Consolidated Financial Results for the Three Months Ended June 30, 2016 [Japanese GAAP]

August 9, 2016

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
Contact: Keiichi Sagawa, Board Director, Senior Managing Corporate Executive Officer
(Tel: +81-3-6835-1111)
Scheduled submission date of quarterly securities report: August 9, 2016
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 Three Months Ended June 30, 2016 (from April 1, 2016 to June 30, 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	%
Three months ended June 30, 2016	407,540	18.4	32,710	8.6	33,376	5.0	17,403	(21.8)
Three months ended June 30, 2015	344,185	12.5	30,110	(4.7)	31,772	(4.4)	22,249	19.5

Note: Comprehensive income Three months ended June 30, 2016 ¥(27,168) million [-%]
Three months ended June 30, 2015 ¥23,201 million [59.2%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2016	30.82	30.77
Three months ended June 30, 2015	39.40	39.36

Reference: EBITDA (operating income + depreciation and amortization + amortization of goodwill)
Three months ended June 30, 2016 ¥55,566 million [11.7%]
Three months ended June 30, 2015 ¥49,752 million [4.7%]
Net income before amortization of goodwill
(Net income attributable to owners of the parent + amortization of goodwill)
Three months ended June 30, 2016 ¥29,553 million [(11.2)%]
Three months ended June 30, 2015 ¥33,292 million [20.8%]
Adjusted EPS Three months ended June 30, 2016 ¥58.55 [10.2%]
Three months ended June 30, 2015 ¥53.15

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	Equity	Ownership equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	1,131,104	720,130	63.1
As of March 31, 2016	1,150,681	777,000	66.9

Reference: Ownership equity As of June 30, 2016 ¥714,115 million
As of March 31, 2016 ¥770,277 million

Note: Ownership equity ratio = [(equity – stock acquisition rights – non-controlling interests) / total assets] x 100

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	-				
Year ending March 31, 2017 (forecast)		0.00	-	50.00	50.00

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

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	131.03

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

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 ¥220.45 [5.2%]

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2016: Yes

(Changes in specified subsidiaries accompanying change in scope of consolidation)

Newly included:	7 companies
(Company name)	USG People N.V. Start Holding B.V. Start People B.V. Start People NV Unique NV USG People France SAS USG People Interservices NV
Excluded:	0 company
(Company name)	

(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 June 30, 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 June 30, 2016	542,471 shares	As of March 31, 2016	584,200 shares

3) Average number of shares during the period

Three months ended June 30, 2016	564,775,745 shares	Three months ended June 30, 2015	564,722,373 shares

* 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 5 of the Attached Materials.

Contents of the Attached Materials

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2016

(1) Operating Results

During the three months ended June 30, 2016, the Group continued to strengthen operations in Japan as well as driving forward with global expansion.

In the Marketing Media segment, the Group made efforts to improve user convenience through such means as strengthening our client base and expanding our reservation services through the utilization of digital technologies, mainly in the dining and beauty businesses. In the HR Media segment, the Group focused on further strengthening the competitiveness of the Domestic Recruiting operations where the employment situation is stabilized at a high level, while in the Overseas Recruiting operations, it took initiative in order to increase the number of users and clients, mainly through efforts to promote brand awareness. In the Staffing segment, the Group promoted efficient business operations, and made efforts to expand its area of operations through such means as M&As.

As a result, net sales amounted to ¥407.5 billion (a year-on-year increase of 18.4%), operating income was ¥32.7 billion (a year-on-year increase of 8.6%), ordinary income was ¥33.3 billion (a year-on-year increase of 5.0%), and net income attributable to owners of the parent amounted to ¥17.4 billion (a year-on-year decrease of 21.8%). The decrease in net income attributable to owners of the parent is due primarily to the recording of ¥7.1 billion of extraordinary income such as gain on sales of investment securities in the three months ended June 30, 2015.

EBITDA (operating income + depreciation and amortization + amortization of goodwill) amounted to ¥55.5 billion (a year-on-year increase of 11.7%), net income before amortization of goodwill (net income attributable to owners of the parent + amortization of goodwill) was ¥29.5 billion (a year-on-year decrease of 11.2%), and adjusted EPS[*1] was ¥58.55 (a year-on-year increase of 10.2%).

