Consolidated Financial Results for the Nine Months Ended December 31, 2016 [Japanese GAAP]

February 13, 2017

Company name: Recruit Holdings Co., Ltd.
Listed stock exchange: Tokyo Stock Exchange
Securities code: 6098
URL: http://www.recruit.jp
Representative: Masumi Minegishi, President, CEO, and Representative Director
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Scheduled submission date of quarterly securities report: February 13, 2017
Scheduled commencement date of dividend distribution: —
Preparation of briefing materials to the quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (Percentage indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2016	1,300,772	14.2	92,254	12.6	96,563	11.0	67,663	41.8
Nine months ended December 31, 2015	1,139,425	21.8	81,935	(7.3)	86,984	(5.3)	47,709	(1.8)

Note: Comprehensive income Nine months ended December 31, 2016 ¥(7,360) million [-%]
Nine months ended December 31, 2015 ¥43,798 million [(35.2)%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2016	120.57	120.39
Nine months ended December 31, 2015	84.48	84.38

Note: The provisional accounting treatment for business combinations was finalized on March 31, 2016. The quarterly consolidated financial statements for the nine months ended December 31, 2015 have been revised to reflect the finalization of said accounting.

Reference: EBITDA (operating income + depreciation and amortization + amortization of goodwill)
Nine months ended December 31, 2016 ¥166,897 million [13.8%]
Nine months ended December 31, 2015 ¥146,693 million [5.4%]
Net income before amortization of goodwill
(Net income attributable to owners of the parent + amortization of goodwill)
Nine months ended December 31, 2016 ¥106,855 million [28.4%]
Nine months ended December 31, 2015 ¥83,206 million [8.7%]
Adjusted EPS Nine months ended December 31, 2016 ¥175.97 [16.4%]
Nine months ended December 31, 2015 ¥151.23

Notes: 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

(2) Consolidated Financial Position

	Total assets	Total equity	Ratio of equity attributable to owners of the parent to total asset
	Millions of yen	Millions of yen	%
As of December 31, 2016	1,306,666	709,469	53.8
As of March 31, 2016	1,150,681	777,000	66.9

Reference: Equity attributable to owners of the parent: As of December 31, 2016 ¥702,442 million
As of March 31, 2016 ¥770,277 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	-	0.00	-	50.00	50.00
Year ending March 31, 2017	-	0.00	-		
Year ending March 31, 2017 (forecast)				60.00	60.00

Note: Revision of dividends forecast from recently announced figures: Yes

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentage indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,830,000	15.2	117,000	2.6	122,000	2.2	74,000	14.7	132.89

Note: Revision of results forecast from recently announced figures: None

The Company, at the board of directors meeting held on August 24, 2016, resolved on matters concerning the repurchase of its shares, pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, Paragraph 3 of the same Act. Accordingly, net income per share in the consolidated financial results forecast for the year ending March 31, 2017 factors in the effect of said repurchase of its shares.

Reference:	EBITDA	Year ending March 31, 2017	¥223,000 million	[10.3%]
	Net income before amortization of goodwill	Year ending March 31, 2017	¥128,500 million	[14.2%]
	Adjusted EPS	Year ending March 31, 2017	¥223.58	[6.7 %]

* Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 2016: Yes
(Changes in specified subsidiaries accompanying change in scope of consolidation)

Newly included: 7 companies
USG People B.V.
Start Holding B.V.
Start People B.V.
Start People NV
Unique NV
USG People France SAS
USG People Interservices NV

Excluded: 3 companies
A.C.N 139 871 560 Pty Ltd
P.B. Recruitment Pty Ltd
Peoplebank Holdings Pty Ltd

(2) Application of accounting methods specific to quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatements
1) Changes in accounting policies in accordance with revision of accounting standards: Yes
2) Changes in accounting policies other than item 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

(4) Number of shares issued (common stock)
1) Number of shares issued at the end of the period (including treasury stock)

As of December 31, 2016	565,320,010 shares	As of March 31, 2016	565,320,010 shares

2) Number of treasury stock at the end of the period

As of December 31, 2016	8,463,880 shares	As of March 31, 2016	584,200 shares

3) Average number of shares during the period

Nine months ended December 31, 2016	561,173,300 shares	Nine months ended December 31, 2015	564,726,895 shares

Note: The Company has introduced the Board Incentive Plan, and the Company's stock held in the trust (278,059 shares as of December 31, 2016) is included in above treasury stock.

