.

For example, the recruitment market is significantly larger than online job advertising, and we see a huge opportunity to disrupt this market and deliver a better solution to job seekers and employers. Indeed Hire, first launched in 2016, is a product uniquely positioned to tackle this new opportunity. Designed to meet the needs of businesses that do not have the time to review hundreds of resumes, the service leverages our data and strength in machine learning to deal with many of the repetitive and manual steps involved in traditional job placement and search. The result is a pay-per-hire full-service recruiting agency that helps improve each step of the hiring process for everyone.

Expanding our services through M&A

We have also evolved our existing products and services through M&A. For example, through the acquisition of Interviewed.com in 2017, we launched Indeed Assessments in 2018, which brings a comprehensive library of assessments to help employers screen candidates for their aptitude, cognitive abilities, and specific skills that fit their hiring needs. The ability to immediately identify the job seeker's skills has made it possible for individual users to find the jobs that suit them best, and for clients to quickly identify qualified candidates, significantly reducing the time and cost of hiring.

The HR industry continues to rapidly evolve. In particular, the pace of advancements in technologies such as machine learning is remarkable, and we are entering a genuinely exciting time for the industry. Our goal is to contribute to enriching people's lives by using innovative technologies to eliminate the challenges of job searching and recruitment, making these processes more efficient.

Taking advantage of the strengths of our Group, which has a history of turning every change in the industry into an opportunity, we will continue to innovate so that growth in the HR Technology SBU can help drive the growth of the entire Recruit Group.

■ Risk management **Lowell Brickman**

Executive Officer, Risk Management, HR Technology SBU,
General Counsel and Secretary, Indeed



One of the biggest challenges for a technology company experiencing growth is finding that delicate balance between the expansion of services and assurance that all products are completely risk free. An easy way to mitigate risk is to simply say "no" to anything new, but of course, that's bad for business. Our risk management team is told to put themselves in the shoes of the business person, understand their objectives, and develop a course of action whereby they can say "yes," allowing the project to move ahead but in a legal, safe way.

The introduction of SBU Risk Management Committees, reporting to the Risk Management Committee at our holding company, has helped make risk management a key priority in our SBU. We have a Risk Management subcommittee, a committee underneath the main committee, which has representatives from product, legal, privacy, and engineering. With this system, we try to ensure that the highest levels of our company are made aware of potential issues in advance, resulting in the prioritization of preventative actions.

Another challenge for our HR Technology SBU, which has been accelerating its M&A strategy, is ensuring that all new subsidiaries of the SBU are also maintaining effective compliance and privacy practices. To handle this, we take a three-step approach: we require that they obtain permission from the SBU headquarters in certain high-risk areas, we have them report back to us to confirm that they have put requested safeguards and training in place, and we track their activities through reporting. While what we're doing is not easy, with carefully thought-out systems in place, highly-skilled engineers, and a company culture that promotes compliance, we believe we can scale both safely and securely, while allowing new companies a measure of independence.

When it comes to data security, our engineers play an absolutely essential role in securing our systems. We work closely with our highly skilled employees, including those from Indeed and Glassdoor, to develop and maintain policies and processes designed to protect our data. This can be quite a challenge when operating in so many countries. Our team of attorneys, privacy and security analysts, and engineers all over the world, work together in this task.

Indeed Stories

How Indeed wows the world Chris Hyams CEO, Indeed



Indeed's mission is to help people get jobs. After family and health, for most people a job is the most important thing in their life. This mission is what gets us up in the morning and what keeps us up at night. It grounds us in the incredible impact we have on society.

Indeed was founded in 2004 with two key principles, starting with the cornerstone of our mission: putting job seekers first in everything we do. In every decision about our products and our business, the question we ask is, "What's best for the job seeker?" This might sound obvious, but it's a revolutionary idea. We bring millions of jobs from all over the world into one place, and make it simple and fast for people to find the right opportunity.

The second principle of our business is delivering the most value to employers. Our core business model is pay-for-performance, which means that our incentives are aligned with our clients. If we deliver candidates, we get paid; if we don't, we don't get paid. This model ensures that our primary focus is on driving better results and more value. Indeed wows the world by putting job seekers first and delivering the most value to our clients. This combination offers a competitive advantage under a variety of market conditions. Over time, the job market will undoubtedly experience ups and downs in line with economic cycles. In more challenging times, we can offer job seekers greater choice, and at the same time offer employers a more efficient method of finding the right talent.

One of Indeed's greatest strengths is our employees. They are inspired to be part of a company that has a positive impact on society by helping millions of people around the world find jobs. Our pay-for-performance business model relies on continuous innovation to help job seekers find jobs better, and to help employers hire better. It's essential that our people are empowered to be innovative and entrepreneurial in their work. Diversity and inclusion is a key element of innovation,

as the people we serve represent every demographic in the world. Indeed is for everyone, so the more diverse experience and thought we bring to the company, the better we are at identifying and solving new problems.

Being a part of Recruit Group has given us a strong competitive advantage. The Group has decades of operating experience in markets that have undergone significant transformations since the 1960s. This experience has provided insight into how to think about long-term sustainability and growth that few technology companies our age are likely to figure out on their own. We have also learned from Recruit Group's successful hands-off approach to M&A. Indeed has run autonomously with a consistent mission and focus, but with the added strength of the Group behind us. This is a technique that we have extended to the companies that we have successfully incorporated.

Overall, this is a very exciting time for Indeed. I look forward to continuing to scale our current business, while also leading innovation in new markets like the job placement industry, so we can positively impact the lives of even more people around the world.

Our stories: The Orange Chair

Putting job seekers first is a fundamental principle that has been with us from the start at Indeed. It's a philosophy that guides us in our work every day, and has become ingrained in our company culture. Several years ago, as our young company was growing rapidly, our CTO, Andrew Hudson, wanted to ensure that this idea remained front and center. To remind team members to always ask, "What's best for the job seeker" with every decision, he ordered an orange chair to be put in every meeting room, so the job seeker would always have a seat at the table. Since then, the orange chairs have kept us focused every day on putting job seekers first, and we've grown to help over 250 million unique visitors per month find jobs.



Sustainability at Indeed

Our activities to help promote a sustainable society



Earth day and the Go Green Initiative

Helping people facing challenges in finding employment

Through a partnership with the international nonprofit organization Goodwill, Indeed has committed to help one million job seekers who are facing challenges such as disabilities, having a criminal record, or undergoing difficult life transitions, to find employment by 2024. Indeed is doing this by offering online assessments and event management, and training tools to Goodwill job seekers.

Earth day and the Go Green Initiative

Employees actively participate in the voluntary environmental initiatives "Earth day" and "Go Green." Activities include picking up garbage, planting trees to repopulate species, and promoting environmental awareness within the organization.

Supporting athletes' careers

Through an official partnership with the Irish Olympic team for Tokyo 2020, Indeed will collaborate with the Olympic Federation of Ireland Athletes' Commission and together create a program of workshops, mentoring, and job placements for athletes to help them manage their careers alongside their athletic endeavors and plan for their future professional lives.



Supporting athletes' careers

Glassdoor Stories

How Glassdoor brings transparency to the job market Robert Hohman Co-Founder and CEO,* Glassdoor



Our mission of “helping people everywhere find a job and company they love” is extremely important for our operations and employees. Before Glassdoor there was very little transparency in the jobs market, but by providing information on what it’s really like to work at a company, we are enabling people to make informed choices, leading to better work environments and fair pay worldwide. Right from the start, it was clear that Glassdoor’s mission fits perfectly with Recruit Group’s philosophy of “Opportunities for Life.” It’s also a Group that celebrates the unique strengths of the businesses within it, allowing Group companies to run autonomously. This empowers individual businesses such as Glassdoor to pursue independent goals in line with their strengths, and also has a positive impact upon talent retention.

Going forward, a key driver for Glassdoor’s growth will be global expansion. Perhaps the biggest change since joining Recruit Group has been our ability to invest in our long-term vision, which has meant faster international expansion. During calendar year 2019, Glassdoor launched 8 new sites, including several in Asia, Europe, and Latin America. Working alongside Indeed brings further advantages: with Glassdoor’s recognition as a leading destination for job seekers to learn about companies and job opportunities, and Indeed’s industry-leading technology and data, we are in a unique position to leverage their respective strengths to serve job seekers in a deeper way than has ever been done before, and help employers of all sizes recruit and hire top talent.

Next chapter to begin: CEO appointment



Glassdoor recently announced a change of leadership, with Christian Sutherland-Wong, Glassdoor President and COO, being promoted to Chief Executive Officer, effective as of January 6, 2020. Robert Hohman will remain with Glassdoor as chairman. Appointed as COO in early 2018, Christian oversees day-to-day operations, strategy, and business for Glassdoor. He joined the company in 2015 and previously held roles at LinkedIn and Bain & Company.

“I am honored and thrilled to lead Glassdoor into our next chapter” said Christian. “My vision is to build on Glassdoor’s excellence, as a business and as an employer, that Robert has established over the past twelve years.”

“I have full confidence that Christian will build on the success he’s brought to Glassdoor, doing what’s best for job seekers, employers, and our employees,” said Robert. “I am extremely proud of what Glassdoor has accomplished and it is well-positioned to further disrupt the employment industry.”

Client success stories Forrester Research: Attracting smart, motivated and curious employees

Forrester Research is one of the most influential research and advisory firms in the world. It’s an idea company powered by exceptional employees who have the talent and courage to challenge business norms. Finding that 91% of hires used Glassdoor, Forrester embraced the platform, providing a space for employees to tell the Forrester story in an authentic, engaging manner. This led to a 24% increase in overall ratings, and a 325% increase in candidate awareness. Forrester’s Employee Experience Specialist Else Ross noted, “Glassdoor is an authentic way employees can take an active role in attracting and inspiring future colleagues. In doing so, they are making an immediate and meaningful impact on our brand.”

Sustainability at Glassdoor

Our activities to help promote a sustainable society



Employee gathering event at Glassdoor

Advocating for fair pay

Glassdoor is committed to advocating for and educating on fair pay practices around the world. The company publishes economic research and holds many events to promote equal pay for equal work. As of June 2019, Glassdoor itself has no gender pay gaps within its workforce.

Training recruiters

Glassdoor holds an annual “Glassdoor Recruit” event during which recruiting professionals gather and employers can learn and sharpen their talent acquisition and hiring strategies. In 2018, a wide variety of topics such as “building and scaling a diversified workforce” and “eliminating bias to hire the best” were covered.

Reducing CO₂ on Bike-to-Work Day

Glassdoor encourages employees to commute by bicycle and holds an annual “Bike-to-Work” day. Every year, employees worldwide join this event to help the environment by reducing their CO₂ foot print.

Unconscious bias training for every employee

Every employee at Glassdoor receives unconscious bias training, which aims to nurture a workforce in which every employee understands themselves and can feel empathy for those around them. These insights help in the development and provision of services through having a better understanding of individual users’ needs.

In our Media & Solutions SBU, a number of vertical media platforms and related businesses are divided into two major operations: Marketing Solutions and HR Solutions.

Marketing Solutions focuses on Housing and Real Estate, Bridal, Travel, Dining, as well as Beauty and various other areas through our media which are mainly our online platforms. With this focus, we provide individual users a multitude of choices, and advertising services for enterprise clients including SMEs to aid them in attracting individual users. We also support SMEs with operational and management support services through Air BusinessTools, our SaaS solutions.

In HR Solutions, we provide services that support individual users' job search activities and enterprise clients' recruiting activities through our media and online platforms and placement services.

Business summary		Main service	FY2018 Revenue Billions of yen (YoY growth)
Marketing Solutions			
Housing and Real Estate	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.	 suumo	104.1 (+6.1%)
Bridal	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.	 ゼクシィ	54.9 (-0.9%)
Travel	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 in addition to providing travel information.	 Jalan	61.6 (+4.7%)
Dining	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 users such as online booking and a scheduling function for invited guests.	 HOT PEPPER カルメ	38.8 (+4.0%)
Beauty	The Beauty business operates Hot Pepper Beauty, an online platform and print media, which provides users with information about hair treatments, relaxation, and other beauty treatment salons. The Hot Pepper Beauty online platform offers an online booking service as well as a searching functionality to find available time slots of selected hair stylists, nail technicians, etc.	 HOT PEPPER Beauty	72.0 (+12.9%)
Others	Others include Car Sensor, an online platform and print media providing information on pre-owned automobiles for potential buyers, Study Sapuri, an online learning support platform for students and adults. Also, we provide Air BusinessTools, which are cloud-based operational support services for SMEs such as shops and restaurants.	 カーセンサー  スタディサプリ  AirREGI	68.7 (+6.0%)
HR Solutions			
Recruiting in Japan	Recruiting in Japan operates 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.	 リクナビ 2020  リクナビ NEXT  RECRUIT AGENT  TOWNWORK	283.9 (+4.9%)
Others	Others in HR Solutions offers HR development business in Japan and placement service in Asia.	 IRGF International Recruitment	32.8 (+38.3%)

¹ The sum of Marketing Solutions and HR Solutions does not correspond with segment revenue due to Eliminations and Adjustments, such as intra-group transactions.

Mid-term Strategy

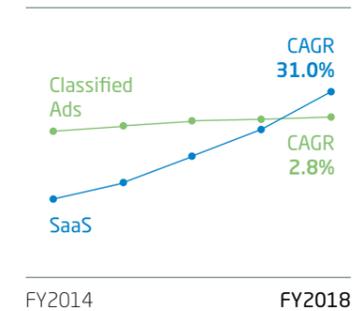
We intend to focus on achieving further growth of our existing advertising businesses in both Marketing Solutions and HR Solutions, by providing valuable information and services to individual users and help enterprise clients including SMEs to effectively attract users and recruit and hire talent, in various business areas such as Housing and Real Estate, Bridal, Travel, Dining, Beauty, and Recruiting in Japan.

We believe that we have identified a significant untapped opportunity in providing value-added SaaS solutions to SMEs, which can help their businesses potentially reduce operational and managerial costs.

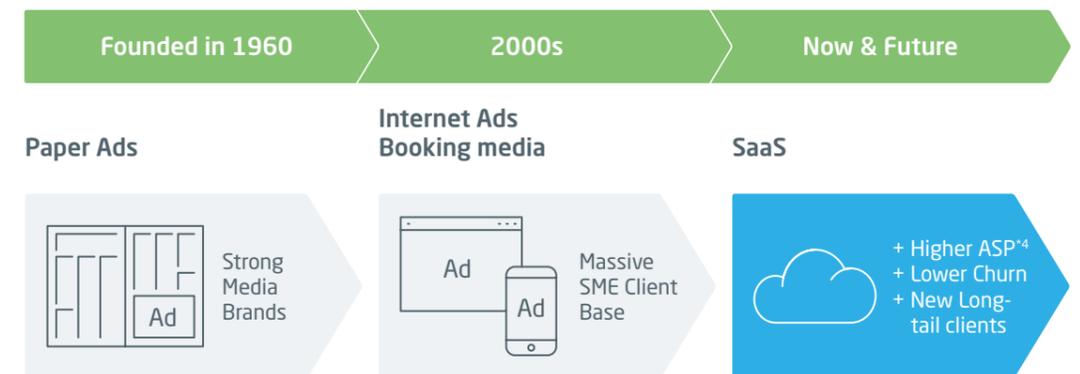
With our nationwide sales force deepening relationships through frequent interactions with SMEs, we will expand our SaaS solutions with the provision of Air BusinessTools, a comprehensive bundled suite of cloud-based solutions to support day-to-day management and operations, including reservation, CRM, POS system, payments, workforce management, hiring functions and other areas. Combining the SaaS solutions with our existing advertising businesses can enhance the growth of the Media & Solutions business. We have seen significant expansion of our SaaS solutions in recent years. The number of registered accounts for SaaS solutions² has surpassed that of advertising accounts (see the chart on the left). The SaaS business contributes not only to increasing revenue per client and lowering the churn rate with existing clients, but also to expanding our enterprise client base, especially among SMEs such as smaller retailers. By further accelerating the expansion of our SaaS business, we will support the operational and managerial functions of our SMEs to help their businesses work smarter, as we have since the founding of Recruit Group.

