Consolidated Financial Results for the Nine Months Ended December 31, 2014 [Japanese GAAP]

February 13, 2015

Company name: Recruit Holdings Co., Ltd.
Listed stock exchange: Tokyo Stock Exchange
Securities code: 6098
URL: http://www.recruit.jp
Representative: Masumi Minegishi, President and CEO, & Representative Director
Contact: Keiichi Sagawa, Senior Corporate Executive Officer, Board of Director
(Tel: +81-3-6835-1111)
Scheduled submission date of quarterly securities report: February 13, 2015
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, 2014 (from April 1, 2014 to December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2014	935,523	-	88,404	-	91,867	-	48,578	-
Nine months ended December 31, 2013	-	-	-	-	-	-	-	-

Note: Comprehensive income Nine months ended December 31, 2014 ¥67,604 million [-%]
Nine months ended December 31, 2013 ¥- million [-%]

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2014	90.09	90.03
Nine months ended December 31, 2013	-	-

The Company implemented a 10-for-1 stock split on July 31, 2014. Basic and diluted net income per share are computed assuming the stock split was implemented on April 1, 2014.

Reference: EBITDA (Operating income + Depreciation and amortization + Amortization of goodwill)
Nine months ended December 31, 2014 ¥139,125 million [-%]
Nine months ended December 31, 2013 ¥- million [-%]
Net income before amortization of goodwill (Net income + Amortization of goodwill)
Nine months ended December 31, 2014 ¥76,564 million [-%]
Nine months ended December 31, 2013 ¥- million [-%]

(2) Consolidated Financial Position

	Total assets	Equity	Own capital ratio
	Millions of yen	Millions of yen	%
As of December 31, 2014	1,009,194	704,016	69.3
As of March 31, 2014	860,381	546,621	63.2

Reference: Own capital As of December 31, 2014 ¥699,644 million
As of March 31, 2014 ¥543,356 million

Note: Own capital ratio = [(Equity – Stock acquisition rights – Minority 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, 2014	-	-	-	260.00	260.00
Year ending March 31, 2015	-	0.00	-		
Year ending March 31, 2015 (forecast)				47.00	-

Note: Revision of dividends forecast from recently announced figures: None
The Company implemented a 10-for-1 stock split on July 31, 2014. The amount of annual dividend for the year ended March 31, 2014, assuming the stock split was implemented on April 1, 2013, is ¥26.00 per share.

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Percentage indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,290,000	8.3	121,000	3.0	126,000	3.2	66,000	0.9	122.41

Note: Revision of results forecast from recently announced figures: None
The Company implemented a 10-for-1 stock split on July 31, 2014. The amount of net income per share is computed assuming the stock split was implemented on April 1, 2014.

(Reference)	EBITDA	Year ending March 31, 2015 (forecast)	¥191,000 million	(5.7%)
	Net income before amortization of goodwill	Year ending March 31, 2015 (forecast)	¥103,000 million	(1.5%)

* Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 2014: Yes
(Changes in specified subsidiaries accompanying change in scope of consolidation)

Newly included:	1 company	(Company name)	Travel Book Philippines, Inc.
Excluded:	3 companies	(Company name)	Taofang Corporation Taofang Hong Kong Corporation Limited Beijing Lexin Chuanglian Information Technology

(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: None
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 shares)
1) Number of shares issued at the end of the period (including treasury stock)

As of December 31, 2014	565,320,010 shares	As of March 31, 2014	601,399,740 shares

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

As of December 31, 2014	626,000 shares	As of March 31, 2014	71,604,830 shares

3) Average number of shares during the period (cumulative)

The nine months ended December 31, 2014	539,160,370 shares	The nine months ended December 31, 2013	-

Note: The Company implemented a 10-for-1 stock split on July 31, 2014. The number of shares issued (common shares) is computed assuming the stock split was implemented on April 1, 2013.

* Implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this document, and quarterly review procedures for quarterly securities report based on the Financial Instruments and Exchange Act has 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 include 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.

Contents of the Attached Materials

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2014

As the Company has not prepared its quarterly consolidated financial statements according to the Financial Instruments and Exchange Act for the nine months ended December 31, 2013, comparison with the nine months ended December 31, 2013 has not been made.