Net sales and EBITDA in the existing businesses excluding financial results of the subsidiaries newly included in the scope of consolidation due to M&As, etc. amounted to ¥407.5 billion (a year-on-year increase of 18.4%) and ¥55.5 billion (a year-on-year increase of 11.7%), respectively.

The Group aggressively seeks to strengthen and expand its business bases utilizing M&As and other means. In this context, it has adopted EBITDA as a performance index, since it enables the Group and the users of its financial information to make a comparison with other companies without being affected by the differences between accounting standards in various countries.

The Company has been considering the application of International Financial Reporting Standards (IFRS), and is aiming for its voluntary adoption during the year ending March 31, 2018.

*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

In the three months ended June 30, 2016, the Marketing Media segment recorded net sales of ¥90.6 billion (a year-on-year increase of 10.7%), and segment income (segment EBITDA) was ¥26.7 billion (a year-on-year increase of 12.3%).

Overview of main operations is as follows.

I. Life Event operations

In the housing and real estate business, net sales in the condominium apartment division, independent housing division, and leasing division, which are the major businesses, were favorable due primarily to enhancement of measures to attract users and increased needs for attracting customers.

In the bridal business, despite a declining trend in the number of marrying couples in Japan due to demographic trends towards decreased population, net sales were solid mainly due to increased needs for attracting customers of major wedding venue operator clients.

As a result, net sales in the Life Event operations were ¥48.8 billion (a year-on-year increase of 13.8%). The breakdown of net sales by major businesses was ¥25.7 billion (a year-on-year increase of 21.9%) in the housing and real estate business and ¥13.5 billion (a year-on-year increase of 1.5%) in the bridal business.

II. Lifestyle operations

In the travel business, net sales were favorable as a result of a rise in room rates as well as an increase in the total number of guest nights purchased for the Group's services.

In the dining business, net sales were favorable due to an increase in the number of clients as a result of factors including enhanced contact with clients featuring the *Air Series* and continued strong growth in numbers of online reservations.

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

As a result, net sales in the Lifestyle operations were ¥40.4 billion (a year-on-year increase of 4.6%). The breakdown of net sales by major businesses was ¥13.6 billion (a year-on-year increase of 6.8%) in the travel business, ¥8.7 billion (a year-on-year increase of 6.3%) in the dining business and ¥13.9 billion (a year-on-year increase of 23.7%) in the beauty business.

2) HR Media segment

In the three months ended June 30, 2016, the HR Media segment recorded net sales of ¥95.6 billion (a year-on-year increase of 19.1%) and segment income (segment EBITDA) of ¥22.3 billion (a year-on-year increase of 4.6%).

Overview of main operations is as follows.

I. Domestic Recruiting operations

In the Domestic Recruiting operations, the employment environment continues to be robust reflecting the continued high-level ratio of available jobs to job applicants and the increased number of recruitment advertisements.

Under this environment, the Group carried out measures such as attracting users and reinforcing the sales operations. As a result, net sales were favorable mainly in employment placement and job advertisements for part-time and temporary workers.

As a result, net sales in the Domestic Recruiting operations were ¥64.4 billion (a year-on-year increase of 7.8%).

II. Overseas Recruiting operations

In the Overseas Recruiting operations, the number of users increased steadily due mainly to efforts to promote brand awareness of Indeed.com not only in the United States, which is currently the center of the business, but in other countries as well. This, in addition to the continued growth in the utilization of the Group's services by small- and medium-sized clients mainly in the United States, resulted in favorable net sales in this operation.

As a result, net sales in the Overseas Recruiting operations were ¥27.3 billion (a year-on-year increase of 63.6%).

3) Staffing segment

In the three months ended June 30, 2016, the Staffing segment recorded net sales of ¥224.2 billion (a year-on-year increase of 21.7%) and segment income (segment EBITDA) of ¥11.9 billion (a year-on-year increase of 13.7%).

Overview of main operations is as follows.

I. Domestic Staffing operations

In the Domestic Staffing operations, the staffing market continues to enjoy a moderate expansion trend 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 factors including strengthening of the sales operations as well as focusing on the extension of existing staffing contracts and an increase in the number of new staffing contracts.

As a result, net sales in the Domestic Staffing operations were ¥111.7 billion (a year-on-year increase of 11.2%).

II. Overseas Staffing operations

In Overseas Staffing operations, the staffing markets in North America, Europe and Australia, where the Group mainly operates its businesses, continue to enjoy a moderate expansion trend.