We will aim to generate stable revenue growth and maintain the current high level of adjusted EBITDA³ margin by executing the strategies mentioned above.

Total number of Accounts ^{*2}



Registered accounts for our SaaS solutions² increased at a CAGR of 31% from March 31, 2015 to March 31, 2019. Growth in registered accounts for SaaS solutions² significantly exceeded the growth in accounts for classified advertising services.



² Registered accounts for SaaS include multiple accounts of the same enterprise clients including SMEs for different types of SaaS solutions offered mainly through Air BusinessTools. The accounts of classified ads and SaaS include the freemium users. The accounts are as of fiscal year end.

³ Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expense

⁴ Average Selling Price

■ Transforming ourselves through diversity



Yoshihiro Kitamura
Head of Media & Solutions SBU

59 years of commitment to change

The Media & Solutions SBU has inherited and improved upon Recruit Group's core businesses while continuing to provide new values by tackling the challenges faced by individual users and enterprise clients. Our ability to change ourselves in response to the needs of the society and time in which we live is our strength, and it provides the foundations and infrastructure that support our SBU.

For example, when we started the online reservation service for our Beauty business in Marketing Solutions in 2007, there were less than 100 appointments booked per month through our online reservation platform. Now, over 300,000 salon appointments are booked online in a single day. More than a decade has passed and the business has continued to evolve: revenue for the Beauty business in FY2018 was 72 billion yen, an increase of 12.9% compared to the previous fiscal year, turning it into a sustained high-growth business.

Making appointments online is very common these days. If a service achieves widespread popularity, neither individual users nor enterprise clients are surprised by it or appreciate just how convenient it is compared to the past—it's just a given that these services exist. In this way, we are now planting as

many seeds as possible so that in ten or twenty years, when we look back at today, we can say, "That was it! That was when we changed the game!" This is why continuous change and innovation is essential.

A place where unique talents gather

Currently, in the Media & Solutions SBU, we are transforming our advertising business, which has been our core business since the foundation of the Group, using technology such as SaaS solutions.. Through this process we are maintaining the constant pursuit of evolution and trying new approaches to push ourselves to challenge the status quo. We believe that the attitude of humbly seeking improvements inspires us to find better ways of doing things, which ultimately delivers more value to the world.

Within the Media & Solutions SBU, our people are a core strength. We come from a wide variety of backgrounds, and everyone has different areas of experience and capabilities. Here, these many unique talents are gathered in a single place. Sometimes, former employees return to the company or become involved in our business in a new way—both things that we welcome. The breadth of diversity of our employees is reflected in the results of our internal survey. Their unique talents complement each other, resulting in new

ideas and new value. It is crucial that we provide a supportive environment for our people to generate ideas, which is how we can create new value.

The evolution of technology and the strengthening of governance

While helping fuel our transformation, the evolution of technology brings new risks. Consequently, we recognize that it is essential to manage these appropriately. In particular, to maintain a sustainable business, the protection of personal information and cybersecurity, as well as other aspects of risk management, are critical. For this reason, the entire

Media & Solutions SBU is strengthening governance in a way that supersedes organizational divisions. We consider the evolution of technology to be an inescapable force, similar to gravity. Going against it is difficult, and if we are to realize a better world, we must embrace it. We are committed to pushing forward with our transformation, making full use of the latest tools available to us, while always keeping the extreme importance of risk management and compliance in mind.

■ Risk management **Kentaro Mori** Corporate Executive Officer, Risk Management, Recruit Co., Ltd.



Up until now, in the Media & Solutions SBU, we have promptly responded to changes in the business environment through quick decision-making based on our delegation system. At the same time, it is necessary to take a holistic viewpoint that accounts for both increasingly complex industry regulation and the expectations of society.

Operating many online platforms as we do, privacy management, including the protection of personal information, is one of the most important aspects of our business. We will increase the effectiveness of our risk management and further strengthen our governance system. Specifically, we plan to establish a team dedicated to privacy management and integrate legal functions in the Media & Solutions SBU in Japan. Also, we have established an Advisory Committee on data utilization which is comprised of both internal and

external members to more appropriately reflect the needs of society, including our users. We have committed to revising our privacy policy to be more user-centric. We will also continue to provide our employees with ongoing training focused on privacy issues and personal data protection to reinforce the importance of privacy management.

We believe that the goal of risk management is the improvement of our enterprise value and the prevention of damage to it. Because each of our businesses has earned a competitive position in its marketplace, it is even more important to ensure that each business is scrutinized from both legal and ethical standpoints. Moving forward, we will identify priorities and execute highly effective risk management while carefully monitoring advancements in technology and social trends.



Recruit-CSIRT: Cybersecurity award winners

Recruit-CSIRT provides early detection to prevent cyberattacks, minimizing damage to Recruit Group's businesses in Japan. In February 2018, its advanced security measures and exemplary CSIRT activities were recognized and awarded the Encouragement Prize by the Minister of Internal Affairs and Communications.

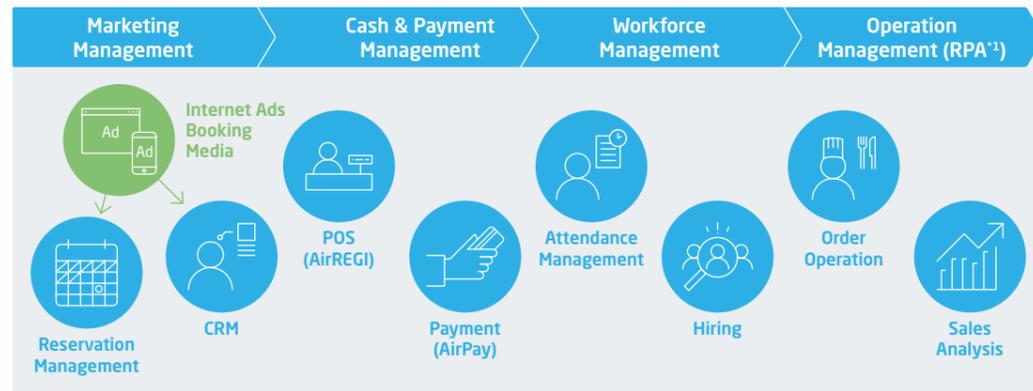
For further information on Recruit Group's risk management, see p79/80

Media & Solutions Stories

Air BusinessTools

Air BusinessTools is our SaaS solutions, a comprehensive bundled suite of cloud-based solutions to support management and operations of SMEs, such as small retailers, in areas including reservations, CRM, POS

system, payments, workforce management, and hiring functions. These value-added SaaS solutions contribute to enhancing the efficiency and productivity of SMEs, by reducing their operational and managerial costs.



AirPay: Electronic in-store payment service

AirPay is a payment service provided as a function of Air BusinessTools that supports 26 types of payment methods*2 including credit cards, e-money, QR, and points. Being able to use various payment methods in a single store benefits both customers and SMEs.

The Japanese government's promotion of cashless payment methods has also increased demand for in-store payment services and as such has helped fuel the adoption of AirPay.



Supported payment solutions

credit cards	transport cards	e-money	QR		points	

*1 Robotics Process Automation
*2 As of August 31, 2019

Client success stories AirPay supports small businesses near Mt. Fuji



Tatsuya Kijima
Travel Sales Management Division, Regional Strategy Development, Recruit Lifestyle Co., Ltd.

Yudai Hayashi
Head of AirREGI Business Unit, Internet Business Development Division, Recruit Lifestyle Co., Ltd.

With Mt. Fuji being designated a World Heritage site, the city of Fujiyoshida is seeing a significant increase in tourists, including international visitors. However, very few of the local shops and hotels had accepted cashless payments, so we looked to address the fact that the city is not sufficiently equipped to meet the needs of consumers. With even more local revitalization plans in line for the future, AirPay is being introduced to more than 100 shops within the city, including shops on Mt. Fuji itself, and the entire region is moving towards accepting cashless payments, becoming able to better accommodate tourists. Tourists from overseas and mountain climbers do not carry much cash, so being able to accept credit cards and other payment methods to facilitate easy transactions ties directly into the revitalization efforts of the region. Shops that have begun accepting these payments have shared feedback such as, "It is so easy to operate even for a small shop like us," and "Our sales have increased thanks to the introduction of AirPay." In March of 2019, we entered into a comprehensive cooperation agreement with the city of Fujiyoshida for further local revitalization. We will take this initiative to other areas of Japan promoting cashless payments nationwide.

New business proposal system "Ring"

The Media & Solutions SBU functions as a hub for our new business proposal system "Ring," which is open to all employees of Recruit Group. Ring started in 1982, and has produced numerous businesses including the bridal information platform "Zexy" and the online learning service "Study Sapuri."

The themes are not limited to existing areas for Recruit Group, and all business proposals are welcome. Ring is the very embodiment of our Group's basic principle of creating new value, and it gives participants an opportunity to turn their own ideas into proposals to seek the support and resources to make them a reality.

In 2019, almost 1,000 new business proposals were submitted through Ring. More than 70% of these proposals were outside the scope of the proposer's primary job responsibility, and in this way Ring has become a vehicle for innovation that goes beyond departments and work duties.



Sustainability at the Media & Solutions SBU

Our activities to help promote a sustainable society



Students using online learning service Quipper in the Philippines

The foundation of our business model is to connect people who seek opportunities and organizations that provide them in various areas of daily consumption. This concept is directly aligned with Goal 10 of the UN Sustainable Development Goals (SDGs), which is the elimination of inequality among people and nations. Meanwhile, the outcomes produced by each of our services are different. By helping improve the productivity of SME clients with our Air BusinessTools, we believe that we will contribute to SDG Goal 8, which is focused on job satisfaction and economic growth. Our services for pursuing further education help advance progress towards SDG Goal 4 of quality education for all. By toppling these “SDGs Dominos” (see p25), we will contribute to the realization of a sustainable society and economy in which no one is left behind.

We are committed to continuing to create positive change for society while protecting the rights of all stakeholders, including users and clients, by running our core businesses while implementing such initiatives. We believe that this will lead to our achieving our sustainability objectives.

Recruit / Recruit Jobs: physical condition measurement for seniors

We support seniors who have given up working due to age barriers, such as mismatches in job content with physical capabilities. This nationwide program aims to help such individuals find suitable work by measuring and visualizing their physical strength, operational skills, personality, and other personal traits. As of May 2019, our program has been held at 30 locations nationwide.

Recruit: WORK FIT

“WORK FIT” is a free employment support program to help anyone find their ideal job. This program is customized not only for undergraduates, but also for people who are unemployed, in reform schools, or children in orphanages. Since 2011, approximately 30,000 people have participated in the program (as of March, 2019).

Recruit / Recruit Office Support: supporting athletes

Since 2018, we have had a sponsorship agreement with five athletes and one coach to encourage compatibility between work and athletic activities. Sitting volleyball player Jun Tazawa has won numerous national tournaments, while wheelchair tennis player Koji Sugeno is fourth in the world ranking in the quad class (as of September, 2019).



Sitting volleyball athlete Jun Tazawa

Recruit Sumai Company—LGBT-friendly housing search support

We offer guidance on LGBT-friendly properties, advice on buying homes, the introduction of shared mortgages, and other support so that users can find a home without obstacles, regardless of sexual orientation. Properties and agencies that explicitly state that they will not refuse consultation or move-in on the basis of a tenant identifying as LGBT are recognized as LGBT-friendly.

Recruit Career: “Sankaku”

We began offering working internships in 2018 as a means for people to broaden their scope of personal activities and have now had a total of over 2,000 participants. The program provides an opportunity for business people to broaden their careers without leaving their current positions, and engage with people and tasks outside of their current job environment.

Recruit: “iction!”

Started in 2015, project “iction!” is focused on concentrated working hours where employees can more easily balance their working lives with parenting. We have signed a cooperation agreement with the city of Kitakyushu to support women’s employment with the cooperation of the government and local companies. Through this activity, the rate of social return on investment (SROI) is about 14.6 fold, with a monetary value of approximately 200 million yen.



iction! Project

Staffing SBU

The Staffing SBU's purpose is to contribute to society by providing mainly temporary job opportunities to as many people as possible. The social value we provide is best described as offering "Opportunities for Life" around the world to people from all walks of life. We do this by offering them work and career opportunities and at the same time helping enterprise clients establish an effective workforce to continuously move them forward.

Today our operations span the world: North America, Europe, Australia, and Japan. We provide staffing services in a wide range of markets, such as clerical, industrial, medical and technical. In addition to temporary staffing and permanent placement, we offer solutions for professionals with highly specialized expertise, such as IT, engineering, finance, and legal.

Japan

In Japan, our Staffing business provides a broad range of staffing solutions across all industries and professions - e.g., clerical, industrial, engineering, and IT. With our brands, Recruit Staffing and Staff Service Group, we are the leading player in the staffing market in Japan with a presence in all major cities.

Recruit Staffing is particularly strong in providing clerical job opportunities, especially in metropolitan areas such as Tokyo, Osaka, and Nagoya. Staff Service Group provides a wide range of job opportunities, with its strong relationships mainly with local companies including those in smaller cities across Japan.

North America

In the North America region, our Staffing business is active with Staffmark Group and The CSI Companies. Staffmark Group is a family of staffing brands in the US and Canada, providing staffing solutions for small businesses as well as large companies. Individual brands include: Staffmark, Advantage Resourcing, Advantage xPO, and the Atterro companies. Each

providing expertise, connections, and technology to connect job seekers and enterprise clients. The CSI Companies designs staffing solutions for companies across a wide range of industries focusing on professionals in IT, finance, healthcare, pharmacy, and office. It has a leading position in the professionals market in the Southeast region of the US.

Europe

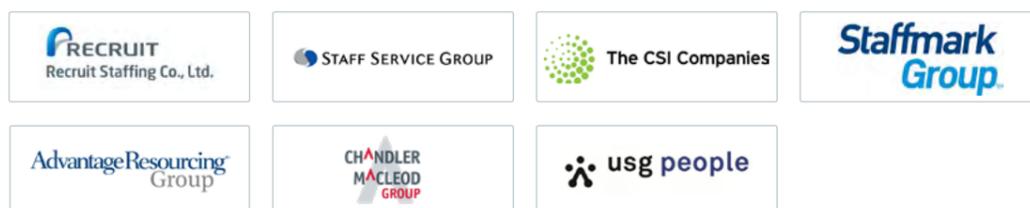
In Europe our Staffing business is positioned in the Northwestern region, with staffing activities in Belgium, France, Germany, the Netherlands, and in the United Kingdom. With Start People, Unique, Secretary Plus,

USG Professionals, and Advantage Resourcing as our main brands, we have built strong local networks to serve job seekers and enterprise clients across the countries in virtually all market segments.