(1) Operating Results

During the nine months ended December 31, 2014, despite low personal consumption seen in some areas due to factors including the impact of the consumption tax increase, the Japanese economy was on a moderate recovery track amid factors such as further progress in the trend toward yen depreciation and higher stock prices, and continuing improvement in corporate business results and the employment situation against a backdrop that included the government’s economic measures and monetary easing by the Bank of Japan.

Under this environment, the Group continued to strengthen existing segments in Japan as well as driving forward with global expansion. In the Marketing Media segment, the Group made efforts to further enhance contact with clients by promoting implementation of operational support services for clients mainly through the utilization of IT including “Air REGI” in the dining business and “SALON BOARD” in the beauty business. In the HR Media segment, the Group moved ahead with reinforcement of its brand strength and sales operations in response to trends in recruitment demand in the Domestic Recruiting operations, while the Overseas Recruiting operations saw steady growth in utilization of services by medium- and small-sized clients amid ongoing introduction of marketing know-how cultivated in Japan. In the Staffing segment, the Group promoted efficient business operations in Japan and overseas.

As a result, net sales amounted to ¥935.5 billion, operating income was ¥88.4 billion, ordinary income was ¥91.8 billion, and net income was ¥48.5 billion.

Furthermore, EBITDA (the sum of operating income, depreciation and amortization, and amortization of goodwill) amounted to ¥139.1 billion, and net income before amortization of goodwill (the sum of net income and amortization of goodwill) was ¥76.5 billion. 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 management index, since it enables the Group to compare companies without being affected by the differences between accounting standards in various countries.

Overview of the situation by main segments is as follows.

1) Marketing Media segment

In the nine months ended December 31, 2014, the Marketing Media segment recorded net sales of ¥239.6 billion and segment income (segment EBITDA) of ¥72.4 billion.

Overview of the situation by main operations is as follows.

I. Life Event operations

In the housing and real estate business, the subdued market environment continued amid factors including a decrease in the number of new housing starts, reflecting the impact of the consumption tax increase along with soaring construction costs and costs of acquiring building lots. Under this environment, net sales were sluggish in the condominium apartment division. On the other hand, independent housing division recorded favorable net sales due to efforts such as continuing to enhance the provision of solutions to clients.

The bridal business posted solid net sales. This reflects increased use of the Group’s services by a major wedding venue operator client when opening new branches, in addition to the contribution of “Zexy Wedding Consulting Counter,” a face-to-face consultation service.

As a result, net sales in the Life Event operations amounted to ¥125.4 billion. The breakdown of net sales by major businesses was ¥61.7 billion in the housing and real estate business and ¥41.0 billion in the bridal business.

II. Lifestyle operations

In the travel business, sales were favorable against the backdrop of factors including a rise in unit price of accommodations as well as an increase in the total number of accommodation guests using the Group’s services.

In the dining business, net sales were robust, backed by efforts such as enhanced contact with clients through the introduction of “Air REGI.”

In the beauty business, net sales were favorable due to ongoing efforts including the introduction of “SALON BOARD” and improvements in convenience that resulted in the capturing of new clients and progress in expanding transactions with existing clients.

As a result, net sales in the Lifestyle operations were ¥113.9 billion. The breakdown of net sales by major businesses was ¥38.8 billion in the travel business, ¥25.4 billion in the dining business, and ¥29.2 billion in the beauty business.

2) HR Media segment

In the nine months ended December 31, 2014, the HR Media segment recorded net sales of ¥206.9 billion and segment income (segment EBITDA) of ¥50.5 billion.

Overview of the situation by main operations is as follows.

I. Domestic Recruiting operations

In the Domestic Recruiting operations, the employment situation continues to improve with the recovery in the Japanese economy, reflecting continued improvement in the ratio of job-offers to job-seekers and continued increase in the number of Recruitment Advertisements. Under this environment, the Group carried out measures such as enhancing brand strength and attracting users as well as enhancing the sales structure. As a result, net sales were robust mainly for job advertisements for mid-career recruitment and employment placement in the regular employee recruitment division, and job advertisements for part-time and temporary workers in the recruiting division.

As a result, net sales in the Domestic Recruiting operations were ¥162.6 billion.

II. Overseas Recruiting operations

Net sales were favorable in the Overseas Recruiting operations, reflecting continued growth in utilization of the Group’s services by small- and medium-sized clients.

As a result, net sales in the Overseas Recruiting operations were ¥32.1 billion.

3) Staffing segment

In the nine months ended December 31, 2014, the Staffing segment recorded net sales of ¥497.1 billion and segment income (segment EBITDA) of ¥30.5 billion.