* Implementation status for quarterly review procedures

The quarterly review procedures based on the Financial Instruments and Exchange Act do not apply to this document, and quarterly review procedures for quarterly securities report based on the Financial Instruments and Exchange Act have been completed at the time of disclosure of this document.

* Explanation regarding appropriate use of financial results forecast and other special notes

The consolidated financial results forecast mentioned above includes future assumptions and projections as well as forecasts based on plans as of the disclosure date of this document. There are possibilities that actual results may differ significantly from this forecast due to various factors in the future. For the matters concerning the financial results forecast, please refer to page 4 of the Attached Materials.

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1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2016

(1) Operating Results

During the nine months ended December 31, 2016, the Group continued to focus on strengthening operations in Japan as well as moving forward with further global expansion.

In the Marketing Media segment, we made efforts to improve convenience to our users through measures such as increasing our client base and expanding our reservation services through the utilization of information technologies, mainly in the dining and beauty businesses. In the HR Media segment, we focused on further strengthening the competitiveness of our Domestic Recruiting operations, where employment demand has stabilized at a favorable level, while in our Overseas Recruiting operations, we undertook initiatives to increase the number of users and clients, mainly through efforts to promote brand awareness and develop our salesforce. In the Staffing segment, we focused on improving the efficiency of our business operations, and made efforts to expand our global operational footprint through measures such as mergers and acquisitions.

As a result of the above, net sales were ¥1,300.7 billion, an increase of 14.2% year on year. Operating income was ¥92.2 billion, an increase of 12.6% year on year, and ordinary income was ¥96.5 billion, an increase of 11.0% year on year. Net income attributable to owners of the parent was ¥67.6 billion, an increase of 41.8% year on year, due primarily to recording ¥21.8 billion as gain on sales of shares of subsidiaries and associates under extraordinary income.

EBITDA (operating income + depreciation and amortization + amortization of goodwill) increased by 13.8% year on year to ¥166.8 billion. Net income before amortization of goodwill (net income attributable to owners of the parent+amortization of goodwill) was ¥106.8 billion, a 28.4% increase year on year, and adjusted EPS (*1) was ¥175.97, a 16.4% increase year on year.

Net sales and EBITDA of existing businesses, excluding financial results of subsidiaries newly included in the scope of consolidation due to mergers and acquisitions, etc., amounted to ¥1,218.8 billion, an increase of 7.0% year on year, and ¥161.9 billion, an increase of 10.4% year on year, respectively.

The Group aggressively seeks to strengthen and expand its business foundation by utilizing mergers and acquisitions, etc. In this context, the Group has adopted EBITDA as a performance index, as it enables comparison of the Group and other companies without it being affected by the differences in accounting standards.

The Company will voluntarily adopt the International Financial Reporting Standards (“IFRS”) in place of the current Japanese GAAP for the Group’s consolidated financial statements from the year ending March 31, 2018 and will make disclosures in accordance with IFRS starting from the three months ending June 30, 2017.

*1 Adjusted EPS (adjusted net income per share): adjusted net income (*2) / (number of shares issued at the end of the period – number of treasury stock at the end of the period)

*2 Adjusted net income: net income attributable to owners of the parent ± adjustment items (*3) (excluding non-controlling interests) ± tax reconciliation related to adjustment items

*3 Adjustment items: amortization of goodwill and other intangible assets arising due to business combinations ± extraordinary income/losses

Overview of major segments is as follows.

1) Marketing Media segment

Net sales in our Marketing Media segment were ¥272.2 billion, a 8.6% increase year on year, and segment income (segment EBITDA) was ¥78.3 billion, a 14.8% increase year on year, for the nine months ended December 31, 2016.

Overview of main operations is as follows.

I. Life Event operations

In the housing and real estate business, net sales were strong in our key divisions, namely the condominium apartment, independent housing and leasing divisions, supported by factors such as the increased clients’ demand for attracting users, in addition to our efforts to promote user attractiveness.

In the bridal business, despite a declining number of marrying couples in Japan due to the lowering birth rate, net sales were solid mainly due to improved service convenience and increased demand for major wedding venue operator clients to attract users.