Australia

In Australia, our Staffing business is represented by the Chandler Macleod Group. It offers a broad range of staffing services from various well established brands, and provides a variety of opportunities for job seekers. The Chandler Macleod Group spans the Asia Pacific

region, including Australia, New Zealand, China and Singapore. Chandler Macleod Group's brands include: AHS Hospitality, Aurion, Chandler Macleod, Peoplebank and Vivir Healthcare.

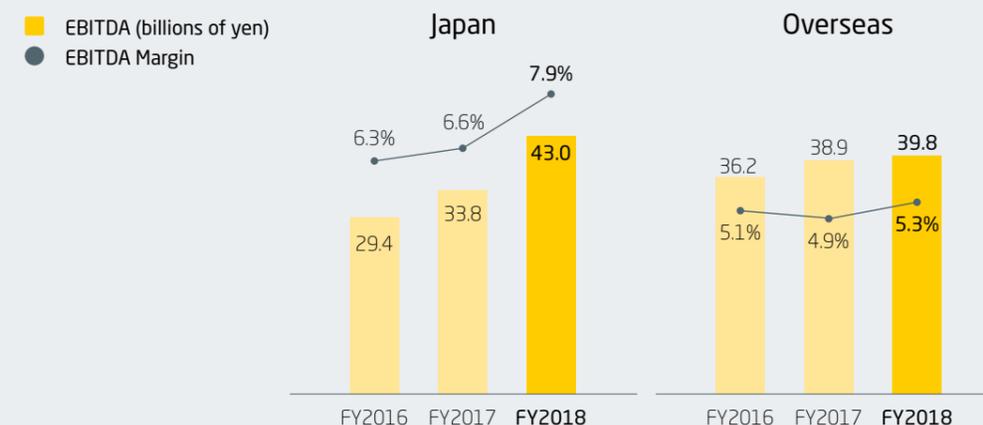


Mid-term strategy

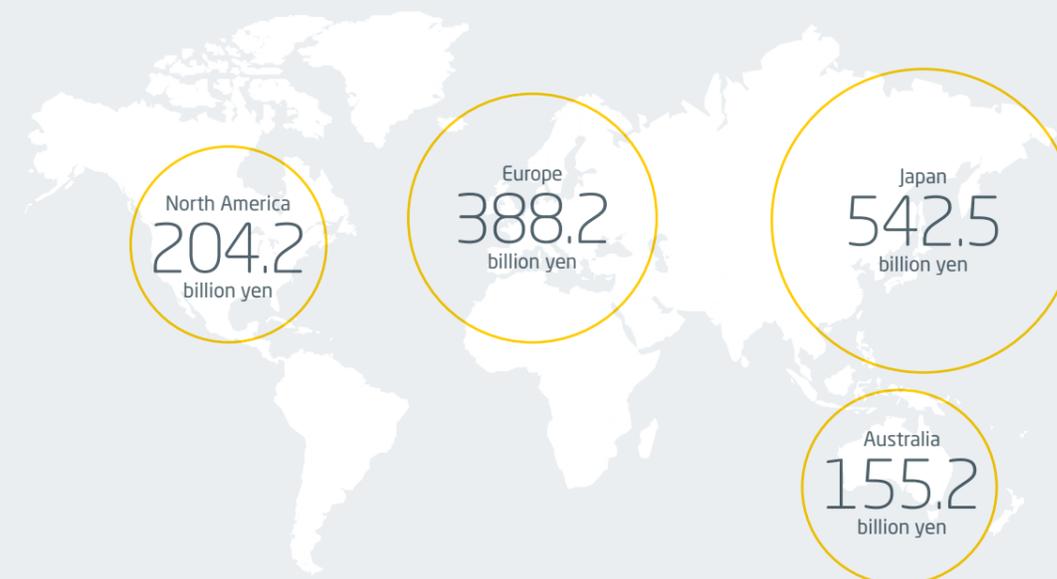
In the Staffing business, we will aim to improve adjusted EBITDA margins^{*1} by continuing to focus on operational efficiency.

Our Japan operations have high profitability in the global staffing industry, and we will focus on maintaining its profitability. We will further aim to improve adjusted EBITDA^{*1} margin in our operations in North America, Europe and Australia by further implementing the Unit Management System (see p60).

EBITDA and EBITDA margin



Revenue by region for FY2018^{*2}



^{*1} Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expense.

^{*2} Sum of the individual companies sales before consolidation adjustments for North America, Europe and Australia.

The Staffing Leadership Message

- Creating a smart and agile organization to contribute to society



Rob Zandbergen
Head of Staffing SBU

The Staffing SBU is uniquely positioned to meet the needs of both job seekers and employers through leveraging decades of experience of relationship building.

Investment in our employees and productivity improvements are key factors in delivering outstanding services for our agency workers on assignments and enterprise clients. We will continue to improve upon our commercial and operational excellence and are committed to delivering meaningful added value to our stakeholders and society in order to meet their changing needs and expectations.

Our operational priority—productivity improvement—will be realized through the leveraging of our strong local market positions with a clear focus on value over volume, driven by our Unit Management philosophy. This applies not only to our existing products and services, but also will help guide us as we work to establish new revenue streams. This strategy, together with our empowered employees, will strengthen our competitiveness while supporting the transformation of the Staffing SBU into an agile, technology-driven business to meet job seekers' and enterprise clients' needs and to have an increasingly meaningful impact on them.

Our focus within our global network is to add value to society. This is also at the heart of our business as we aim to provide opportunities to people from all walks of life by finding a workplace where they are safe, happy, rewarded, trained, and developed. In line with this, we consider respecting and advancing human rights an essential part of our daily business.

Being aware of our responsibility, we take a proactive approach to supporting and respecting the prosperity of people and the protection of their rights, independent of race, gender, religion, social status, or any other characteristic, within the context of our activities and operations.

With our position, we have the opportunity to provide a meaningful impact upon the lives of hundreds of thousands of people who currently face barriers to employment, and by extension, their families and communities. Within our staffing business, we also have many initiatives that help improve the lives of people who face barriers that leave them at a distance from employment. Examples include activities and projects to support immigrant populations, people with disabilities, veterans, and minority groups in finding jobs.

With this approach, our Staffing SBU is strategically positioned to deliver upon its commitment to society, while maintaining sustainable growth in the years ahead.

- Strategy execution within the Unit Management System

A crucial element in the success of the Staffing SBU, whose business spans many countries and regions, is the localization of products and services to fit the needs of individual markets. To do this, we have introduced the Unit Management System, a style of management that provides individual businesses with the flexibility to make decisions based on their deep knowledge of local client need and market situation.

The Unit Management System divides an organization into small units based on differences in the markets they serve. Each unit is regarded as if they are a standalone company and the Unit Manager is given authority to make decisions. This arrangement allows each unit to devise and execute actions to implement our strategic priorities effectively for each market, with the aim of maximizing their local profits.

This system is designed to enhance the sense of ownership by the person responsible for each unit by giving discretion to promote higher-quality decision making.

In addition, common challenges and solutions in global markets are categorized and shared within SBUs in order to align each unit's strategy to our overall strategy quickly and simply, and to maximize each unit's ability to create value for their clients.

As each unit implements this process, productivity and profitability will improve and contribute to productivity improvements for the entire SBU.

Unit Management System



Case studies

The Unit Management System



With almost three decades in the industry, Peoplebank, a Chandler Macleod Group company, is South East Asia and Oceania's leading IT and digital talent solutions provider. Peoplebank joined Recruit Group in 2015, and its implementation of our Unit Management System (see p60) demonstrates the effectiveness of this approach in managing our group companies.

In Australia, the IT recruitment market has had lower margins than elsewhere, and in 2014, when Peoplebank was proceeding with its own previous M&As' post-acquisition integration, the market experienced a significant decline. It was then that Peoplebank began implementing the Unit Management System company-wide while refocusing on its core services. All 35 top managers took part in Unit Management workshops, and subsequently, the company has implemented significant changes. These include the simplification of its cost-allocation methodology, re-alignment of short-term incentives with EBITDA, and the open publishing of unit results every month while implementing incremental measurements weekly. Since 2015, the company's EBITDA margin has almost doubled. Today at Peoplebank, the Unit Management System has become a core part of basic training for new hires. "The system has helped drive Peoplebank's business foundation with a high-performance culture," said Peter Acheson, longstanding Peoplebank CEO, and now CEO of Chandler Macleod Group. "Making small incremental improvements is the only way to get there."

Case studies

Supporting the challenges faced by the young "Freeter"¹ class through engineer dispatch



In Japan, the combination of an aging society and favorable economic conditions has led to a shortage of workers in many industries. This situation is especially acute in the IT sector, where it is estimated that by 2030 there will be a shortage of up to 790,000 workers.² At the same time, there are approximately 1.4 million people under the age of 35 who are currently working as "freeters" that find themselves struggling to form mid- to long-term careers and achieve incomes above a certain level.³

In a bid to help meet the needs of both job seekers and employers, in 2012, Recruit Staffing Information Services started an engineer dispatch service. Under this program, inexperienced engineers—including members of the young freeter class—continue to receive training while gaining experience at client businesses through our Career Design Style program. Rather than setting the number of job matches as a measure of success, we focus on post-job matching management indicators of the engineer's career development. We work with clients to provide OJT⁴ which leads to professional licenses, and have developed a scheme for salary increases based on experience. We have continued to achieve solid growth year after year, and as of the end of March 2019, the number of our dispatch engineers has exceeded 1,000. Through this program, we will continue to support young people in building their careers and help clients who are facing a lack of engineers. In this way, we can bring further value to society by tackling social problems while also helping individuals to achieve personal growth.

¹ "Freeter" is a term used in Japan to describe people who are either unemployed or only work part-time, and was originally used to refer to young people who deliberately chose a more 'free' lifestyle over starting a career.

² "Survey Results Concerning the Latest Trends in IT Personnel and their Future Estimates--Report, Abridged Version," Ministry of Economy, Trade, and Industry (2016)

³ "2018 Labor Force Survey Results" (Ministry of Internal Affairs and Communications, Statistics Bureau) (Accessed on August 31, 2019)

⁴ An abbreviation for "On-the-Job Training." Refers to professional training received at an actual workplace by performing real work.

Case Studies

Our people are the "Plus" in Secretary Plus

USG People Belgium's "Secretary Plus" Brand



Among the many staffing services provided by our group company USG People Belgium, the "Secretary Plus" brand, which specializes in management support staffing, delivers exceptional profitability and has one of the highest conversion ratios (EBITDA divided by gross profit) in the Staffing SBU. In the staffing industry, competition for highly skilled clerical talent is intensifying. In response to this, Secretary Plus Belgium has established a clear differentiating brand strategy as well as a detailed follow-up system to support agency workers. This has led to high satisfaction rates among both agency workers and enterprise clients. Linda Cappelle, the company's CEO, said "Secretary Plus' 'Plus' points to the high level of added value that our people bring. The professionalism of our staff and the enthusiasm of each employee who supports them are key factors in our business growth, and strong teamwork is the very foundation of our success."

Risk Management

Sander Weisz Global Director, Risk Management, Legal, Compliance & Sustainability, Recruit Global Staffing



The introduction of the Staffing SBU Risk Management Committees in 2017 has had the positive effect of focusing everyone's attention on the key risks that require mitigating action. Discussions held in the Staffing SBU Committee are subsequently reported to the Risk Management Committee of Recruit Holdings.

Our Staffing SBU has operating companies around the globe, and to effectively manage the risks that they face in the course of doing business, each operating company has its own Risk Management Committee which holds regular meetings. A representative of the SBU Committee attends these meetings and then shares the outcomes at SBU Committee meetings for review and discussion. In this way, the Risk Management Committees within the operating companies help our leadership teams focus on the risks that require mitigating action, helping us realize our goals securely and efficiently.

In addition to this reporting system, each operating company is responsible for establishing its own risk management systems based on Recruit Group's policies and the SBU's guidelines. They periodically report to the SBU Headquarters' risk management department on specific risks that are unique to their local operating environments.

One of our most important operational risks is the frequent changes in labor laws all around the world, and it is essential that we comply with all updated laws and local legislation. Another priority is ensuring that our cybersecurity and data protection policies and systems are managed extremely carefully in order to control risks in these sensitive areas. Overall, our role as the risk management department is to support and assist each operating company within the Staffing SBU in executing its strategies to help realize our collective goals.

For further information on Recruit Group's risk management, see p79/80

Sustainability at the Staffing SBU

Our activities to help promote a sustainable society



Refugee support activities in Myanmar

The Staffing SBU plays an integral role in the SDGs Domino Effect (see p25 for details). By working to create optimal matching between candidates and clients, which directly leads to “SDG 10. Reduced Inequalities,” we are also contributing to the achievement of “SDG 5. Gender Equality.” This is particularly the case in countries and regions where female participation in the labor market is low. Through this, we can also contribute to “SDG 8. Decent Work and Economic Growth.”

Additionally, we firmly believe that it is important to protect the human rights of all stakeholders, including temporary agency workers as well as our management and employees, and ensure diversity and inclusion while operating our services. On this point, we adhere to the United Nations Guiding Principles for Businesses and Human Rights”, and continue to raise the standards of our services, including our Staffing business.

Advantage resourcing & Staffmark - career support

- **Supporting the Careers of Military Service Members and Veterans.** Provide career assistance such as resume writing and partnering with external organizations.
- **Supporting Refugees.** In addition to technology and housing assistance, we helped over 300 refugees from Myanmar, providing training and assistance with finding jobs for those who met certain criteria in the US.

Recruit Staffing - supporting students from overseas

In recent years, the number of undergraduate and postgraduate foreign students has been increasing, but it has not always been easy for them to find suitable jobs after graduating school. To help support them in their careers, Recruit Staffing created a service that provides foreign students with opportunities to work and develop professional skills while still in school. Since the service was launched in 2015, approximately 500 foreign students have been employed by approximately 120 companies across Japan.

Chandler Macleod - contributing to client companies' diversity

Chandler Macleod is dedicated to contributing to client companies' diversity. For one of their clients, a solar farm company, Chandler Macleod partnered with six local community groups to provide training programs for a diverse range of workers, helping to successfully match multiple candidates including those from indigenous populations, mature workers, long-term unemployed, and female workers.

Advantage Resourcing - education on human rights

Advantage Resourcing organized a number of free seminars and events for clients to address key employment human rights issues such as the Modern Slavery Act, as well as regular employment law seminars.

USG People Germany - renewable energy

In Germany, while approximately 30% of power is generated from renewables, at USG People Germany, 100% of energy consumed is sourced from renewables, translating to an annual saving of 232 tonnes of CO₂.



A local community support event



Recruiting for a solar energy project in Australia



Corporate Governance

LEADERSHIP
CORPORATE GOVERNANCE
REMUNERATION
RISKS & OPPORTUNITIES
SUSTAINABILITY ORBIT
RISK FACTORS
FINANCIAL STATEMENTS



1	5	8
2	6	9
3	7	10
4		11



Masumi Minegishi 1

President and CEO, Representative Director

Masumi Minegishi is President and CEO, Representative Director, a role within which he has led Recruit's transformation into a global tech company. Minegishi was appointed as a Board Director and as Senior Corporate Executive Officer in 2009 and has been President and CEO, Representative Director since 2012. Previously, as Senior Corporate Executive Officer, Minegishi was responsible for the housing information business, building the SUUMO brand by consolidating the numerous housing information operations. In 1992, he transferred to the new business development office, contributing to the launch of the Zexy bridal magazine having joined Recruit Co., Ltd. in 1987.