Net sales in the Overseas Staffing operations were favorable due mainly to profit contributions from the beginning of the three months ended June 30, 2016 from Chandler Macleod Group Limited and Atterro, Inc., etc., whose shares we acquired in the previous fiscal year.

As a result, net sales in the Overseas Staffing operations were ¥112.5 billion (a year-on-year increase of 34.3%).

4) Other segment

In the three months ended June 30, 2016, net sales of the Other segment amounted to ¥0.9 billion (a year-on-year decrease of 31.7%). Segment income (segment EBITDA) was ¥(2.3) billion (¥(1.6) billion for the three months ended June 30, 2015).

(2) Financial Position

Assets, liabilities and equity

(Assets)

Current assets decreased by ¥182.7 billion (31.0%) from the end of the previous fiscal year to ¥407.0 billion. This was mainly due to decreases in cash and deposits and securities.

Noncurrent assets increased by ¥163.1 billion (29.1%) from the end of the previous fiscal year to ¥724.0 billion. This was mainly due to an increase in goodwill.

As a result, total assets as of June 30, 2016 decreased by ¥19.5 billion (1.7%) from the end of the previous fiscal year to ¥1,131.1 billion.

(Liabilities)

Current liabilities increased by ¥14.5 billion (5.2%) from the end of the previous fiscal year to ¥296.5 billion. This was mainly due to an increase in other current liabilities such as deposits received and decreases in income taxes payable and accrued employees' bonuses.

Long-term liabilities increased by ¥22.7 billion (24.8%) from the end of the previous fiscal year to ¥114.3 billion. This was mainly due to an increase in long-term debt.

As a result, total liabilities as of June 30, 2016 increased by ¥37.2 billion (10.0%) from the end of the previous fiscal year to ¥410.9 billion.

(Equity)

Total equity decreased by ¥56.8 billion (7.3%) from the end of the previous fiscal year to ¥720.1 billion due to a decrease in foreign currency translation adjustments, payment of dividends, and recording of net income attributable to owners of the parent.

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

The consolidated financial results forecast for the year ending March 31, 2017 announced on May 13, 2016, has been revised on July 27, 2016 as follows: net sales of ¥1,830.0 billion; operating income of ¥117.0 billion; ordinary income of ¥122.0 billion; net income attributable to owners of the parent of ¥74.0 billion; EBITDA of ¥223.0 billion; net income before amortization of goodwill of ¥128.5 billion; and adjusted EPS of ¥220.45. For details, please refer to the "Announcement of Revision of the Financial Forecasts" announced on July 27, 2016.

In line with the revision above, we revised the forecasts for net sales and EBITDA in the existing businesses for the year ending March 31, 2017 to ¥1,680.0 billion and ¥215.3 billion, respectively.

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. These forward-looking statements are based on information available to and certain assumptions by the Company as of the date of this release, and there can be no assurance that the relevant forecasts will be achieved. Please note that significant differences between the forecasts and actual results may arise from various factors in the future, including due to changes in economic conditions, changes in clients' needs and users' preferences, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other reasons.

2. Matters Concerning Notes to Summary Information

(1) Changes in Significant Subsidiaries During the Three Months Ended June 30, 2016

USG People N.V., 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 three months ended June 30, 2016.

This change in the scope of consolidation is expected to have a significant impact on the accompanying 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 three months 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 three months ended June 30, 2016 was immaterial.

(4) Additional Information

Effective from the three months 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 June 30, 2016
Assets		
Current assets		
Cash and deposits	257,741	106,153
Notes and accounts receivable - trade	222,288	244,977
Securities	53,176	54
Other current assets	60,789	60,450
Allowance for doubtful accounts	(4,256)	(4,602)
Total current assets	589,739	407,032
Noncurrent assets		
Property, plant and equipment	32,432	39,011
Intangible assets		
Goodwill	213,051	373,065
Other	148,543	149,229
Total intangible assets	361,594	522,295
Investments and other assets		
Investment securities	120,854	109,125
Other assets	46,349	53,922
Allowance for doubtful accounts	(288)	(283)
Total investments and other assets	166,914	162,764
Total noncurrent assets	560,942	724,071
Total assets	1,150,681	1,131,104

