

CEO Message

Fostering Innovation for the Future



Masumi Minegishi

President, CEO, and Representative Director

At the Recruit Group, all of our employees work to create new value with stakeholders, by directly addressing any dissatisfaction, inconvenience, and unease among our customers and in society.

In 1960, during Japan's high economic growth period, Recruit was founded by a college student as a venture company in the job advertisement business for college students. Recruit has provided numerous opportunities to society while growing alongside Japan's economy. In the HR Media business, its founding business, Recruit has delivered a wide choice of job posts so that individuals could find a suitable one. We also have created opportunities for people; part-time work and temporary staffing gained acceptance as alternatives to full-time employment; people decided to change jobs; and more women chose to join the workforce.

In the Marketing Media business, through a variety of media, Recruit has published information about restaurants, beauty salons, and travel that enables people to lead fulfilling lifestyles, in addition to offering ideas on how to find an ideal home or plan a wedding. At the Recruit Group, we are proud of the role of helping people make decisions on their own from a diverse range of options, and opening up a constrained and uncertain world to more information and choices. Our services have become a new type of infrastructure for industry, therefore it is important to accelerate their improvement; we are responsible to society.

■ Aiming to Build the World's Leading Platform

In 2013, we revised our management philosophy for the first time since founding, and formulated a medium- to long-term vision. Not content with its number one position in Japan, the Recruit Group decided on a new management philosophy, Opportunities for Life, which aims to offer new opportunities to people around the world, including Japan.

The Recruit Group has milestones for growth as we pursue global expansion. We have set our sights on becoming the world leader in human resources by 2020 in terms of number of positions filled. A decade further, by 2030, we aim to become the world leader in HR media and have the world's leading matching platform, in terms of service user population.

■ Formulating Mid- to Long-Term Policies to Realize Our Vision

To realize this vision, over the next three years (fiscal 2016 to fiscal 2018), Recruit aims to achieve steady earnings growth in the Domestic Media and Staffing businesses, while maintaining strong growth in the overseas HR Media business.

In the Domestic Media business, which consists of Marketing Media and HR Media in Japan, Recruit aims to develop new businesses while reinforcing its competitiveness in existing businesses, which enjoy overwhelming scale. A prime example of a new business, Air Series, developed for the purpose of improving operational efficiency at small and medium-sized enterprises, has seen steady growth on the number of its clients. We aim to expand the business further through collaboration with our media businesses and tie-up with other companies' services.

In overseas HR Media, we aim for strong growth centered on Indeed, a service that aggregates job information from across the web. In the US, Recruit aims to maintain strong growth and monetization; outside the US, we will focus on marketing investment in scale expansion for future earnings. With these ambitions, we aim to at least double sales in the overseas HR Media business over the next three years.

In addition to strengthening existing businesses for Indeed (i.e., the job advertising business that addresses the clients' needs to recruit employees), Recruit will proactively examine entering new businesses that leverage Indeed's advanced technologies, client base and user base. Our clients face a variety of human resource challenges in addition to new personnel recruitment. Recruit intends to evolve into a company to handle a broader range of HR-related operations by providing solutions to satisfy its clients' needs.

To flexibly implement this growth strategy, Recruit has broadened the time frame of its management targets from "stable growth each fiscal year" to "compound annual growth rate for three years." We also adopted adjusted EPS (Note) as a management target to emphasize improvement in shareholder value. For three years ending March 31, 2019, we pursue high single digit compound annual growth rate (CAGR), which is higher than the current target.

■ Taking on the Challenge of Solving Social Issues

We are ready to take on more complex and diverse challenges amid rapid changes in society and the environment brought about by globalization and IT.

In Japan, we will directly take on issues that have created inequalities in society as the result of a shrinking labor population and the depopulation of outlying regions amid declining birthrates and a growing elderly population. If Recruit lasts 100 years, it will be expected to play a role of solving the global issues.

Japan is looked upon as an advanced country with new problems and now confronting social issues that other countries are likely to face in the near future, such as a shrinking working population due to declining birthrates and a growing elderly population, income inequality, regional inequalities, and the resulting inequality in education. We believe it is essential to tackle these social issues, head-on.

Recruit is proud of its accomplishments solving social issues throughout its history. With its overseas sales ratio of about 36% in fiscal 2015, the Recruit Group sees a need to boldly take on new challenges emerging amid rapid changes in society and the environment as a result of globalization and advances in IT to gain trust from communities and meet the expectations of society. To address global issues, such as the Sustainable Development Goals (SDGs) adopted by the United Nations, Recruit aims to make a better future through collaboration with various organizations as well as long-term business development.

■ Identifying Underlying Negatives, Fostering New Innovations

To take on new challenges, each employee gains insights from their interactions with users and clients leveraging strong connection with them, understand market structure, and take action to find solutions for underlying issues.