As a result of the above, net sales in our Life Event operations were ¥141.3 billion, an increase of 11.5% year on year. Sales by business were ¥74.0 billion for the housing and real estate business, an increase of 14.4% year on year, and ¥41.5 billion for the bridal business, an increase of 1.8% year on year.

II. Lifestyle operations

In the travel business, net sales declined year on year due to the impact of the transfer of a subsidiary during the second quarter ended September 30, 2016. Net sales from "Jalan," its core operation, were favorable driven by an increase in the total number of hotel guests.

In the dining business, net sales were solid due to an increased number of stores in transaction as a result of strengthening client development efforts through *Air Series*, as well as continued solid growth in online seat reservation numbers.

In the beauty business, net sales were favorable due to expanded transaction with existing clients and the acquisition of new clients as a result of factors including efforts to improve the usability of *SALON BOARD* and the further increase of online reservations.

As a result of the above, net sales in our Lifestyle operations were ¥126.7 billion, an increase of 3.5% year on year. This includes ¥43.0 billion in the travel business, a decrease of 3.4% year on year, ¥27.9 billion in the dining business, an increase of 4.3% year on year, and ¥42.5 billion in the beauty business, an increase of 28.6% year on year.

2) HR Media segment

Net sales in our HR Media segment were ¥282.4 billion, an increase of 14.6% year on year, and segment income (segment EBITDA) was ¥59.8 billion, an increase of 1.3% year on year, for the nine months ended December 31, 2016.

Overview of main operations is as follows.

I. Domestic Recruiting operations

In the Domestic Recruiting operations, a favorable employment condition continued as evidenced by the high ratio of job-offers to job-seekers, as well as by the increased number of recruitment advertisements.

Under this environment, net sales were favorable mainly in employment placements and job advertisements for part-time and temporary workers. In addition, during the six months ended September 30, 2016 in particular, the Company focused on strengthening user attractiveness and developing its salesforce with an aim to further strengthen its competitiveness.

As a result, net sales in our Domestic Recruiting operations were ¥182.4 billion, an increase of 5.1% year on year.

II. Overseas Recruiting operations

In the Overseas Recruiting operations, the number of users steadily increased through measures such as the promotion of *Indeed.com*'s brand awareness in the United States, the current focus of our business, as well as in other countries through advertising activities. Net sales were favorable due to the continuous growth in the usage of our services by small- and medium-sized clients resulting from the development of our salesforce.

As a result, net sales in our Overseas Recruiting operations were ¥85.9 billion, an increase of 46.3% year on year.

3) Staffing segment

Net sales in our Staffing segment were ¥753.4 billion, an increase of 16.0% year on year, and segment income (segment EBITDA) was ¥45.2 billion, an increase of 24.6% year on year, for the nine months ended December 31, 2016.

Overview of main operations is as follows.

I. Domestic Staffing operations

In the Domestic Staffing operations, the market continues to expand moderately as evidenced by the continued increase in the number of active agency workers.

Under this environment, net sales were favorable mainly in the administrative, engineering and IT divisions due to the strengthening of our salesforce as well as our efforts in extending existing staffing contracts and increasing the number of new staffing contracts.

As a result, net sales in our Domestic Staffing operations were ¥340.7 billion, an increase of 11.8% year on year.

II. Overseas Staffing operations

In the Overseas Staffing operations, the staffing markets in North America, Europe and Australia, where the Group mainly operates its businesses, continue to expand steadily.

Chandler Macleod Group Limited and Atterro, Inc., etc., whose shares we acquired in the previous fiscal year, have been contributors since the beginning of the nine months ended December 31, 2016. Earnings from USG People B.V. (renamed from USG People N.V. in July 2016), whose shares we acquired in the first quarter ended June 30, 2016, have also contributed to the segment earnings from the third quarter ended December 31, 2016.

As a result, net sales in our Overseas Staffing operations were ¥412.7 billion, an increase of 19.7% year on year.

4) Other segment

Net sales in our Other segment were ¥3.9 billion, an increase of 1.8% year on year, and segment income (segment EBITDA) was negative ¥5.9 billion (negative ¥5.9 billion in the same period in the previous fiscal year), for the nine months ended December 31, 2016.