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,414	49,623
Electronically recorded obligations - operating	10,689	13,986
Current portion of long-term debt	15,000	11,250
Income taxes payable	40,050	13,221
Accrued employees' bonuses	24,728	19,043
Other current liabilities	142,113	189,457
Total current liabilities	281,997	296,582
Long-term liabilities		
Long-term debt	-	23,960
Net defined benefit liability	28,750	30,445
Other long-term liabilities	62,932	59,985
Total long-term liabilities	91,683	114,391
Total liabilities	373,680	410,973
Equity		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	53,756	52,812
Retained earnings	596,305	585,472
Treasury stock	(495)	(460)
Total shareholders' equity	659,565	647,824
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	29,016	22,352
Deferred gain (loss) on derivatives under hedge accounting	(2,157)	(184)
Foreign currency translation adjustments	86,274	46,387
Remeasurements of defined benefit plans	(2,421)	(2,263)
Total accumulated other comprehensive income	110,712	66,290
Stock acquisition rights	2,137	2,042
Non-controlling interests	4,585	3,973
Total equity	777,000	720,130
Total liabilities and equity	1,150,681	1,131,104

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

Quarterly Consolidated Statements of Income

Three Months Ended June 30, 2016

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	344,185	407,540
Cost of sales	174,497	209,655
Gross profit	169,688	197,884
Selling, general and administrative expenses	139,577	165,174
Operating income	30,110	32,710
Non-operating income		
Interest income	169	38
Dividend income	935	473
Share of profit of entities accounted for using equity method	1,336	539
Other	263	477
Total non-operating income	2,704	1,528
Non-operating expenses		
Interest expense	152	103
Foreign exchange losses	796	516
Other	93	241
Total non-operating expenses	1,042	862
Ordinary income	31,772	33,376
Extraordinary income		
Gain on sales of investment securities	5,510	42
Gain on step acquisitions	1,283	-
Gain on change in equity	-	33
Other	365	-
Total extraordinary income	7,159	75
Extraordinary losses		
Loss on disposal of noncurrent assets	83	492
Loss on valuation of investment securities	5	942
Loss on liquidation of subsidiaries and associates	44	-
Impairment loss	46	289
Other	13	86
Total extraordinary losses	191	1,811
Income before income taxes	38,739	31,641
Income taxes: Current	8,736	10,795
Income taxes: Deferred	7,603	3,408
Total income taxes	16,340	14,204
Net income	22,399	17,436
Net income attributable to non-controlling interests	149	32
Net income attributable to owners of the parent	22,249	17,403

Consolidated Statements of Comprehensive Income

Three Months Ended June 30, 2016

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	22,399	17,436
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	3,501	(6,664)
Deferred gain (loss) on derivatives under hedge accounting	104	1,972
Foreign currency translation adjustments	(3,565)	(38,342)
Remeasurements of defined benefit plans, net of tax	726	158
Share of other comprehensive income in affiliated companies	35	(1,729)
Total other comprehensive income	802	(44,605)
Comprehensive income	23,201	(27,168)
Total comprehensive income attributable to:		
Owners of the parent	23,064	(27,017)
Non-controlling interests	137	(151)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

Three Months Ended June 30, 2015 (from April 1, 2015 to June 30, 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	81,875	79,099	181,633	1,351	343,958	226	344,185
Intersegment sales or transfers	16	1,202	2,642	50	3,911	(3,911)	-
Total	81,891	80,302	184,275	1,401	347,870	(3,685)	344,185
Segment income (loss) (Note 4)	23,830	21,398	10,515	(1,681)	54,063	(23,953)	30,110

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 ¥(23,953) million include depreciation and amortization of ¥(8,599) million; amortization of goodwill of ¥(11,042) million; and corporate expenses not allocated to any reportable segments of ¥(4,310) million. 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.

Three Months Ended June 30, 2016 (from April 1, 2016 to June 30, 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	90,467	94,516	221,221	928	407,133	406	407,540
Intersegment sales or transfers	147	1,089	3,002	28	4,267	(4,267)	-
Total	90,614	95,605	224,223	957	411,400	(3,860)	407,540
Segment income (loss) (Note 4)	26,760	22,388	11,957	(2,333)	58,774	(26,064)	32,710

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 ¥(26,064) million include depreciation and amortization of ¥(10,707) million; amortization of goodwill of ¥(12,149) million; and corporate expenses not allocated to any reportable segments of ¥(3,207) million. 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 goodwill of ¥183,069 million in connection with the inclusion of USG People N.V. in the scope of consolidation due to the acquisition of its shares. The amount of goodwill was calculated on a provisional basis since the allocation of acquisition costs was not completed as of June 30, 2016. Goodwill is not allocated to the reportable segments.