Leveraging the diverse customer connections unique to the Recruit Group, we have ceaselessly pursued innovation in tune with trends in society, such as the transition from paper to online media, developing services in brick-and-mortar stores, providing information and reservations services, as well as streamlining clients' operations. This has been facilitated by the unique corporate culture of the Recruit Group, where everyone mutually respects the potential of the individual, as employees work together with an entrepreneurial spirit and a strong sense of ownership in a disciplined approach to maximizing their potential. We create new opportunities by constantly thinking, bringing others into the fold, and taking action.

Have we truly identified all the issues for our users and clients? Each and every employee strives to quickly discover any underlying negative issues, set high ideals, and move with determination to improve society and markets by addressing these social issues. We believe our culture to work to the best of our abilities is the source of strength at Recruit. Not satisfied with the current status, we question ourselves, reassess the situation, take action, and promote innovation to create new value. As time flows from the present to through the future, now is always a new starting point. Looking beyond Japan, the Recruit Group is also working to create new value in an increasingly complex world while striving to solve global issues.

With its stakeholders, the Recruit Group will make every effort to meet the growing society's expectation.

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

CFO Message

Achieving Record-Setting Profits, Making Strategic Investments for Mid- to Long-Term Growth



Keiichi Sagawa

Board Director, Senior Managing Corporate Executive Officer

■ Record-Setting Net Sales and EBITDA

In fiscal 2015, the Recruit Group generated EBITDA of 202.2 billion yen, an increase of 5.7% year on year, on net sales of 1,588.6 billion yen, an increase of 22.2%, representing its best performance since fiscal 2007. Net sales grew in all three major segments comprising Marketing Media, HR Media and Staffing. Net income attributable to owners of the parent declined 7.4% to 64.5 billion yen year on year. Overseas net sales climbed 69.4% to 570 billion yen, growing to account for 35.9% of total net sales, underscoring the expansion of our global business portfolio.

■ Financial Strategy for Realizing Mid- to Long-Term Policies

As the CEO explained in his message, the Recruit Group plans to reinforce existing businesses inside and outside Japan over the coming three years, while aggressively developing new businesses and engaging in M&A toward the attainment of its long-term vision. The CEO also outlined our focus on the personnel recruitment field overseas, centered on Indeed. To implement these growth strategies, Recruit has broadened the time frame of its management targets from “stable growth each fiscal year” to “compound annual growth rate for three years” in order to more flexibly and aggressively pursue M&A and other investments. We also adopted adjusted EPS (Note) as a management target to emphasize improvement in shareholder value. For three years ending March 31, 2019, we pursue high single digit compound annual growth rate (CAGR), which is higher than the current target.

We will follow a proper financial strategy in accordance with this mid- to long-term policy, but will not relax our risk controls. Recruit currently has the capacity for around 500 billion yen in investments. However, when cash in hand at the time investment opportunity comes up exceed its cost, or external conditions such as foreign exchange and interest rates are conducive for procuring funds externally, Recruit intends to prioritize raising of funds from bank borrowings. In terms of our financial soundness, management aims to maintain a credit rating of A with domestic rating agencies. As for capital efficiency, Recruit’s basic policy is to maintain an ROE of roughly 15% based on net income before amortization of goodwill.

■ Shareholder Returns

To benefit all shareholders, the Recruit Group is committed to increasing enterprise value through appropriate management decisions on well-considered investments and ongoing earnings growth. In addition, we position shareholder return as an important management measure.

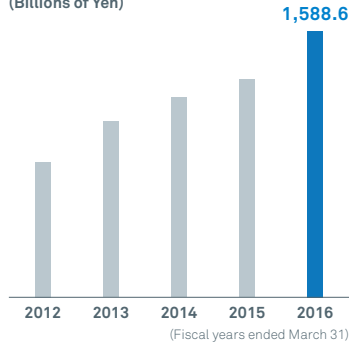
We prioritize paying steady dividends commensurate with earnings, while reserving sufficient funds to invest in business expansion and maintain a solid financial footing. Our dividend policy aims for a consolidated payout ratio of around 25% based on net income before amortization of goodwill.

Based on this policy, in fiscal 2015 we paid a year-end dividend of 50 yen per share. We will maintain this policy going forward and return to shareholders.

Performance Highlights

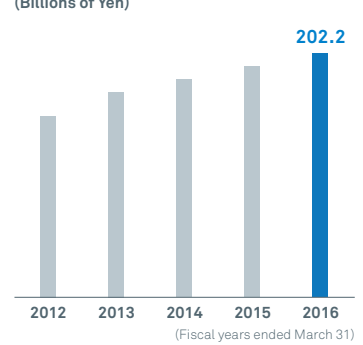
Net Sales

(Billions of Yen)



EBITDA

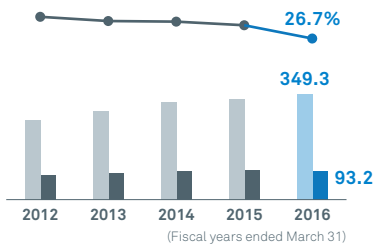
(Billions of Yen)