(2) Financial Position

Assets, liabilities and equity

(Assets)

Current assets were ¥599.1 billion, an increase of ¥9.3 billion or 1.6%, from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable - trade and a decrease in cash and deposits.

Noncurrent assets were ¥707.5 billion, an increase of ¥146.6 billion or 26.1%, from the end of the previous fiscal year. This was mainly due to increases in goodwill and other intangible assets such as customer-related intangible assets, following mergers and acquisitions in the Staffing segment.

As a result, total assets as of December 31, 2016 was ¥1,306.6 billion, an increase of ¥155.9 billion or 13.6%, from the end of the previous fiscal year.

(Liabilities)

Current liabilities were ¥331.7 billion, an increase of ¥49.7 billion or 17.6%, from the end of the previous fiscal year. This was mainly due to increases in current portion of long-term debt and other current liabilities such as deposits received and a decrease in income taxes payable.

Long-term liabilities were ¥265.4 billion, an increase of ¥173.7 billion or 189.5%, from the end of the previous fiscal year. This was mainly due to an increase in long-term debt.

As a result, total liabilities as of December 31, 2016 were ¥597.1 billion, an increase of ¥223.5 billion or 59.8%, from the end of the previous fiscal year.

(Equity)

Total equity as of December 31, 2016 were ¥709.4 billion, a decrease of ¥67.5 billion or 8.7%, from the end of the previous fiscal year. This was mainly due to an increase in treasury stock, a decrease in foreign currency translation adjustments and an increase in retained earnings.

(3) Consolidated Financial Results Forecast and Other Forward-looking Statements

The consolidated financial results forecast for the year ending March 31, 2017 has not been changed from the forecast in the “Announcement of Revision of the Financial Forecasts” announced on July 27, 2016.

Dividend forecast for the fiscal year ending March 31, 2017, announced on May 13, 2016, has been revised. For more details on this matter, please refer to the “Notification of Revision of Dividend Forecast (Dividend Increase)” announced on February 13, 2017.

2. Matters Concerning Notes to Summary Information

(1) Changes in Significant Subsidiaries During the Nine Months Ended December 31, 2016

USG People B.V. (renamed from USG People N.V. in July 2016), Start Holding B.V., Start People B.V., Start People NV, Unique NV, USG People France SAS, and USG People Interservices NV have become consolidated subsidiaries due to acquisition of their shares during the first quarter ended June 30, 2016.

A.C.N 139 871 560 Pty Ltd, P.B. Recruitment Pty Ltd and Peoplebank Holdings Pty Ltd have been excluded from the scope of consolidation since the liquidation procedures of them were completed during the second quarter ended September 30, 2016.

The change in the scope of consolidation during the first quarter ended June 30, 2016 is expected to have a significant impact on the consolidated financial statements for the year ending March 31, 2017. The impact includes an increase in total assets in the consolidated balance sheets and an increase in net sales, etc., in the consolidated statements of income.

(2) Application of Accounting Methods Specific to Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

Effective from the first quarter ended June 30, 2016, the Company adopted “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, issued June 17, 2016) following the revision to the Corporation Tax Act. Accordingly, the depreciation method of facilities attached to buildings and structures acquired on and after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effect of this change in the quarterly consolidated financial statements for the nine months ended December 31, 2016 was immaterial.

(4) Additional Information

Effective from the first quarter ended June 30, 2016, the Company adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued March 28, 2016).

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	257,741	245,241
Notes and accounts receivable - trade	222,288	243,903
Securities	53,176	52,000
Other current assets	60,789	62,370
Allowance for doubtful accounts	(4,256)	(4,396)
Total current assets	589,739	599,118
Noncurrent assets		
Property, plant and equipment	32,432	41,004
Intangible assets		
Goodwill	213,051	270,206
Other	148,543	228,769
Total intangible assets	361,594	498,975
Investments and other assets		
Investment securities	120,854	118,661
Other assets	46,349	49,196
Allowance for doubtful accounts	(288)	(288)
Total investments and other assets	166,914	167,568
Total noncurrent assets	560,942	707,548
Total assets	1,150,681	1,306,666