Rony Kahan 5

Board Director

Rony Kahan was appointed as a Board Director of Recruit Holdings in 2018 and serves in this position alongside his role at Indeed. He served as Indeed's President and Chairman, and later, CEO until Recruit Holdings' acquisition, and has remained Chairman since 2013. Kahan started his career in the HR industry in 1998, co-founding jobsinthemoney.com, which became the leading job site for finance professionals. In 2003, Kahan sold the company to Financial News, and the following year co-founded Indeed. Kahan grew Indeed to become the leading job site in the world, with over 250 million monthly unique visitors.

Shogo Ikeuchi 2

CHRO, Senior Managing Corporate Executive Officer and Board Director

As CHRO, Shogo Ikeuchi is responsible for the Human Resource / General Affairs Division. He was appointed as a Board Director in 2012 and in 2014 became Representative Director of Recruit USA, Inc. In corporate planning, Ikeuchi formulated mid- to long-term growth strategies while promoting new business development and championing the global expansion of the company. Joining Recruit in 1988, Ikeuchi was responsible for pioneering work to introduce a supercomputer as well as the corporate planning department, before moving into human resources where he redesigned HR strategies and systems.

Naoki Izumiya 6

External Board Director

Naoki Izumiya serves as Chairman of the Board of Asahi Group Holdings, Ltd. and was appointed as an External Board Director at Recruit Holdings in 2018. In Japan, he enhanced the corporate value of the Asahi group by promoting the growth of group companies including Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., and Asahi Group Foods, Ltd., while also spearheading the acquisition of Calpis Co., Ltd. Internationally, the group has expanded to Europe in addition to Oceania and Southeast Asia. Izumiya has previously had roles as General Manager of the Public Relations Department, Corporate Strategy Department, and of the Tokyo Branch. He became President and Representative Director of Asahi Breweries in 2010, and the following year became President and Representative Director of Asahi Group Holdings, Ltd.

Hisayuki Idekoba 3

COO, CSO, CRO, Senior Managing Corporate Executive Officer and Board Director

Hisayuki Idekoba is responsible for Business Operation, Corporate Planning, and Administration and was appointed as a Board Director in 2019. Previously, as the head of digital strategy, Idekoba led the acquisition of Indeed and later served as their CEO, turning Recruit Group into the leading global HR company it is today. Idekoba has been at the forefront of the digital transformation of the Group since the 2000s, leading lifestyle businesses including restaurants, beauty and travel, and transforming existing print publications and marketing into online businesses.

Hiroki Totoki 7

External Board Director

Hiroki Totoki was appointed as Senior Executive Vice President and CFO of Sony Corporation in 2018, and as an External Board Director of Recruit Holdings in the same year. In his previous role he was responsible for Sony's mid- to long-term business strategy. In 2014, as President & CEO of Sony Mobile Communications Inc., Totoki led the structural reforms of the smartphone business. In 2013 he led Sony's Business Strategy, Corporate Development, Finance, and New Business Development, having gained experience in the Finance Department and in London, before contributing to the launch of Sony Bank Inc. and serving as Representative Director and CFO of So-net Corporation.

Keiichi Sagawa 4

CFO, Senior Managing Corporate Executive Officer and Board Director

Keiichi Sagawa currently serves as CFO, responsible for the Finance Division and was appointed as a Board Director in 2011. Sagawa successfully led the Recruit Holdings' IPO project, with our listing on the Tokyo Stock Exchange's First Section in October 2014. Prior to this, he built the foundation for promoting M&A strategy before becoming responsible for investment management. In 2004, Sagawa became head of the Tokai division in the HR business, strengthening services before moving to supervise Recruit's governance structure, developing business leaders, and improving the level of autonomy given to business operations.

Yukiko Nagashima 8

Audit & Supervisory Board Member (standing)

Yukiko Nagashima assumed her current role as Audit & Supervisory Board Member at Recruit Holdings in 2016. She became President and Representative Director of Recruit Staffing Co., Ltd. in 2008, where she promoted productivity-focused work styles and pursued the promotion of diversity and inclusion in the workforce. Previously, Nagashima spearheaded the bridal business's growth in 2004 before being appointed Corporate Executive Officer. After working for the HR business, Nagashima transferred to the personnel department in 1995, where she led talent management initiatives including an inhouse business school.

Akihito Fujiwara 9

Audit & Supervisory Board Member (standing)

Akihito Fujiwara was named an Audit & Supervisory Board Member of Recruit Holdings in 2014. After becoming Corporate Executive Officer in 2006, Fujiwara was appointed Head of the automobile division and then head of the advertising optimization organization. He was responsible for Recruit's transition from a paper-based to Internet-based business and building business systems within the information network department and internal systems department. In 2004, as head of the umbrella organization for IT departments, currently Recruit Technologies Co., Ltd., Fujiwara facilitated the establishment of IT management processes.

Hiroki Inoue 10

Audit & Supervisory Board Member

Hiroki Inoue is a Managing Partner of Nagashima Ohno & Tsunematsu and since 2015 has been serving as an Audit & Supervisory Board Member of Recruit Holdings. Inoue has mostly focused on M&A transactions while providing legal services in a wide range of areas, including advising on the Companies Act, the Financial Instruments and Exchange Act, and the Insurance Business Act, as well as offering guidance on annual general meetings and international business transactions. Inoue was admitted to the Japanese Bar Association in 1990 and the New York State Bar Association in 1996.

Yasuaki Nishiura 11

Audit & Supervisory Board Member

Yasuaki Nishiura has been serving as an Audit & Supervisory Board Member since joining Recruit Holdings in 2016. Nishiura formerly worked at Deloitte Touche Tohmatsu Limited, retiring in 2014, where he was involved in many consulting projects related to M&As, human capital strategy, and intellectual property management, in addition to supporting the direct investments of Japanese businesses into the US. In 1987, Nishiura was promoted to partner of Deloitte, US after launching their Japanese Services Group out of the San Francisco office. Nishiura started his career with Deloitte, Japan in 1975 in their audit department. He is currently a visiting Professor at Nagoya University, a position held since 2016.

Director Interviews

Recruit Holdings has assigned External Board Directors and External Audit & Supervisory Board Members with a high degree of independence to effectively supervise our Executive Board Directors and management team.

Independent External Board Director Naoki Izumiya has a strong background in advanced PR branding strategies, a track record of cultivating management talent, and extensive experience enhancing enterprise value through aggressive acquisition of overseas companies and creation of synergies through those acquisitions.

Independent External Board Director Hiroki Totoki has deep insight cultivated through management of a global corporate group with complex business portfolios and experience leading new business development projects in the Internet field.

Additionally, Rony Kahan, a non-Executive Board Director and co-founder of Indeed, has deep expertise and broad relationships in the HR technology industry. Through this, he provides both supervision and advisory functions with a long-term perspective in order to help accelerate the global expansion of our business and increase the enterprise value of Recruit Group in a sustainable manner.



■ Naoki Izumiya

External Board Director

Diversity and a culture of openness are sources of strength for the Recruit Group

One year after my appointment as an External Board Director, I now understand that the source of the Recruit Group's strength is in its diversity. The focus is on hiring talents, and I believe that bringing together professionals with diverse capabilities and skills is what makes the organization strong. Moreover, my initial impression of the management being young, quick to act, and highly transparent remains, and I genuinely feel that the organization has incredible energy and power constantly flowing within it.

As Recruit Group is a group with such momentum, my role as an External Board Director is to provide a mid-to long-term perspective, which also includes looking at the risks. Therefore, I prepare thoroughly for Board of Directors Meetings to serve appropriately and ensuring

that I include all of the items that I need to raise. In addition to the Board of Directors Meetings, there are many other opportunities for information sharing, and I think it's good to be able to have discussions in advance from a broad perspective. This kind of corporate culture of openness is one of the strengths of the Recruit Group.

Also, the Recruit Group has established voluntary committees, and I serve as the chairman of the Nomination Committee. Succession planning is not only about appointing a successor, but also setting up the mechanism. I believe I can contribute to the Recruit Group due to the fact that I have first-hand experience of building a mechanism to designate a successor.

■ Rony Kahan

Board Director

Embracing disruptive elements as opportunities



As a Board Director, I believe I can contribute the most by leveraging my experience in the HR technology field in the US to help navigate the dramatic changes facing our industry. I take a long-term perspective and look five to ten years into the future, and ask difficult questions such as, how will the HR landscape evolve? What changes will AI and robotics bring? What will job seekers want, and what new technologies should we pursue to meet those needs?

It's critically important to be ready to adapt to these disruptive elements, embracing them as opportunities. I am confident that we can do this: Recruit Group has always been at the forefront of change, and in fact, in our areas of business we are often the ones driving it.

New technologies also offer the potential for collaboration across our Group. Each of our businesses has unique strengths that have helped them become leaders in their fields, and closer collaboration can help unlock further potential in all areas.

From my US perspective, I see our governance system as being quite unique in that we have four Audit & Supervisory Board Members, including two external members, whose primary role is to audit the Board. They examine policies and decisions from multiple angles, and provide extremely valuable perspectives that are unique to each of them. They help enhance the effectiveness of Board of Directors Meetings as a whole.

■ Hiroki Totoki

External Board Director

Strengthening corporate governance, enhancing diversity of the Board of Directors



It has been more than a year since I became an External Board Director at Recruit Holdings, but my impression of Recruit Group remains the same as it was when I took up the position—that of being youthful, energetic and with the potential for rapid growth.

External Board Directors act as spokespeople for the shareholders, and I am fully aware of the important role we serve in preventing conflict of interests arising between shareholders and management. To that end, the amount and quality of information we can obtain is important—and the Group understands this. For example, we are given the opportunity to visit and hear directly from the front lines of businesses in the Group's overseas bases. With this kind of background knowledge we can then offer informed opinions and ask quality questions during Board meetings.

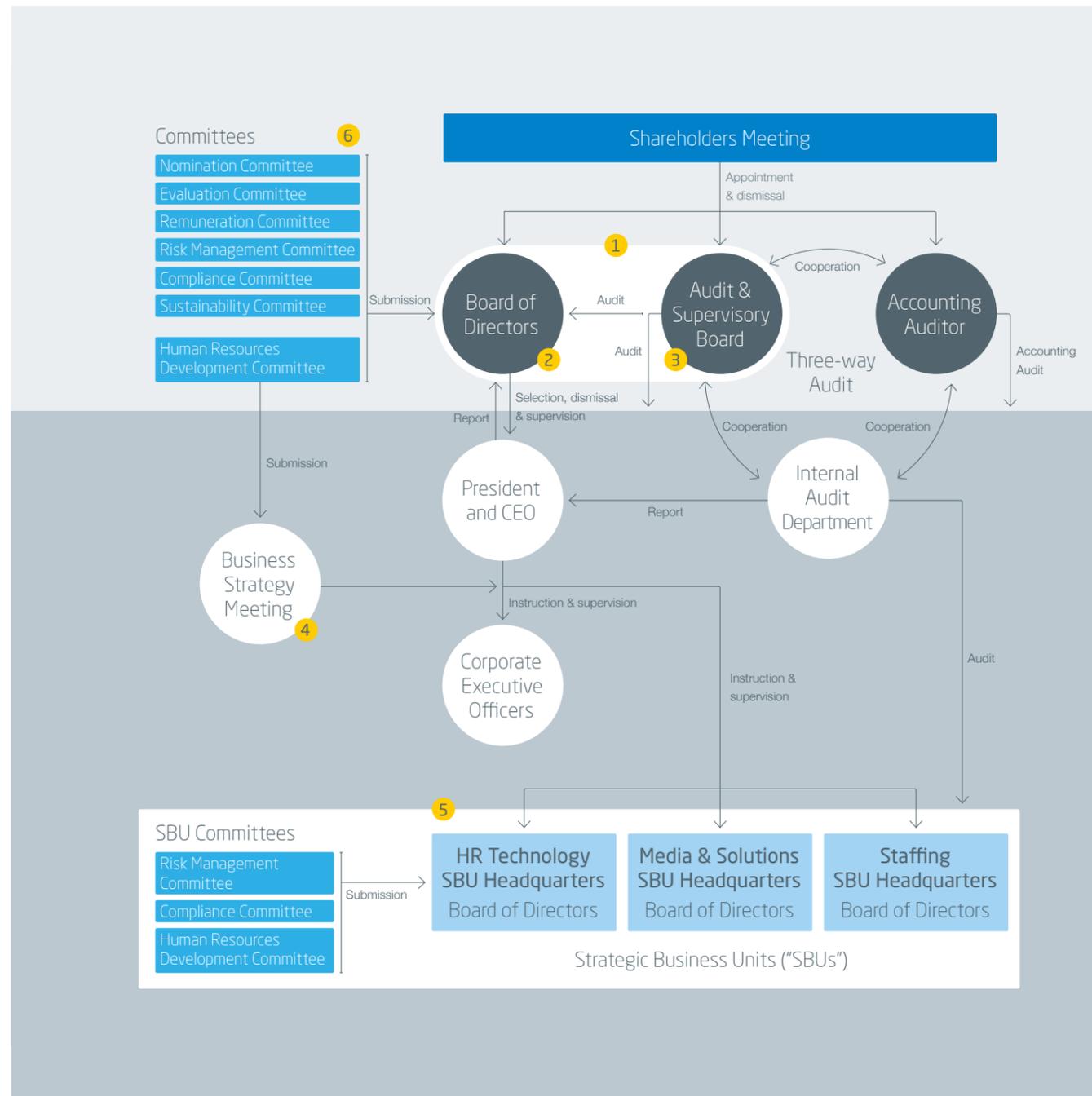
This open stance towards External Board Directors also contributes to enhancing the accountability of Recruit Group to its shareholders.

On the other hand, the current Board of Directors lacks diversity, particularly in terms of gender. In that sense, I appreciate that Recruit Holdings has announced that it will nominate at least one female Board Director candidate by the Ordinary General Meeting of Shareholders in 2021. Recruit Group is a company that has put a priority on diversity since the outset, so I believe that the Group's diversity will continue to evolve going forward. Recruit Group has set a goal of becoming a global leader in the HR Matching business, and in order to achieve this, I believe that it is important for the governance system to also meet global standards.

Corporate Governance

Based on the Recruit Group management philosophy, our Board of Directors gives priority to corporate governance aimed at achieving long-term and sustainable growth, increasing our enterprise value and shareholder value.

Corporate governance structure



1 Our governance system – Company with an Audit & Supervisory Board

Recruit Holdings has adopted a system called the “Company with an Audit & Supervisory Board” under the Companies Act of Japan. In this unique Japanese system, a member of the Audit & Supervisory Board is directly appointed at the General Meeting of Shareholders and is independent from the Board of Directors. While Audit & Supervisory Board Members don’t have voting rights, they attend the Board meetings to effectively supervise the Board of Directors.

2 Responsibilities of the Board of Directors

1. Decisions on basic management policies
2. Management oversight
3. Executive decisions that could have a major impact on Recruit Group
4. Decisions on matters required to be resolved by the Board of Directors as provided in relevant laws and regulations

3 Responsibilities of the Audit & Supervisory Board

1. Supervising the activities and performance of each Board Director
2. Evaluating the appropriateness and performance of the Accounting Auditor

4 Business Strategy Meeting

An advisory body to the CEO and chaired by the CEO. The meeting deliberates matters such as investments and personnel on which authority has been delegated by the Board of Directors.