Overview of the situation by 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 the number of active agency workers increased compared to the results for the same period of the previous fiscal year for five consecutive quarters, among other factors.

Under this environment, net sales were favorable at Recruit Staffing Co., Ltd. due to strengthening of the sales structure in the administrative and IT division in the Tokyo metropolitan area. At STAFF SERVICE HOLDINGS CO., LTD., net sales were strong mainly in the administrative, medical, and manufacturing division, as a result of continuation 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 ¥288.9 billion.

II. Overseas Staffing operations

In the Overseas Staffing operations, the staffing market in North America and Europe continues to enjoy a moderate expansion trend.

Under this environment, net sales were favorable, reflecting the impact of yen depreciation and other factors. Net sales continued to be favorable at Advantage Resourcing Europe B.V. mainly in the outsourcing services, and STAFFMARK HOLDINGS, INC. recorded robust net sales.

As a result, net sales in the Overseas Staffing operations were ¥208.1 billion.

4) Other segment

In the nine months ended December 31, 2014, the Other segment recorded net sales of ¥1.2 billion and segment income (segment EBITDA) of ¥(5.5) billion.

(2) Financial Position

1) Assets, liabilities and equity

(Assets)

Current assets increased by ¥143.8 billion (36.9%) from the end of the previous fiscal year to ¥534.1 billion. This was mainly due to increases in cash and deposits and securities.

Noncurrent assets increased by ¥4.9 billion (1.1%) from the end of the previous fiscal year to ¥475.0 billion. This was mainly due to an increase in investment securities and other intangible assets such as software and a decrease in goodwill by amortization of goodwill.

As a result, total assets as of December 31, 2014 increased by ¥148.8 billion (17.3%) from the end of the previous fiscal year to ¥1,009.1 billion.

(Liabilities)

Current liabilities decreased by ¥38.0 billion (16.3%) from the end of the previous fiscal year to ¥195.0 billion. This was mainly due to decreases in income taxes payable and current portion of long-term debt.

Long-term liabilities increased by ¥29.4 billion (36.6%) from the end of the previous fiscal year to ¥110.1 billion. This was mainly due to an increase in other long-term liabilities such as deferred tax liabilities and a decrease in long-term debt.

As a result, total liabilities as of December 31, 2014 decreased by ¥8.5 billion (2.7%) from the end of the previous fiscal year to ¥305.1 billion.

(Equity)

Total equity increased by ¥157.3 billion (28.8%) from the end of the previous fiscal year to ¥704.0 billion. This was mainly due to increases in common stock and capital surplus resulting from the issuance of new shares and disposal of treasury stock 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, 2015 has not changed from the forecast announced on October 16, 2014.

In the Staffing segment, the Company acquired 100% of the outstanding shares of Peoplebank Holdings Pty Ltd, an Australian staffing company, and commenced procedures for acquisition of 100% of outstanding shares of Chandler Macleod Group Limited, which is also an Australian staffing company. The impact on the consolidated financial results for the year ending March 31, 2015 is expected to be minimal. In addition, the impact on the consolidated financial results for the next fiscal year and onward is currently being reviewed.

For details about these matters, please refer to “Notification Concerning the 100% Acquisition of Australian IT Recruitment Company, Peoplebank” and “Notification of the Conclusion of an Agreement for the 100% Acquisition of Australian HR Services Provider, Chandler Macleod” released on January 14, 2015.

2. Matters Concerning Notes to Summary Information

(1) Changes in Significant Subsidiaries During the Nine Months Ended December 31, 2014

Taofang Corporation, Taofang Hong Kong Corporation Limited, and Beijing Lexin Chuanglian Information Technology were excluded from the scope of consolidation due to sales of their shares during the first quarter ended June 30, 2014.

Travel Book Philippines, Inc., which was previously included in the scope of application of equity method, has been included in the scope of consolidation due to acquisition of additional shares during the second quarter ended September 30, 2014.

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

Not applicable.