(Business Combinations)

Business Combination by Acquisition

(1) Overview of the Business Combination

1) Company name and business description of the acquired company
Company name: USG People N.V.
Business description: Comprehensive staffing business
The Company acquired 98 subsidiaries of USG People N.V. at the same time.

2) Main reason for the business combination
The Company aims to achieve stable and sustainable growth by enhancing existing domestic businesses as well as promoting the establishment and expansion of a global business platform.
In order to further accelerate and expand overseas business development in the Staffing segment, the Company acquired the shares of USG People N.V., which provides comprehensive staffing services in Europe mainly in the Netherlands.

3) Effective date of the business combination
June 1, 2016

4) Legal form of the business combination
The transaction was classified as a stock acquisition in which cash is provided as a consideration.

5) Company name following the business combination
The company name has not been changed following the business combination

6) Percentage of voting rights acquired
Before the stock acquisition: 0%
After the stock acquisition: 98.68%

7) Principal basis for determining the acquirer
This was determined based on the fact that the transaction was stock acquisition in which cash was provided as a consideration.

(2) Period in which the Acquired Company's Business Performance is Reflected in the Quarterly Consolidated Financial Statements

The business performance of the acquired company is not included in the quarterly consolidated financial statements for the three months ended June 30, 2016, because the acquisition was deemed to be implemented on June 30, 2016.

(3) Breakdown of Acquisition Cost

	Millions of Yen
Consideration paid for acquisition	
Cash	181,140
Total acquisition cost	181,140

(4) Amount of Goodwill Recognized, Reason Thereof, Method and Period of Amortization

1) Amount of goodwill
¥183,069 million
The amount of goodwill is calculated tentatively because the allocation of acquisition cost has not been completed.

2) Reason
Due to prospective earning power expected from future business development

3) Method and period of amortization
Goodwill is amortized using the straight-line method over the effective period. Amortization period will be determined based on the result of the allocation of acquisition cost.

(Significant Subsequent Events)

Transfer of Shares of a Significant Subsidiary

The Company, at the board of directors meeting held on July 27, 2016, resolved to transfer all shares of the Company's wholly owned subsidiary Yuko Yuko Corporation (hereinafter "Yuko Yuko") to Yuko Yuko Holdings Inc. in which funds and other entities operated by each of Unison Capital, Inc., Fukuoka Capital Partners Co., Ltd. and Shizuoka Capital Co., Ltd., as well as Dentsu Inc. plan to jointly invest.

(1) Reason for Transfer of Shares

In order to acquire business in the senior demographic of the accommodation booking market in the travel business of the Marketing Media segment, the Company acquired Yuko Yuko in 2006 and has since promoted a growth strategy. At the same time, as a result of the Company's efforts to grow its existing travel information magazine "Jalan" and travel information search and booking website "Jalan.net," and rising internet usage rates, the number of active users has steadily increased regardless of age, including the senior demographic. In light of this situation, the Company has concluded that it will be beneficial to cooperate with partner companies other than those of the Recruit Group for the further growth of Yuko Yuko and, accordingly, has resolved to transfer the shares of Yuko Yuko.

(2) Name of the Recipient of Shares: Yuko Yuko Holdings Inc.

(3) Date of Transfer: August 31, 2016 (planned)

(4) Name of the Subsidiary to be Transferred, Description of Business and Detail of Transactions

1) Name: Yuko Yuko Corporation
2) Description of business: Publisher and operator of domestic hotel information magazine "Yuko yuko" and domestic hotel booking website "yukoyuko.net."
3) Detail of transactions: The Company sublets a rental property to Yuko Yuko as office space. In addition, a business relationship involving the consignment of arrangements for transportation and hotel stays exists between the Company's affiliates and Yuko Yuko.

(5) Number of Shares to be Transferred, Transfer Price, Gain on Transfer, and Ownership Ratio after Transfer

1) Number of shares to be transferred: 4,423 shares
2) Transfer price: ¥20.2 billion (planned)
3) Gain on transfer: ¥19.6 billion (planned)
4) Ownership ratio after transfer: 0%