5 Strategic Business Unit (SBU)

From April 2018, Recruit Group began operating under a new management structure, as a result of the Group Reorganization with three SBUs at the core. In this structure, Recruit Holdings delegates authority to each SBU Headquarters and operating companies for them to operate businesses in a self-sustaining manner, while practicing effective corporate governance in order to clearly grasp critical information related to operations and risks.

1. Majority of Board members of SBU Headquarters are non-executive Board Directors assigned from Recruit Holdings.
2. Majority of Board members of major subsidiaries of each SBU are non-executive Board Directors assigned from each SBU Headquarters.
3. SBU Headquarters have a responsible person in charge of corporate planning, investment management, finance, HR management, and risk management who manage and supervise each operating company by coordinating with Recruit Holdings.

6 Committees

Recruit Holdings has also established voluntary committees as advisory bodies to the Board of Directors¹, to support more transparent and effective corporate governance. The Nomination, Evaluation, and Remuneration Committees are all chaired by independent External Board Directors, and a majority of the committee members are external members.

Nomination Committee

Deliberates the nomination and succession of the President and CEO, Representative Director, and the appropriateness of the process for nominating Board Directors and Corporate Executive Officers.

Evaluation Committee

Deliberates evaluation of Board Director performance and evaluation criteria.

Remuneration Committee

Deliberates remuneration amounts of Board Directors based on performance evaluations, and the remuneration levels and systems for Board Directors and Corporate Executive Officers.

Risk Management Committee

Deliberates key risk themes and measures for Recruit Group.

Compliance Committee

Deliberates compliance themes and measures for Recruit Group.

Sustainability Committee

Deliberates strategy formulation toward Recruit Group Sustainability promotion and progress management.

Human Resources Development Committee¹

Deliberates matters concerning the fostering of key Recruit Group human resources, with the potential for being tapped as future officers, including post assignments, and the status of human resource development.

Board nomination

Nomination policy of Board Directors

Recruit Holdings nominates candidates for Board Directors from a large potential candidate pool in order to ensure candidate diversity, based on skills, leadership, background, judgment, personality, insight, and experience and selects those found to be most capable of fulfilling the duties and responsibilities of a Board Director. In proposing the reappointment of an incumbent Board Director, we consider the person's term in office, performance and contribution to the Board of Directors, in addition to the above factors.

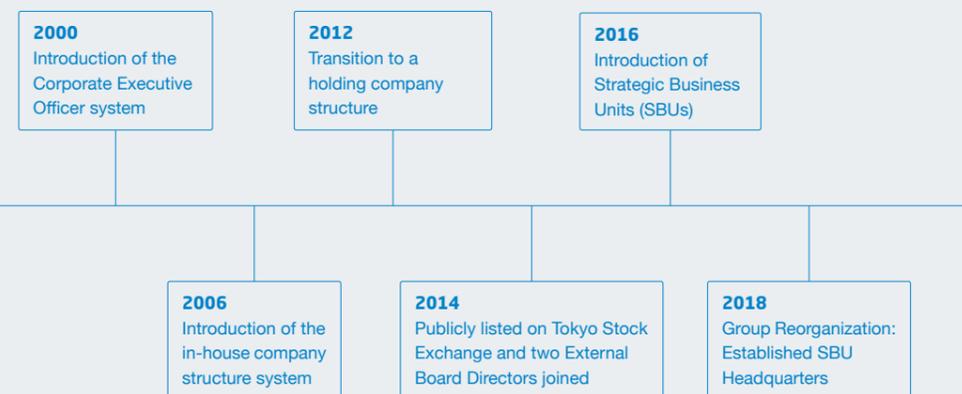
Nomination process of Board Directors

The nomination of Board Director candidates is deliberated each year in the Nomination Committee, which is chaired by an External Board Director who is also an Independent Board Director; the Committee consists mainly of outside Board Directors and outside Audit & Supervisory Board Members. The nominations are then decided by the Board of Directors, who, to ensure appropriateness and fairness of the nomination process, are expected to give sincere consideration to the Nomination Committee recommendations.

In an effort to promote the nomination of female Board Director candidates going forward, Recruit Holdings is committed to including qualified female candidates in the nomination pool considered by the Nomination Committee.

Recent measures to strengthen corporate governance structure

Our corporate governance journey is one of continuous improvements, with a focus on increasing enterprise value and shareholder value over the long-term in a sustainable manner.



Board effectiveness

Internal assessment

Recruit Holdings conducts annual self-evaluations of the Board of Directors in order to enhance the Board's effectiveness. Specifically, we conduct a questionnaire of all members of the Board of Directors and the Audit & Supervisory Board regarding the effectiveness of deliberations of the Board of Directors and the performance of its functions, and then conduct interviews as necessary. The results of these surveys are then discussed in the Board of Directors Meeting. The results of the surveys for FY2018 showed that our Board of Directors is deemed to be adequately fulfilling its roles and responsibilities in terms of both decision-making and supervision over business execution. On the other hand, matters to be looked at closely in the short term and in the mid- to long-term were identified

for raising the enterprise value and shareholder value. In the short term, our Board of Directors believes it has a strong need to increase its membership diversity, including gender. Consequently, it is committed to including at least one female Board Director candidate among a pool of capable Director candidates to be nominated at the General Meeting of Shareholders to be held by June 2021.

In the mid- to long-term, the Board of Directors recognizes the necessity to improve the effectiveness of corporate governance as a Group, and also to incorporate the standpoint of more diverse stakeholders to deepen its discussion.

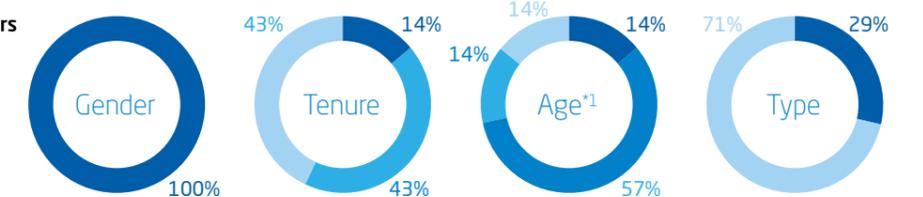
Board diversity

Recruit Holdings recognizes that diversity of the Board of Directors is essential for improving the quality of discussions in Board of Directors Meetings and for promoting the innovation needed for long-term growth, faced with the rapid diversification of our businesses, individuals users, enterprise clients, and employees. Therefore, we are committed to further enhancing the gender diversity of the Board.

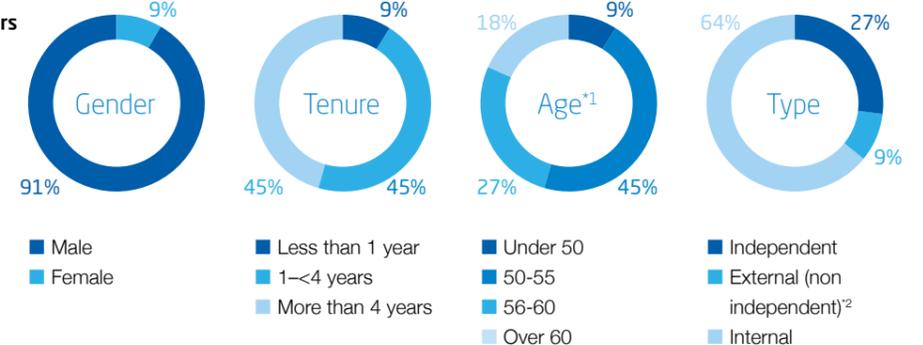
"For gender diversity, our Board of Directors is committed to including at least one female Board Director candidate to be nominated at the General Meeting of Shareholders by June 2021."

Masumi Minegishi, Representative Director, President and CEO

Board of Directors
(7 in total)



Board of Directors and Audit & Supervisory Board Members
(11 in total)



*1 Age as of the end of September 2019

*2 While Mr. Hiroki Inoue, an External Audit & Supervisory Board Member, does not violate either the independence criteria prescribed by the Tokyo Stock Exchange or those of Recruit Holdings, he is not designated as an independent Audit & Supervisory Board Member in accordance with the policy of his affiliated law firm.

Meeting Attendance

Composition and attendance for FY2018



Position	Name and surname	Board of Directors	Business Strategy Meeting ²	Nomination Committee	Evaluation Committee	Remuneration Committee	Risk Management Committee ³	Compliance Committee ³	Sustainability Committee ³
Representative Director, President and CEO	Masumi Minegishi	13/13 C	21/21 C	2/2	3/3	3/3		2/2 C	2/2
Board Directors	Shogo Ikeuchi	13/13	21/21	2/2	3/3	3/3		2/2	2/2 C
	Keiichi Sagawa	13/13	21/21				2/2 C	2/2	
	Rony Kahan	8/8 ⁴							
External Board Directors	Naoki Izumiya	8/8 ⁴		2/2 C	3/3	3/3			
	Hiroki Totoki	7/8 ⁴		2/2	3/3 C	3/3 C			
Standing Audit & Supervisory Board Members	Yukiko Nagashima	13/13	21/21				2/2 O	2/2 O	
	Akihito Fujiwara	13/13	19/21				2/2 O	2/2 O	
External Audit & Supervisory Board Members	Hiroki Inoue	12/13			3/3	3/3			
	Yasuaki Nishiura	12/13	2/2						

C Chair O Observer

¹ Average attendance of all members of the Nomination, Evaluation, Remuneration, Risk Management, Compliance and Sustainability Committees.

² In addition to the above Board Directors and Audit & Supervisory Board Members, the committees comprise certain Corporate Executive Officers of Recruit Holdings.

³ In addition to the above Board Directors and Audit & Supervisory Board Members, the committee comprises certain Corporate Executive Officers of Recruit Holdings, internal members or outside experts.

⁴ Total of eight meetings of the Board of Directors were held since persons were appointment at the Ordinary General Meeting of Shareholders held on June 19, 2018.

Composition of the Board and Committees for FY2019⁵

After approval at the General Meeting of Shareholders on June 19, 2019, Hisayuki Idekoba was appointed as a Board Director.

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

C Chair M Member O Observer

⁵ The composition as of the end of August 2019.

Remuneration

Remuneration for our Board Directors and Audit & Supervisory Board Members

Remuneration principles

- Set remuneration levels that will attract outstanding management talent globally
- Make remuneration plans highly performance-based
- Tie remuneration to medium and long-term enterprise value
- Make the remuneration decision process highly objective and transparent

Remuneration levels

Remuneration levels are set using benchmarks linked to executive compensation levels at enterprises in Japan and overseas of comparable business type and scale, as compiled by outside database services.

Remuneration structure

Remuneration consists of the following four types. The stock option plan as a long-term incentive was introduced after being approved at the General Meeting of Shareholders on June 19, 2019.

	Form	Performance-based indicators for FY2019	Overview of payment method	(Reference) Performance-based indicator for FY2018.
Fixed remuneration	Cash	-	A base amount*1 is paid in cash.	-
Short-term incentive²	Cash	FY2019 Adjusted EBITDA	The base amount*1 is increased or decreased by an amount calculated by multiplying the growth rate from past years by a fixed coefficient, and is paid in cash.	FY2018 EBITDA
Long-term incentive	BIP trust	FY2019 Adjusted EBITDA FY2019 Adjusted EPS	The base amount*1 is multiplied by a payment ratio within the range of 0% to 150% based on degree of target achievement, and our shares equivalent to the above calculation is granted.	FY2018 EBITDA & 3-year CAGR of Adjusted EPS from FY2016 to FY2018.
	Stock options	-	Stock options are allotted equivalent to the base amount*1.	-

BIP trust (Long-term incentive)

Recruit Holding's shares in an amount equivalent to cash reflecting performance-based indicators in the base amount*1 are purchased on the market and held in a trust account, then turned over to the recipient upon retirement.

*1 The above "base amount" is decided separately for each type of remuneration and based on each role.

*2 Short-term incentive, in addition to the above, reflects the individual performance evaluation for the fiscal year.

For detailed information on Adjusted EBITDA, see p38.

For detailed information on EBITDA and Adjusted EPS, see p11/12.

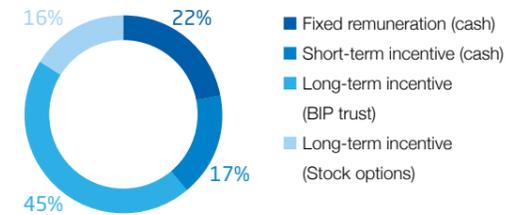
Stock options (Long-term incentive)

Stock options are allotted equivalent to the base amount*1. 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 goes up).

* With the aim of attracting and retaining outstanding management talent globally, Recruit Holdings may adopt a remuneration structure differing from the structure described above, in cases where personnel were recruited based on standards of markets with significantly different hiring practices and laws and regulations.

Percentages to be paid

Board Directors (excluding External Board Directors)



These percentages show the average remuneration ratio of five Board Directors for FY2019.

External Board Directors, Audit & Supervisory Board Members

Remuneration consists of fixed remuneration only, which is not tied to financial performance. This considers the importance of their role of oversight from an independent, objective standpoint.

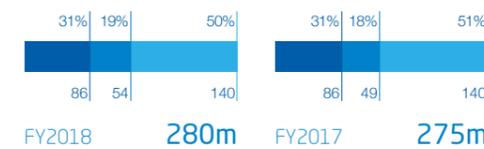
How is remuneration determined?

Recruit Holdings has established an Evaluation Committee and Remuneration Committee, each chaired by an External Board Director and having a majority of outside members, as advisory bodies to the Board of Directors for the purpose of enhancing objectivity and transparency of remuneration for Board Directors and Audit & Supervisory Board Members. Regarding the amount of individual remuneration, remuneration for Board Directors is determined by the Board of Directors, taking into account the reports by the Evaluation Committee and the Remuneration Committee, while remuneration for Audit & Supervisory Board Members is determined based on consultation among the Audit & Supervisory Board Members, within remuneration ranges approved by the General Meeting of Shareholders.

Total remuneration for FY2018 and FY2017*4

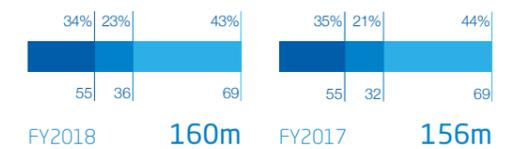
Masumi Minegishi

Representative Director, President and CEO



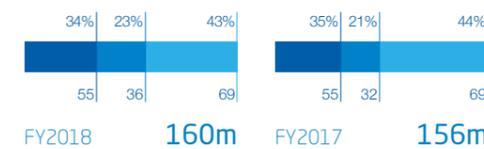
Keiichi Sagawa

Board Director, CFO and Senior Managing Corporate Executive Officer



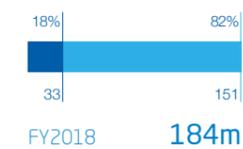
Shogo Ikeuchi

Board Director, CHRO and Senior Managing Corporate Executive Officer



Rony Kahan

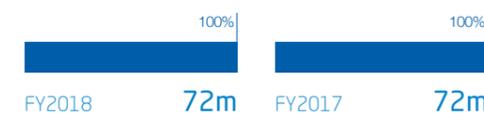
Board Director



* In addition to the remuneration shown here, Rony Kahan received a defined pension contribution from Indeed, Inc. for a 401(k) retirement savings plan in which he is enrolled, the amount of which was less than 1 million yen.