Net sales by segment/EBITDA/EBITDA to net sales ratio

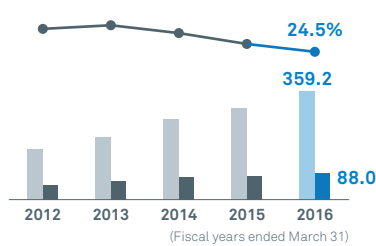
Marketing Media

(Billions of Yen)



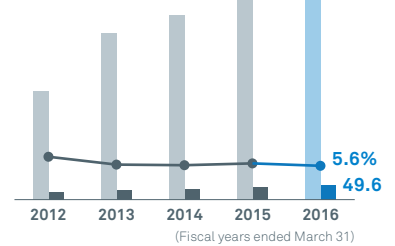
HR Media

(Billions of Yen)



Staffing

(Billions of Yen)

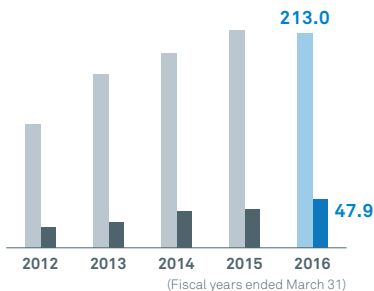


■ Net Sales ■ EBITDA ● EBITDA to net sales ratio (%)

Note: Segment results are available from fiscal 2011, three years before the IPO in 2014.

Goodwill / Amortization of Goodwill

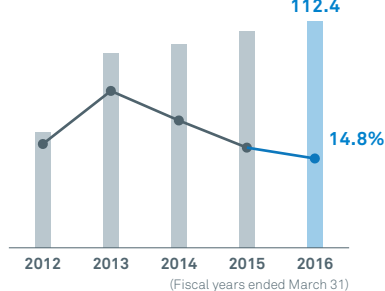
(Billions of Yen)



■ Goodwill ■ Amortization of Goodwill

Net Income before Amortization of Goodwill¹ / Adjusted ROE²

(Billions of Yen)



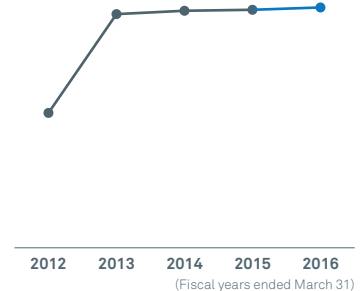
■ Net income before Amortization of Goodwill ● Adjusted ROE (%)

Note: 1. Net income before amortization of goodwill = Net income attributable to owners of the parent + amortization of goodwill

Note: 2. Adjusted ROE = Net income before amortization of goodwill/own capital (average)

Net Income before Amortization of Goodwill per Share¹

(Yen)



Note: 1. Reflects the 10-for-1 stock split effective as of July 31, 2014 as if it had taken effect from April 1 of fiscal 2011.

OUR GROWTH STORY

	2012	2013	2014	2015	2016.3
For the year	(Billions of Yen)				
Net sales	806.6	1,049.2	1,191.5	1,299.9	1,588.6
EBITDA	150.2	170.0	180.6	191.4	202.2
EBITDA margin (%)	18.6	16.2	15.2	14.7	12.7
Depreciation and amortization	15.2	19.9	27.1	31.0	40.2
Amortization of goodwill	20.0	25.1	36.0	37.8	47.9
Net income before amortization of goodwill ¹	57.4	96.9	101.4	107.5	112.4
Net income attributable to owners of the parent	37.4	71.8	65.4	69.7	64.5

	(Billions of Yen)				
At the year end					
Total assets	646.3	808.5	860.3	1,100.7	1,150.6
Total equity	330.7	419.2	546.6	754.1	777.0
Own capital ratio ² (%)	—	51.5	63.2	68.1	66.9

	(Billions of Yen)				
Cash flow					
Net cash provided by operating activities	114.1	158.5	126.1	137.4	162.5
Net cash used in investing activities	(69.7)	(113.7)	(48.7)	(80.3)	(109.6)
Net cash provided by (used in) financing activities	(80.5)	7.7	(92.9)	62.5	(53.5)
Cash and cash equivalents at end of period	146.7	201.4	187.1	313.1	310.3

	(Yen)				
Per share data³					
EPS	72.84	143.45	126.64	127.79	114.28
Adjusted EPS	111.77	193.66	196.44	197.24	199.17

Investment grade rating (internal grading)

Investment grade rating	—	—	—	A	A
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Notes: 1. Net income before amortization of goodwill = Net income attributable to owners of the parent + amortization of goodwill.

2. Own capital ratio is available from fiscal 2012, two years before the IPO in 2014.

3. Reflects the 10-for-1 stock split effective as of July 31, 2014 as if it had taken effect from April 1 of fiscal 2011.