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	60,104	60,209
Current portion of long-term debt	15,000	52,513
Income taxes payable	40,050	17,492
Accrued employees' bonuses	24,728	16,947
Other current liabilities	142,113	184,586
Total current liabilities	281,997	331,749
Long-term liabilities		
Long-term debt	-	149,837
Net defined benefit liability	28,750	29,308
Other long-term liabilities	62,932	86,300
Total long-term liabilities	91,683	265,447
Total liabilities	373,680	597,197
Equity		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	53,756	52,646
Retained earnings	596,305	635,732
Treasury stock	(495)	(31,663)
Total shareholders' equity	659,565	666,715
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	29,016	30,551
Deferred gain (loss) on derivatives under hedge accounting	(2,157)	-
Foreign currency translation adjustments	86,274	6,947
Remeasurements of defined benefit plans	(2,421)	(1,771)
Total accumulated other comprehensive income	110,712	35,726
Stock acquisition rights	2,137	2,042
Non-controlling interests	4,585	4,985
Total equity	777,000	709,469
Total liabilities and equity	1,150,681	1,306,666

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31, 2016

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	1,139,425	1,300,772
Cost of sales	604,777	692,371
Gross profit	534,648	608,400
Selling, general and administrative expenses	452,712	516,146
Operating income	81,935	92,254
Non-operating income		
Interest income	517	220
Dividend income	1,757	1,137
Share of profit of entities accounted for using equity method	3,787	2,439
Foreign exchange gains	-	790
Other	708	796
Total non-operating income	6,770	5,385
Non-operating expenses		
Interest expense	813	646
Foreign exchange losses	627	-
Other	280	429
Total non-operating expenses	1,721	1,076
Ordinary income	86,984	96,563
Extraordinary income		
Gain on sales of investment securities	5,534	2,378
Gain on sales of shares of subsidiaries and associates	-	21,857
Gain on step acquisitions	1,810	-
Other	406	903
Total extraordinary income	7,751	25,139
Extraordinary losses		
Loss on disposal of noncurrent assets	311	918
Loss on valuation of investment securities	304	1,135
Impairment loss	234	2,236
Other	1,095	1,706
Total extraordinary losses	1,946	5,997
Income before income taxes	92,789	115,705
Income taxes: Current	35,023	47,007
Income taxes: Deferred	9,586	521
Total income taxes	44,610	47,529
Net income	48,179	68,176
Net income attributable to non-controlling interests	469	512
Net income attributable to owners of the parent	47,709	67,663

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended December 31, 2016

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	48,179	68,176
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	4,068	1,534
Deferred gain (loss) on derivatives under hedge accounting	65	2,157
Foreign currency translation adjustments	(8,902)	(73,955)
Remeasurements of defined benefit plans, net of tax	1,019	649
Share of other comprehensive income (loss) in affiliated companies	(633)	(5,923)
Total other comprehensive income (loss)	(4,381)	(75,536)
Comprehensive income	43,798	(7,360)
Total comprehensive income (loss) attributable to:		
Owners of the parent	43,362	(7,321)
Non-controlling interests	435	(38)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

The Company, at the board of directors meeting held on August 24, 2016, resolved to repurchase its shares, and repurchased 7,643,300 shares of treasury stock on August 26, 2016. In addition, due to the introduction of the Board Incentive Plan, 283,500 shares of the Company's stock were acquired by the trustee during the third quarter ended December 31, 2016.

As a result, treasury stock increased by ¥31,225 million during the nine months ended December 31, 2016, and totaled ¥31,663 million as of December 31, 2016.

(Segment Information, etc.)

[Segment Information]

Nine Months Ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

1. Net Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment				Total	Reconciliations (Notes 1, 2)	Consolidated (Note 3)
	Marketing Media	HR Media	Staffing	Other			
Net sales							
Sales to third parties	250,075	243,391	641,400	3,775	1,138,642	782	1,139,425
Intersegment sales or transfers	549	3,022	8,031	151	11,755	(11,755)	-
Total	250,625	246,414	649,431	3,926	1,150,398	(10,972)	1,139,425
Segment income (loss) (Note 4)	68,229	59,073	36,303	(5,935)	157,671	(75,736)	81,935

Notes: 1. Reconciliations of sales to third parties primarily include revenue from research, development, and investments in new technologies, which are not undertaken for profit-making purposes.