* Appointed as a Board Director in June 2018.

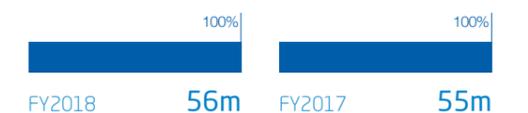
Total of two Audit & Supervisory Board Members (excluding External members)



Fixed remuneration only

■ Fixed remuneration (cash) ■ Short-term incentive (cash) ■ Long-term incentive (BIP Trust)

Total of two External Board Directors*5 and two Audit & Supervisory Board Members



*4 The remuneration amounts shown above are actual expenses recorded in each fiscal year, and calculated based on IFRS Standards.

*5 Two External Board Directors indicate Mr. Ohyagi and Mr. Shingai before General Meeting of Shareholders held on June 19, 2018, and Mr. Izumiya and Mr. Totoki after the same General Meeting of Shareholders.

Effective risk management as the foundation of business growth

Hisayuki Idekoba

COO, CSO, CRO, Senior Managing Corporate Executive Officer and Board Director, Head of HR Technology SBU



For Recruit Group to successfully pursue its growth strategy on a global scale, a solid foundation of risk management and compliance is essential. Considering the rapidly changing environment surrounding the Internet business, simultaneously achieving growth and managing risk is a challenge, but with the development of appropriate systems and safeguards, we are positioning the Group to meet this. To anticipate change in both technology and business environments, and quickly expand the business, we are transferring most decision-making authority related to business operations to the three SBUs. At the same time, to mitigate risk and maximize the merits of the SBU system, we have established a Risk Management Committee within each SBU, to enhance risk management effectiveness on the front lines of the business.

We regard security management, including the protection of personal information, as one of the most important risks. In particular, the handling of data in the HR Matching business in which we aim to expand, is highly sensitive. As the laws and regulations of countries and regions constantly change and evolve, we must strengthen our responsiveness and raise the level of our risk management. While this is by no means easy,

it is a challenge that we must meet head-on as we work to become a global leader in the HR Matching business.

The advancements of technologies such as machine learning and the changes brought to labor markets worldwide can present both risks and opportunities—depending on our actions. Amid rapid change, effective and steady risk management is the key to provide opportunities continuously that offer real meaning to both individual users and enterprise clients. To achieve this, we are implementing various measures such as strengthening cybersecurity projects with additional expert engineers. Looking ahead, we will not only focus on recruiting and retaining security specialists, but will also work to further strengthen our risk management systems through all means necessary, including reviews of our governance rules and procedures.

Beyond powering new businesses, we also see that technology provides significant opportunities for efficient and effective risk management and compliance activities. We aim to pursue risk management appropriate for our Group, while looking in depth at swiftly changing global trends.

Recruit Group Code of Ethics

- Fulfilling Legal and Ethical Expectations
- Complying with Laws and Regulations
- Negotiating and Complying with Agreements
- Complying with Fair Competition Laws and Observing Fair Trade Practices
- Interacting Appropriately with Government Persons
- Safeguarding Confidential and Sensitive Information
- Protecting Intellectual Property
- Communicating Effectively and Clarifying Responsibilities
- Fulfilling Our Disclosure Obligations as a Public Company
- Respecting the Rights and Dignity of All People
- Maintaining a Productive Working Environment
- Avoiding Relationships with Organized Crime and Similar Parties
- Protecting the Environment

Risk management structure

To promptly execute the appropriate counter-measures to any of the multiple risks faced by our businesses, Recruit Group has established a risk management structure within each SBU, in addition to an overarching structure within Recruit Holdings. Specifically, each of our three SBUs has Risk Management Committees, focused on the specific risks that their individual SBU faces. These committees are responsible for identifying important risks related to their own businesses and setting out appropriate mitigation measures, before reporting back to the Risk Management Committee of Recruit Holdings.

The Risk Management Committee of the holding company, which meets twice a year, serves as an advisory body to the Board of Directors. In addition to reviewing the reports received from the three SBUs, the committee identifies the important risks that the Group as a whole faces, determines the priority of the

risks, and establishes appropriate responses. These outcomes are then reported to the Board of Directors. The Board of Directors also has a quarterly report on compliance and risk management, in order to appropriately monitor the current status of risk across the Group, and to determine appropriate responses.

Initiatives at SBUs

With each SBU responsible for running its own business operation, we believe that it is essential that each SBU also carries out its own risk management (See p44, 52 and 62 for risk management in each SBU). The Recruit Group Risk Escalation Rules then ensure prompt reporting back to Recruit Holdings and information sharing regarding critical issues within the entire Group. Recruit Holdings then takes necessary actions in accordance with the overarching Recruit Group Risk Management Policy.

Compliance initiatives

Recruit Group views compliance as a fundamental prerequisite for our business activities, and defines it as “Meeting society’s expectations and demands through appropriate action, by both the company and individuals, beyond the framework of legal compliance.” We have therefore established the Recruit Group Code of Ethics (see adjacent), which describes certain fundamental legal and ethical practices that all officers and employees in Recruit Group are required to follow. We also stipulate the “Recruit Group Compliance Policy” as a guideline for our compliance activities.

To instill this mindset and behaviors throughout the Group, we have set up, both at Recruit Holdings and at each of the three SBUs, Compliance Committees (see p71/72) that decide upon and monitor Group-wide policies and then report to the Board of Directors. In FY2019, we are implementing three policies as Group-wide initiatives.

1. “Tone at the Top” compliance messages from management to employees: communicated through speeches and email, the management of each operating company within the Group convey the importance of compliance directly to employees.
2. Employee training: we provide all employees in the Group with ethics and compliance training at least once a year.
3. Setting KPIs for compliance activities: we are boosting the effectiveness of our compliance activities by setting KPIs for compliance activities at each SBU, e.g., aiming for 100% attendance of compliance tests. In addition, at both Recruit Holdings and operating companies in the Group, we are setting up internal whistleblowing contact points and taking steps—such as publicizing the whistleblowing system and protecting whistleblowers—to make it easy for employees to use the system. We submit quarterly reports to the Board of Directors on the number of whistleblowing reports and the action that was taken.

Sustainability Orbit

One of the most important factors in Recruit Group's Value Creation Process is sustainability, and this is managed through a framework we call the "Sustainability Orbit." With this framework, we initially identify the demands and expectations our stakeholders have for us through dialogue, and Town Hall Meetings with management and employees. Following this, we discuss them at length in the Sustainability Committee, which includes external experts and internal management. Finally, having obtained a commitment from the Board of Directors of Recruit Holdings, we promote specific sustainability-related activities that align with our guiding principles to bring our management philosophy to life—completing the orbit.

The Sustainability Committee at the center of the orbit

The Sustainability Committee is an advisory body to the Board of Directors. It is comprised of four external members (on two-year terms), the CEO, the Board Director in charge, the Corporate Executive Officers in charge, and the head of each SBU. The committee meetings, which are held twice a year, present an opportunity for management to obtain a clear understanding of the expectations, demands, and criticisms of Recruit Group based on conversations and interactions with stakeholders, various changes to the current social environment, and the increased importance of corporate responsibility. At the same time, the meetings provide a platform for us to discuss high-priority actions and themes that we must deliberate in the mid- to long-term. In FY2018, among the numerous

agenda points, we placed an added emphasis on business and human rights. We also established a task force to carry out specific actions following a discussion and resolution by the Board of Directors.

The orbit consists of discussing the opinions of society at large, deciding what we must do as a corporation, taking actions based on our principles, and sharing our achievements with stakeholders. We are constantly listening to societal expectations, and through this cyclical mechanism with the Sustainability Committee at the center, we continue in the sustainable creation of new value for society.



Expert opinion Aditi Mohapatra BSR, Director, Women's Empowerment, New York

One of the most critical elements for the success of a corporate sustainability program is the commitment of the senior leadership team. An effective strategy requires the genuine engagement of decision makers and a willingness to tackle big challenges that go to the heart of the business. The structure of Recruit Group's sustainability framework, including the active involvement of the CEO, SBU Heads, and additional key executives, is an impressive example of the prioritization of integrated sustainability strategies for a global organization.

Another key element for success is the involvement of a diverse range of independent expert advisors to assess and make recommendations based on their experience at the forefront of sustainability. Here again, Recruit Group is leading by example—I have seen how external advice received in one committee meeting has been taken on board and progressed by the time of the next.

The incorporation of international frameworks and guidelines, with a core focus on the Sustainable

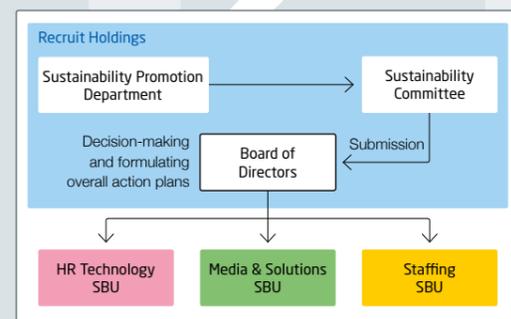
Development Goals (SDGs) and the UN Guiding Principles on Business and Human Rights, links Recruit Group's efforts with the wider global push to achieve some critically important targets in the next ten years. Recruit Group clearly understands that sustainable growth is not just essential for a business, but is their duty as a corporate citizen.

The businesses in HR Technology, Media & Solutions and Staffing segments are all experiencing significant disruption, but seeing the way in which the company is proactively examining sustainability challenges, considering its role in society, and working to develop solutions is impressive. Whether it be diversity and inclusion, or potential biases in AI technologies, strong efforts are being made to tackle issues for which there may yet be no clear answer.

Moving forward, I would encourage Recruit Group to continue to be ambitious in its approach to sustainability and to demonstrate leadership in this field.

Three guiding principles for sustainability

- Promoting businesses that contribute positively to society
- Meeting global stakeholders' expectations
- Fulfilling our responsibilities as a global citizen



- Participation in international conferences
- Town Hall meetings with employees
- Dialogue with stakeholders



A brighter world where all individuals can live life to the fullest

- Stakeholders**
- Individual users
 - Enterprise clients
 - Business partners
 - Employees
 - Shareholders
 - Local communities
 - NGOs, NPOs
 - National and local governments

■ The process of formulating material matters for sustainability

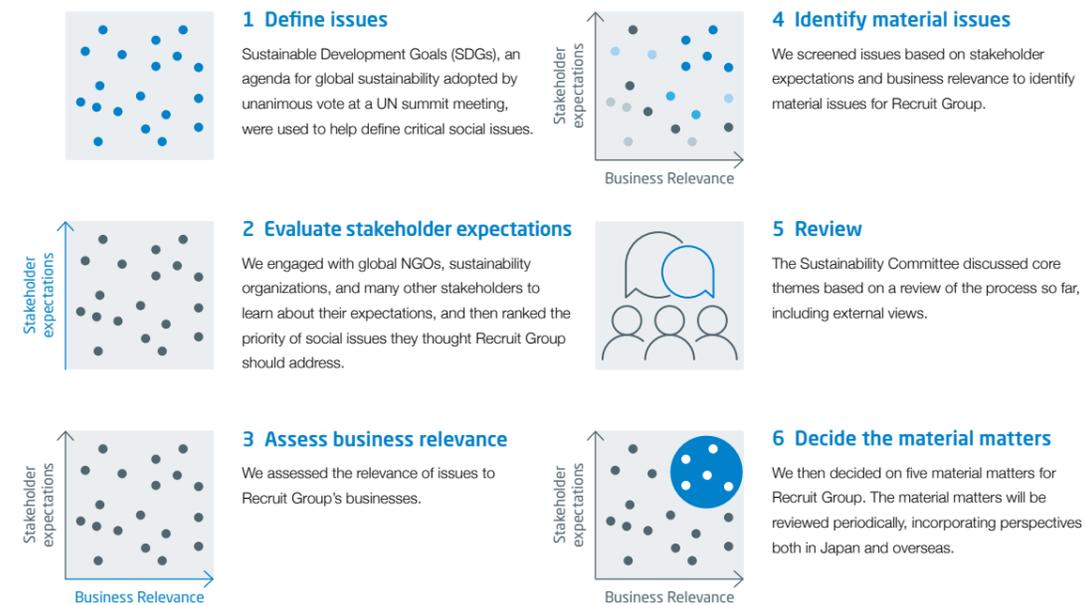
Recruit Group has established five material matters and related SDGs (see p81), through a formulation process that is based on the following materiality analysis.

Since its foundation in 1960, Recruit Group has been expanding its business under our management philosophy of contributing to a brighter world where all individuals can live life to the fullest. With our business portfolio changing and expanding globally, we conducted a materiality analysis in FY2017 to determine the relationship between the expectations of society and the services we offer. The analysis found five material matters for us to prioritize within Recruit Group on a global scale. To compose our analysis, we referred to the UN General Assembly document on Sustainable Development Goals (SDGs) and its agenda of 17 objectives, and 169 targets, while consulting with roughly 70 stakeholders from international NGOs and organizations specializing in sustainability to incorporate a comprehensive range of perspectives. We categorized the expectations of stakeholders into 18 topics and mapped them along a vertical axis, then plotted their correlation to our business along a horizontal axis. These results were then shared and discussed with Board Directors and external experts

during two sessions of the Sustainability Committee. Based on these discussions, we narrowed down the topics to six goals from the SDGs and five related material matters.

The six SDGs and five material matters are as follows: Respect Human Rights, derived from the realization of human rights, as stated in the forward; Close the opportunity gap, which encompasses SDGs 1: No Poverty, 4: Quality Education, and 10: Reduced Inequalities; Celebrate Diversity and Inclusion, incorporating Goal 5: Gender Equality; Inspire new ways of working, derived from Goal 8: Decent work and economic growth; and Conserve the environment, to implement Goal 13: Climate Action. We realized that the success of these five material matters is interconnected and concluded that, rather than setting priorities among the five themes, a multilateral approach would be ideal.

In terms of an action plan, we are disclosing our initiatives regarding human rights and the environment and are working to better understand the international situation in order to quickly bring ourselves up to global standards.



■ Five material matters for sustainability

Sustainability for Recruit Group means to create value for society in a sustainable manner through our corporate activities. In addition to the business itself, we are focused on a wide range of social contribution activities and are working to create an organization where every employee has the opportunity to participate (see p46, 48, 56 and 64). Our activities are rooted in the following five material matters.

Our activities are rooted in the following five material matters

Inspire new ways of working

What does work mean to us? How can we work better? Since our foundation as a recruitment advertising company, we have consistently asked these questions. We will continue to be innovative in creating paths of work for individuals to achieve their aspirations.

Close the opportunity gap

We believe that the more people are free to pursue their passions, the better our collective future becomes. To achieve this goal, we will work to close the opportunity gap by continuing to successfully match individuals and businesses in ways that have not been done before.

Celebrate diversity and inclusion

We celebrate diversity in nationality, race, religion, gender, age, disabilities, sexual orientation, gender identity, and more. We respect and embrace each other's differences to promote creativity in the world.

Respect human rights

Our basic principle of creating a brighter world where all individuals can live life to the fullest starts from respecting human rights. We follow Recruit Group's Human Rights Policy and Code of Ethics to respect the rights of our diverse stakeholders.

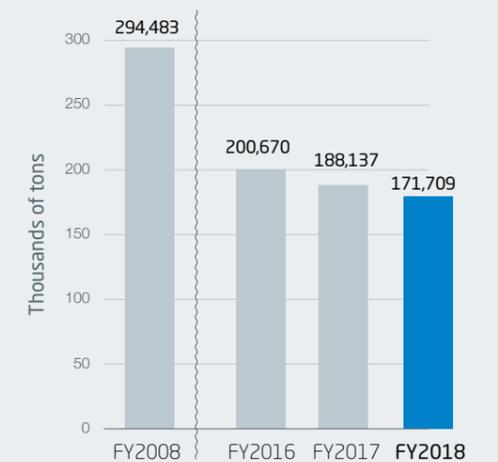
Conserve the environment

We all have a common responsibility for the global environment. We strive to reduce our negative impact on the environment by addressing climate change, resource preservation, and biodiversity conservation. We aim to enlighten society with our environmentally conscious lifestyle.

CO₂ Emissions (in Japan)

We have greatly exceeded our target of a 25% reduction in CO₂ emissions by FY2020 as set by our Japan-based businesses in FY2008.

* Selection of CO₂ emission units has been carried out in cooperation with Japan Management Association Consultants Inc.



We are subject to a number of risks and uncertainties, including but not limited to those described below. Our business, results of operations and financial condition could be materially and adversely affected by any such risks and uncertainties. The following sets forth certain of the risks and uncertainties affecting us as of August 28 2019.

Our 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 times of negative economic conditions, employers may reduce spending on job advertising and other job placement and 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. In our HR Matching business, which consists of our HR Technology segment, our HR Solutions operations in our Media & Solutions segment and our Staffing segment, the results of our operations are sensitive to negative developments in the labor and employment market resulting from economic downturns or uncertainty. Any 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 our Media & Solutions segment, adverse economic conditions may affect our enterprise clients' demand for our services due to reduction 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. For example, with respect to Japan, the economic environment continues to be challenging due to a number of factors, including continued deflation, uncertainty regarding the increase in the consumption tax rate in October 2019 and longer-term challenges surrounding 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 potential impact of the planned 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 our main operating markets, including a potential economic slowdown in China as well as the potential escalation of geopolitical risks associated with the Middle East and North Korea, could impact the regional economy and the global economy more generally.

Competition in the various industries in which we operate 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 of our operating markets have relatively low barriers to entry, which enables new competitors, including those operating in different industries, to enter these markets relatively easily. In addition, our 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 our competitive position in our operating markets by relying on the strength of our brands, current laws and regulations, financial resources and individual user and enterprise client bases or other competitive advantages. 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 our 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 are differentiated from services provided by our competitors, our competitive position and market share could be materially harmed. In addition, particularly in our Media & Solutions and Staffing segments, if competitors are able to offer comparable or more effective services at lower price points, we may be forced to lower our prices in order to maintain our market share, which may lower our profitability. Certain of our enterprise clients may evolve to depend less on our services if they acquire the capability to maintain their user bases and attract enough potential new users through their own websites and other media without relying on our services. Competitors may also engage in mergers, acquisitions or business alliances to strengthen their market position, which may make it more challenging for us to maintain our competitiveness.

Our 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.

We may be unable to innovate and adapt with sufficient speed to meet the rapidly changing needs and preferences of our individual users and enterprise clients.

The markets in which we operate are subject to rapid changes in individual user and enterprise client needs and preferences, which require us to continually innovate and adapt quickly in order to maintain our competitive position or we may risk losing market share. Our 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 network platforms, mobile devices and other new technologies, such as voice activated speakers, has resulted in information being available more rapidly in real time while new technologies have made it relatively easy for new entrants to build user bases relatively quickly without significant investment. In particular, our 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.

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 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, our individual users and enterprise clients may discontinue use of our products and services. Any changes we make to our existing services or new services we introduce may not gain acceptance from individual users or enterprise clients for a number of reasons. New services and features may also have defects or performance issues that adversely affect their adoption by individual users and enterprise clients.

Our 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 online platforms in our 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 our competitors' platforms or reduce the amount of their spending on our platforms, or may not continue to do business with us entirely. In addition, our enterprise clients could decide to reduce or eliminate 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 other 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.

We must rapidly advance our technological capabilities.

The markets in which we compete are characterized by rapidly changing technologies, which in turn impact individual user and enterprise client demands and the competitive environment more generally. We accordingly 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.

We may not succeed in executing our business strategy.

In order to achieve further growth of our business, we have adopted a number of medium-term strategies as well as our long-term strategic objectives for each of our operating segments. Our business strategies entail achieving sustainable growth through the development of a broad, geographically diverse portfolio of businesses and calls for the expansion of existing businesses along with entry into and development of new businesses, in part through prudent use of strategic alliances and acquisitions. However, it is difficult to formulate effective strategies for our 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 our 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:

- In our HR Technology segment, 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 for a number of 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 such anticipated market opportunities for a variety of reasons, such as our failure to adapt to new technologies and the constantly evolving regulatory and competitive landscape.
- In our Media & Solutions segment, we intend to focus on stable growth of our advertising business while expanding its SaaS offerings targeting SMEs. We may be unable to grow our business in this segment if SMEs do not adopt our SaaS solutions or our

advertising business 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, and may not succeed in exploring opportunities to monetize our SaaS business.

- In our Staffing segment, 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 business environment, particularly in Europe, 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 operates in the online job advertising market through our HR Technology and Media & Solutions segments, we also intend to introduce technology-driven solutions from our HR Technology segment, such as Indeed Hire, an employment placement service which uses a pay per hire model, that create cost efficiencies through automation of traditional human-driven processes in the job placement and search market and temporary staffing market. However, there can be no assurance that we will be able to successfully develop and introduce such solutions or that our solutions will gain market acceptance, and 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.

While we believe we have identified specific opportunities that will allow us to achieve our strategies, there is no assurance that such opportunities will in fact translate into future growth. Our strategies are based on a number of assumptions we have made with respect to consumer sentiment, consumer activity trends, demographic trends, enterprise client demand for our products and services, changes in individual user preferences, global economic trends, applicable laws and regulations, technological innovation, employment activity and other factors, each of which is subject to significant uncertainty and may not be consistent with our original assumptions. Our ability to achieve our strategic objectives may be adversely affected if, for example, demand for our products and services in our areas of expansion is not as strong as we anticipate, the competitive landscape for our products and services is less attractive than as we anticipate, our efforts to increase our individual user appeal and enterprise client coverage are not effective, alternative technologies, services or competitors appear or we fail to retain the engineering and other personnel needed to support our growth. In addition, if we encounter difficulties in implementing our business strategies, we may be unable to achieve any numerical targets we have set for our financial performance.

Our strategies and the allocation of business, financial and management resources are based on our estimates of our total addressable market in each of our businesses.

While our estimates are based in part on third-party data and in part on our own market research and assumptions we believe to be reasonable, there can be no assurance that our estimates of our total addressable market are accurate indications of our actual growth opportunities. In particular, we have estimated the total addressable market for our HR Matching business based on a public and non-public internal and external data, estimates and assumptions, and we are not able to fully validate this estimate against third-party sources. As a result, our market opportunity may be less than expected, or our allocation of resources in pursuing such growth may be incorrect. In addition, the key performance indicators we use to track the progress of our businesses could be inadequate or ineffective and result in our overestimating or misjudging our progress in achieving key business goals.

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 business would not yield the desired impact or the growth potential of such business could 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, also be negatively affected by the new innovative services that we develop and introduce to our individual users and enterprise clients.

Our present and future acquisitions, joint ventures and strategic alliances could fail to deliver the anticipated benefits or otherwise have an adverse effect on our businesses and results of operations.

As part of our 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;
- 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/language 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; 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 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.

Our expansive global operations expose us to various risks and challenges.

We have operations in a number of countries and regions including Japan, the United States, Europe and Australia, and we are working to further expand our 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.

Our inability to attract and retain qualified employees and maintain a positive work environment for our employees could harm our business and inhibit our ability to operate, grow and achieve innovation successfully.

For our businesses to be successful, we need 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 also maintain a positive work environment for our employees and agency workers. Any failure to maintain a positive working 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 required employees 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.

We may be subject to liability and regulatory action or suffer reputational damage if we are unable to maintain the privacy of our data or maintain effective policies and procedures for the storage, management, usage and protection of 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 requirements under the Act on Protection of Personal Information of Japan that apply to our handling and use of personal information in our Japanese operations are stringent, and we are also subject to laws and regulations regarding personal information in the other countries in which we operate, such as the General Data Protection Regulation, or the GDPR, in the EU. Many individual U.S. states, such as California, are also increasing regulatory compliance standards regarding the handling and use of personal information. The costs of complying with these laws and regulations, the requirements and interpretations of which may differ significantly from country to country and which have become more complex due to the increasing

awareness of management of personal, confidential and sensitive information, can be substantial. In addition, such laws and regulations related to the handling and use of personal, confidential and sensitive information may become stricter in the future, or we may change our policies concerning handling and usage voluntarily or in response to violations of applicable laws and regulations, perceived wrongdoing or for other reasons. As a result, it may become difficult for us to utilize certain information that is critical to our existing products and services or to develop new products and services, which in turn may harm our ability to maintain or grow the number of our individual users or enterprise clients. In addition, as many consumer and data protection laws and regulations have been in force for a relatively short period, the interpretation and application of consumer and data protection laws and regulations are often uncertain and in flux, and it is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our current data practices. If we fail to comply with any such laws and regulations, 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 legal or other actions relating to violations of laws and regulations surrounding data protection and privacy or otherwise. Any new restrictions or limitations relating to data protection and security may result in the deterioration of the quality of our products and services that rely on data and our overall competitive advantage, and possibly result in a loss of individual users or enterprise clients or necessitate a revision or overhaul of our business models and strategies.

The personal and other data we collect in connection with our business as well as the technologies we use to manage this data have become increasingly important parts 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, we have 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, the number of individual users affected, due to the size of our user base, could be extremely large, potentially resulting in correspondingly large liability. In addition to cyberattacks, information could be leaked or improperly accessed, used or handled as a result of a range of factors including third-party security breaches, system failures or errors, software bugs, inadequate policies or procedures, employee error, malfeasance, hacking, theft, faulty password management or other irregularity. Any unauthorized disclosure or use of, or other failures to properly store, manage or protect, personal, confidential or sensitive information, including any failure to obtain valid consent from affected individual users or enterprise clients, could adversely affect our businesses in a number

of ways, including legal liability stemming from claims from individual users, enterprise clients, agency workers or other third parties, or government investigations, actions or sanctions. We may also incur additional expenses associated with updating or strengthening our systems, policies and procedures, either voluntarily or in response to administrative guidance or other regulatory initiatives. In addition, such incidents could create a negative public perception of our operations or harm our reputation and brand, which could in turn decrease our individual users' and our enterprise clients' confidence in us and damage our relationships with them, causing current or potential individual users or enterprise clients to decline to use our services.

From July 2019, in connection with the Rikunabi DMP Follow service for new graduate recruiting offered by our subsidiary Recruit Career Co., Ltd., or Recruit Career, in our HR Solutions operations within our Media & Solutions segment, the Personal Information Protection Commission, or the PPC, and the Tokyo Labor Bureau contacted us to express their concerns regarding our potential lack of appropriate explanation to individual users of the purpose, scope and manner of the sharing of certain "scores" reflecting analysis of such users' likelihood of declining job offers or withdrawing from various stages of the recruitment process with a number of enterprise clients. Recruit Holdings Co., Ltd. also received such user "scores" of potential candidates for its own recruiting. As a result, we became aware of a large number of instances where such user "scores" were shared without obtaining individual user consent, deficiencies in our personal information protection systems as well as the possibility that personal information was shared with third parties without obtaining individual user consent in an appropriate manner, and we discontinued the Rikunabi DMP Follow service on August 4, 2019. In addition, the PPC and the Tokyo Labor Bureau commenced investigations of Recruit Career and its parent company, Recruit Co., Ltd., which serves as the headquarters of our Media & Solutions segment, in connection with this matter. On August 26, 2019, the PPC found violations by Recruit Career of the Act on Protection of Personal Information relating to (i) deficient procedures for identification and review of the legal treatment of personal data, (ii) deficient procedures for obtaining consent for the sharing of personal data with third parties and insufficient systems to prevent, identify and cure such deficiencies and (iii) the sharing of personal data with certain enterprise clients without obtaining necessary consent from 7,983 individual users. In connection with these findings, the PPC issued an administrative admonishment directing Recruit Career to report necessary measures to reform its organizational structure and enhance awareness across its operations in order to appropriately protect individual rights and interests when handling personal data by September 30, 2019, and to implement such measures accordingly. The administrative admonishment issued by the PPC also directed Recruit Career to consider, design and operate any new services to appropriately handle personal data in accordance with applicable laws and regulations. The PPC further issued an administrative directive finding that the privacy policy of Recruit Career did not necessarily provide a clear explanation of sharing of personal

data with third parties in connection with the Rikunabi DMP Follow service, and instructing Recruit Career to clearly provide reasonable and appropriate information necessary for individual users to decide whether to give consent regarding the sharing of personal data with third parties in the future. In addition, on September 6, 2019, the Chief of the Tokyo Labor Bureau found that the operation of the Rikunabi DMP Follow service involved violations of the Employment Security Act and related guidelines and issued an administrative directive to Recruit Career in relation to all of its job advertising and placement businesses including its Rikunabi services. This administrative directive instructed Recruit Career (i) to ensure that it is in compliance with the Employment Security Act and related guidelines, (ii) to promptly take necessary measures including corrective measures and measures to prevent similar occurrences in the future and (iii) to report the status of such matters by September 20, 2019 to the Chief of the Tokyo Labor Bureau. Currently, the PPC and the Tokyo Labor Bureau are continuing to investigate related matters including the systems for the protection of personal information in our Media & Solutions segment. As a result of this matter and past and potential future investigations or actions taken by regulators, as well as our handling thereof, we could suffer reputational damage, including loss of confidence in our services among individual users, enterprise clients or other third parties, which could result in decreased demand for our Rikunabi services or our other services. We could also be subject to liability, further regulatory action or sanctions, which could entail the suspension of certain business operations, whether as a result of the current investigations by Japanese regulatory authorities or otherwise, or lawsuits from a large number of affected individual users. In addition, we could be required to incur additional costs in order to improve our data usage, storage and protection policies and measures, whether in connection with regulatory actions or voluntary enhancements of such policies and measures.

Information technology systems are a critical part of our operations and any cyberattacks, systems failures or other disruptions affecting these systems could have an adverse effect on our business.

The analysis, storage, retrieval, management and security of large amounts of data is 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 us 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. We have 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 our services have also experienced downtime due to systems disruptions or other outages. As we expand our 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 such cloud-based services as accounting and payment systems. If we experience systems failures in connection with such services, we may be held responsible by our individual users and enterprise clients for losses, 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 provide 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.

Our software applications may contain defects.

We provide certain of our services through software applications including mobile and online applications that are highly technical and complex and, in some cases, hardware devices. Our software applications or hardware devices may contain bugs and other defects that interfere with their intended operation 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, or POS, cash registers, payments and attracting and connecting with individual users. 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 or personal 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.