2. Reconciliations of segment income (loss) of ¥(75,736) million include depreciation and amortization of ¥(29,261) million; amortization of goodwill of ¥(35,496) million; and corporate expenses not allocated to any reportable segments of ¥(10,978) million; and corporate expenses consist primarily of general and administrative expenses that are not allocable to the reportable segments.
3. Segment income (loss) is adjusted to operating income in the quarterly consolidated statements of income.
4. Segment income (loss) is the amount based on operating income excluding depreciation and amortization and amortization of goodwill (EBITDA)

2. Impairment Loss on Noncurrent Assets or Goodwill by Reportable Segment

This information is omitted because it is immaterial.

Nine Months Ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

1. Net Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment				Total	Reconciliations (Notes 1, 2)	Consolidated (Note 3)
	Marketing Media	HR Media	Staffing	Other			
Net sales							
Sales to third parties	272,136	279,593	744,225	3,798	1,299,754	1,017	1,300,772
Intersegment sales or transfers	145	2,812	9,227	197	12,383	(12,383)	-
Total	272,281	282,406	753,453	3,996	1,312,137	(11,365)	1,300,772
Segment income (loss) (Note 4)	78,341	59,862	45,225	(5,957)	177,472	(85,217)	92,254

Notes: 1. Reconciliations of sales to third parties primarily include revenue from research, development, and investments in new technologies, which are not undertaken for profit-making purposes.

2. Reconciliations of segment income (loss) of ¥(85,217) million include depreciation and amortization of ¥(35,451) million; amortization of goodwill of ¥(39,192) million; and corporate expenses not allocated to any reportable segments of ¥(10,574) million; and corporate expenses consist primarily of general and administrative expenses that are not allocable to the reportable segments.
3. Segment income (loss) is adjusted to operating income in the quarterly consolidated statements of income.
4. Segment income (loss) is the amount based on operating income excluding depreciation and amortization and amortization of goodwill (EBITDA).

2. Impairment Loss on Noncurrent Assets or Goodwill by Reportable Segment

(Significant Changes in the Amount of Goodwill)

During the three months ended June 30, 2016, the Company recognized a provisional goodwill of ¥183,069 million in connection with the inclusion of USG People B.V. (renamed from USG People N.V. in July 2016) in the scope of consolidation due to the acquisition of its shares. The said amount decreased by ¥57,823 million following the completion of the allocation of acquisition costs during the third quarter ended December 31, 2016. The goodwill is not allocated to the reportable segments.

(Business Combinations)

Business Combination by Acquisition

(Significant revision to the initial allocation of the acquisition cost in the comparative information)

During the first quarter ended June 30, 2015, the Company applied provisional accounting treatment for the business combination on April 16, 2015 with Chandler Macleod Group Limited, and finalized said accounting on March 31, 2016.

In line with the finalization of the provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the nine months ended December 31, 2016 have been revised to reflect a significant change to the initial allocation of the acquisition cost.

The impact of this revision on the quarterly consolidated statements of income for the nine months ended December 31, 2015 is immaterial.

(Revision to goodwill in line with the finalization of the provisional accounting treatment)

During the first quarter ended June 30, 2016, the Company applied provisional accounting treatment for the business combination on June 1, 2016 with USG People B.V. (renamed from USG People N.V. in July 2016), and finalized said accounting during the third quarter ended December 31, 2016.

In line with the finalization of the provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the nine months ended December 31, 2016 have been revised to reflect a significant change to the initial allocation of the acquisition cost. Primarily due to allocating ¥61,198 million to customer-related assets classified as intangible assets, the amount of goodwill calculated on a provisional basis totaled ¥125,246 million, a decrease of ¥57,823 million from ¥183,069 million.

(Significant Subsequent Events)

Shelf Registration Concerning Issuance of Corporate Bonds

The Company, at the board of directors meeting held on January 31, 2017, passed a comprehensive resolution concerning the issuance of corporate bonds, and subsequently filed a shelf registration. The outline of the shelf registration is as follows:

1. Planned amount of issue
   ¥200.0 billion

2. Planned term
   From the planned effective date of the shelf registration to the date on which two years will have elapsed
   (From February 8, 2017 to February 7, 2019)

3. Use of funds
   Working capital, capital expenditure, repayment of borrowings, redemption of commercial papers, purchase of securities, share repurchase, investments and loans