Our 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, we are 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 us from executing our growth strategy as planned. For example, there have recently been active discussions among Japanese 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.

Our 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 (which comes into effect in 2020), 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 it may require significant time and resources to respond to any new or amended laws or regulations. 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.

In our 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 payment business of our Marketing Solutions operations, which are offered through AirPay, which is a cloud-based payment service, we are also subject to regulations under the Installment Sales Act of Japan. In addition, our placement service of our HR Solutions operations operate 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 the loss of permission to operate or being directly ordered to suspend operations. In addition, since the recruiting and hiring practices of our enterprise clients in respect of new college graduates may be impacted by the guidelines for new employment established by the Japan Business Federation (the Keidanren) or governmental authorities, our HR Solutions operations within the Media & Solutions segment may be adversely affected as a result of the restrictions and limitations in these guidelines.

Our Staffing segment is also subject to a number of laws and regulations relating to temporary staffing and employment. Our 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 (Act No. 88 of 1985, as amended), or the Staffing Labor Act 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.

Our Overseas operations in our 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 in our Staffing segment, whether in the United States, Europe, Australia or elsewhere, could result in us losing permission to operate our businesses in the relevant jurisdiction.

In 2018, the Staffing Labor Act was amended to introduce new protections for temporary staff. 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,” will come into effect in April 2020. The impact of these new regulations is unclear, and 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.

We 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.

We are subject to litigation and other legal and arbitration proceedings in the ordinary course of our business. We 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, tax, 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.

Our reputation and those of our brands are important to our success, and any damage to them could materially and adversely affect our business, financial condition and results of operations.

We believe that the brand identity we have developed has significantly contributed to the success of our business and will continue to be a significant competitive factor going forwards. 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 to and awareness of brand and reputation. Our brand and reputation 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 network platforms 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 in our services 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. Our reputation or brands may be negatively affected if our 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. We rely 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.

We rely 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 and our business, financial condition and results of operations.

Certain of our services in our HR Technology and Media & Solutions segments rely on Internet search engines provided by global technology companies primarily for the purposes 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. Our 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 our 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 and our 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. Our business could be disrupted if these payment processing providers become unwilling or unable to provide these services to us or if they lose large amounts of our individual users’ and enterprise clients’ data in performing operations for us. We are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by or against the card networks for acts or omissions in violation of such rules. 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, our 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.

Our advertising, sales and marketing efforts may be ineffective, may lead to increased costs and may negatively affect our revenue and margins.

As part of our strategy to expand our 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 our advertising, sales and marketing operations to maintain brand recognition and user traffic on our services and 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, 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 advertising 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.

Our business operations are exposed to natural disasters, terrorism, pandemics, calamities or other factors.

Despite any preparatory measures we take, our business operations, technology infrastructure, employees and physical assets will remain subject to the risk of fire, earthquakes, tsunamis, typhoons, hurricanes and other natural disasters, blackouts, terrorism, power loss, pandemics and other catastrophic events. Any of these events could disrupt our operations, including failure of our information systems or data servers that have not been backed up, and in such circumstances our ability to successfully implement our business continuity plan will be crucial to our recovery. In the event that we experience a system failure or systems delays, particularly if these issues are widespread within our infrastructure, or are unable to fully implement our business continuity plan, 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, disruptions to the business or information systems of our individual users and enterprise clients could damage our brand and reputation and lead to reduced revenues for us, errors in the transactions that we are involved in, or other problems.

Any impairment of our non-current assets, including goodwill and intangible assets, or fluctuations in the value of our securities holdings, could adversely affect our results of operations or financial condition.

We 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, 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.

We may have additional tax liabilities.

We are subject to income taxes in Japan and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We regularly are under audit by tax authorities in different jurisdictions. Although we believe our tax calculations are reasonable, the final determination of tax audits, and any related litigation in the jurisdictions where we are subject to taxation could be materially different from our historical tax calculations. The results of an audit or litigation could have a material effect on our consolidated financial statements in the period or periods in which that determination is made. We earn a portion of our operating income from outside Japan, and any repatriation of funds currently held in foreign jurisdictions to Japan may result in higher effective tax rates for us. In addition, there is risk that our tax exposure be adversely affected if, for example, tax related laws and regulations, including the interpretation thereof, change due to political or economic conditions in the jurisdiction in which we operate. Further, because we are subject to tax examinations by relevant tax authorities on a regular or irregular basis, it is difficult to accurately predict their timing and results.

We may also become subject to new taxes applicable to online businesses, such as taxes on digital services, 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. Further, changes to tax laws and additional reporting requirements could increase the complexity, burden and cost of compliance. Due to the large and expanding scale of our international business activities, any changes in taxation of our activities or the combined effect of tax laws in multiple jurisdictions may increase our worldwide effective tax rate, increase the complexity and costs associated with tax compliance.

Fluctuations in currency exchange rates could materially and adversely affect our business, financial condition and results of operations.

We have substantial operations outside Japan and have significantly expanded our global businesses in recent years. We principally conduct our global business transactions in foreign currencies, in particular the U.S. 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.

We rely on borrowings to finance our operations, and factors such as increases in interest rates under our borrowings could materially and adversely affect us.

We finance our operations in part through loans from 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. Any additional borrowings in the future may also subject us to covenants or other restrictions that impede our operations. If we fail 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.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. Our operating results in future periods may fall below market expectations as well as our internal business objectives or financial targets. Each of the risk factors listed in this section in addition to the following factors may affect our operating results:

- Our ability to continue to attract and retain individual users and enterprise clients to our services;
- Our 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;
- Our 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.

Our stock price may be volatile or difficult to predict due to fluctuations in our operating results or other factors.

The trading price of our common stock 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, 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 war or incidents of terrorism, 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.

Consolidated Statement of Profit and Loss

(millions of yen, unless otherwise stated)

	Fiscal Year Ended March 31, 2018 (FY2017)	Fiscal Year Ended March 31, 2019 (FY2018)
Revenue	2,173,385	2,310,756
Cost of sales	1,159,102	1,141,594
Gross profit	1,014,283	1,169,162
Selling, general and administrative expenses	817,233	947,041
Other operating income	5,760	9,112
Other operating expenses	11,015	8,143
Operating income	191,794	223,090
Share of profit (loss) of associates and joint ventures	2,918	7,894
Finance income	5,618	9,204
Finance costs	1,102	374
Profit before tax	199,228	239,814
Income tax expense	46,898	64,433
Profit for the year	152,329	175,381
Profit attributable to:		
Owners of the parent	151,667	174,280
Non-controlling interests	662	1,101
Profit for the year	152,329	175,381
Earnings per share attributable to owners of the parent		
Basic earnings per share - Basic EPS (yen)	90.79	104.31
Diluted earnings per share - Diluted EPS (yen)	90.60	104.11

KPIs and other information

EBITDA ¹	258,413	293,243
Profit available for dividends ²	131,820	162,346
Adjusted earnings per share - Adjusted EPS ³ (yen)	86.74	107.10
ROE (%)	19.3	19.3

¹ EBITDA = operating income + depreciation and amortization ± other operating income/expenses

² Profit available for dividends = profit attributable to owners of the parent ± non-recurring income/losses, etc.

³ Adjusted earnings per share or Adjusted EPS = adjusted profit⁴ / (number of shares issued at the end of the period - number of treasury stock at the end of the period)

⁴ Adjusted profit = profit attributable to owners of the parent ± adjustment items⁵ (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items

⁵ Adjustment items = amortization of intangible assets by acquisitions ± non-recurring income/losses

Consolidated Statement of Cash Flows

(millions of yen, unless otherwise stated)

	Fiscal Year Ended March 31, 2018 (FY2017)	Fiscal Year Ended March 31, 2019 (FY2018)
Cash flows from operating activities		
Profit before tax	199,228	239,814
Depreciation and amortization	61,363	71,122
Gain on sales of investments in subsidiaries	(3,489)	(7,501)
(Increase) decrease in trade and other receivables	(26,765)	(14,311)
Increase (decrease) in trade and other payables	27,453	7,742
Other	7,268	6,258
Subtotal	265,060	303,125
Interest and dividends received	4,107	6,656
Interest paid	(295)	(446)
Income tax paid	(74,754)	(32,375)
Net cash flows from operating activities	194,117	276,960
Cash flows from investing activities		
Payment for purchase of property and equipment	(19,997)	(28,480)
Payment for purchase of intangible assets	(44,133)	(47,285)
Payment for purchase of shares of subsidiaries	(5,330)	(126,847)
Payment from sales of shares of subsidiaries	6,799	8,041
Other	(3,276)	(10,047)
Net cash flows from investing activities	(65,937)	(204,619)
Cash flows from financing activities		
Repayments of long-term borrowings	(24,958)	(24,957)
Payment for purchase of treasury stock	(1,081)	(1,323)
Dividends paid	(54,552)	(42,616)
Other	(2,577)	376
Net cash flows from financing activities	(83,169)	(68,521)
Effect of exchange rate changes on cash and cash equivalents	(10,384)	9,270
Net increase (decrease) in cash and cash equivalents	34,625	13,088
Cash and cash equivalents at the beginning of the year	355,196	389,822
Cash and cash equivalents at the end of the year	389,822	402,911

Consolidated Statement of Financial Position

(millions of yen, unless otherwise stated)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current Asset		
Cash and cash equivalents	389,822	402,911
Trade and other receivables	323,116	340,254
Other current financial assets	19,864	26,903
Other current assets	38,159	38,938
Total current assets	770,962	809,007
Non-current assets		
Property, plant and equipment	57,211	74,566
Goodwill	312,944	410,651
Intangible assets	229,232	242,583
Investments in associates and joint ventures	43,950	50,557
Other non-current financial assets	118,038	127,458
Deferred tax assets	35,590	27,451
Other non-current assets	6,102	6,706
Total non-current assets	803,070	939,975
Total Assets	1,574,032	1,748,982

(millions of yen, unless otherwise stated)

	As of March 31, 2018	As of March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	204,172	212,193
Bonds and borrowings	24,068	24,869
Other financial liabilities	1,356	1,175
Income tax payables	20,991	35,327
Provisions	7,034	4,665
Other liabilities	190,145	219,362
Total current liabilities	447,768	497,594
Non-current liabilities		
Bonds and borrowing	159,007	137,212
Other financial liabilities	4,860	1,334
Provisions	5,043	8,581
Net defined benefit liability	45,781	52,347
Deferred tax liabilities	53,172	52,240
Other non-current liabilities	17,738	27,420
Total non-current liabilities	285,603	279,137
Total liabilities	733,372	776,731
Equity		
Equity attributable to owners of the parent		
Common stock	10,000	10,000
Share premium	50,115	49,136
Retained earnings	811,287	942,449
Treasury stock	(32,049)	(32,378)
Other components of equity	(3,748)	(3,431)
Total equity attributable to owners of the parent	835,605	965,775
Non-controlling interests	5,055	6,475
Total equity	840,660	972,251
Total liabilities and equity	1,574,032	1,748,982



LEFT:
Suumo counter (Housing and Real Estate business)

In addition to our online media, we also have a variety of services, such as magazines and in-person counters, for making the best matches for home seekers. Pictured is one of over 100 SUUMO counters in Japan.

RIGHT:
Indeed Interactive

Annual conference for talent attraction and HR executives and professionals. Industry leaders gather from around the world.

Company Profile

Company name:

Recruit Holdings Co., Ltd.

Founded:

March 31, 1960 (incorporated August 26, 1963)

Trading name was changed from Recruit Co., Ltd. on October 1, 2012

Headquarters:

1-9-2 Marunouchi, Chiyoda-ku, Tokyo 100-6640 Japan

URL:

<https://recruit-holdings.com/>

Number of employees of Recruit Holdings Co., Ltd.:

181 as of March 31, 2019

Number of employees of Recruit Group:

45,856 as of March 31, 2019

Number of consolidated subsidiaries:

352 as of March 31, 2019

Capital:

40 billion yen (since June 20, 2019)

Stock Information

Stock code:

6098

Stock exchange registration:

Tokyo Stock Exchange 1st Section

Fiscal year:

From April 1 to March 31

Base date:

Dividend payout: Interim dividend record date: September 30

Year-end dividend record date: March 31

Note: With regard to dividend payout, Recruit Holdings has a policy of distributing a dividend twice a year, based on interim and year-end dividend record dates.

Number of shares constituting one trading unit:

100 shares

Annual Shareholders' Meeting:

Every June

Administrator of shareholder registry:

Mitsubishi UFJ Trust and Banking Corporation

Reporting method:

Electronic public notice (Japanese only)

In the event that we are unable to issue an electronic public notice due to an accident or other unavoidable reasons, such notices will be published in the Nihon Keizai Shimbun (Nikkei).



Glassdoor meeting rooms

The glass walls of Glassdoor's meeting rooms represent our commitment to transparency.



LEFT:
Indeed office atrium

An open space where employees gather to exchange ideas through town hall meetings and events.



RIGHT:
Staffing SBU

Global Executive Conference

Leaders from all over the world gather and share knowledge.



LEFT:
Glassdoor users' voices
At Glassdoor, user feedback is displayed in the office, a visual representation of how we always consider users' viewpoints.

RIGHT:
Roving Recruiter
This portable staffing agency was born from an employee idea. Team members travel to various regions in a van offering work opportunities to the community.

Annual Report 2019 Editorial Note

To help stakeholders such as shareholders and investors understand not only management policies and business strategies, but also mid-to-long term value creation, since FY2016 we have integrated our Annual Report and CSR Report into this single publication.

For this Annual Report 2019, we have set "Opportunities for Life. Faster, simpler and closer to you," the Mission of Recruit Group, as the theme. We have endeavored to include activities and stories from every corner of our Group, focusing on how our company provides opportunities to people, including individual users and enterprise clients. We have also expanded the content related to Corporate Governance and Risk Management, reflecting the calls of stakeholders.

Notes regarding the future outlook

In preparing this report, Recruit Holdings Co., Ltd. assumes the accuracy and completeness of all available information including information from third-party sources. However, we make no representations or warranties of any kind, express or implied, about the completeness and accuracy of such information. This report also contains forward-looking statements. Actual results, performance and achievements are subject to various risks and uncertainties. Accordingly, actual results may differ significantly from those expressed or implied by forward-looking statements. Readers are cautioned against placing undue reliance on forward-looking statements. We have no obligation to update or revise any information contained herein based on any subsequent developments. This report has been prepared solely for general reference purposes. Third parties are not permitted to use and/or disclose this report and the contents herein for any other purpose without the prior written consent of Recruit Holdings Co., Ltd.

Report Period

The report covers the period between April 1, 2018 to March 31, 2019. However, some information relating to periods before and after the report period is included as necessary.

Referenced guidelines

- International Integrated Reporting Council (IIRC) "The International Integrated Reporting Framework"
- Global Reporting Initiative (GRI) Sustainability Reporting Standards

Contact us - <https://recruit-holdings.com/contact/>



Top workplace for LGBTQ equality
Indeed was voted a Best Place to Work for LGBTQ Equality for the second year in a row and is praised for its corporate policies and workplace diversity.



LEFT:
Incorporating cutting-edge technology
Quantum annealing machines, which use quantum mechanics, allow for the instant processing of vast amounts of information. In the Media & Solutions SBU, we put this technology to work in our web services.

RIGHT:
FORUM
Sharing our Vision, Mission & Values
Our leaders share our management philosophy at every opportunity. This photo is from our Growth Forum.