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

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	161,153	215,696
Notes and accounts receivable – trade	162,418	159,318
Securities	26,030	97,212
Other current assets	47,265	68,048
Allowance for doubtful accounts	(6,555)	(6,087)
Total current assets	390,312	534,187
Noncurrent assets		
Property, plant and equipment	23,543	24,555
Intangible assets		
Goodwill	193,713	175,746
Other	108,503	113,313
Total intangible assets	302,216	289,060
Investments and other assets		
Investment securities	106,526	125,921
Other assets	38,180	35,829
Allowance for doubtful accounts	(398)	(360)
Total investments and other assets	144,308	161,390
Total noncurrent assets	470,069	475,006
Total assets	860,381	1,009,194

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable – trade	42,313	42,362
Electronically recorded obligations – operating	9,594	9,042
Current portion of long-term debt	26,719	15,325
Income taxes payable	34,096	7,636
Accrued employees' bonuses	17,223	10,163
Other current liabilities	103,161	110,496
Total current liabilities	233,108	195,026
Long-term liabilities		
Long-term debt	30,000	18,750
Net defined benefit liability	25,182	27,660
Other long-term liabilities	25,469	63,740
Total long-term liabilities	80,652	110,151
Total liabilities	313,760	305,177
Equity		
Shareholders' equity		
Common stock	3,002	10,000
Capital surplus	17,632	53,679
Retained earnings	503,006	537,186
Treasury stock	(60,815)	(531)
Total shareholders' equity	462,826	600,335
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	23,429	29,752
Deferred gain (loss) on derivatives under hedge accounting	712	(12)
Foreign currency translation adjustments	58,318	71,652
Remeasurements of defined benefit plans	(1,929)	(2,083)
Total accumulated other comprehensive income	80,530	99,309
Stock acquisition rights	321	1,206
Minority interests	2,943	3,165
Total equity	546,621	704,016
Total liabilities and equity	860,381	1,009,194

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

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Millions of yen)

	Nine months ended December 31, 2014
Net sales	935,523
Cost of sales	472,746
Gross profit	462,776
Selling, general and administrative expenses	374,372
Operating income	88,404
Non-operating income	
Interest income	213
Dividend income	1,555
Equity in earnings of affiliated companies	2,559
Other	876
Total non-operating income	5,204
Non-operating expenses	
Interest expense	456
Foreign exchange losses	531
Other	753
Total non-operating expenses	1,742
Ordinary income	91,867
Extraordinary income	
Gain on sales of investment securities	552
Gain on sales of shares of subsidiaries and associates	339
Other	187
Total extraordinary income	1,079
Extraordinary losses	
Loss on disposal of noncurrent assets	185
Loss on sales of shares of subsidiaries and associates	254
Impairment loss	83
Other	64
Total extraordinary losses	586
Income before income taxes and minority interests	92,360
Income taxes: Current	22,180
Income taxes: Deferred	21,401
Total income taxes	43,581
Net income before minority interests	48,778
Minority interests in net income	200
Net income	48,578

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended December 31

(Millions of yen)

	Nine months ended December 31, 2014
Net income before minority interests	48,778
Other comprehensive income	
Unrealized gain (loss) on available-for-sale securities	6,323
Deferred gain (loss) on derivatives under hedge accounting	(725)
Foreign currency translation adjustments	12,926
Remeasurements of defined benefit plans, net of tax	(153)
Share of other comprehensive income in affiliated companies	455
Total other comprehensive income	18,826
Comprehensive income	67,604
Total comprehensive income attributable to:	
Owners of the parent	67,356
Minority interests	247

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

(1) Issuance of new shares and disposal of treasury stock through public offering, and disposal of treasury stock through third-party allotment

At the meeting of the Board of Directors held on September 10, 2014, the Company resolved to issue 3,665,000 new shares and to dispose 25,841,200 shares of treasury stock through public offering in Japan (public offering by book-building method) and offering in overseas markets (provided that sales in the United States are only available to qualified institutional investors pursuant to Rule 144A under the U.S. Securities Act), and the payment was completed on October 15, 2014. In addition, in relation to over-allotment offering, at the meeting of the Board of Directors held on September 10, 2014, the Company resolved to dispose 5,397,900 shares of treasury stock through third-party allotment in Japan, and the payment was completed on November 11, 2014. As a result, during the nine months ended December 31, 2014, common stock increased by ¥6,997 million, capital surplus increased by ¥69,781 million, and treasury stock decreased by ¥26,554 million.

(2) Retirement of treasury stock

At the meeting of the Board of Directors held on August 8, 2014, the Company resolved to cancel 31,033,830 shares of treasury stock, which were cancelled on the same day. In addition, at the meeting of the Board of Directors held on November 13, 2014, the Company resolved to cancel 8,710,900 shares of treasury stock, which were cancelled on November 21, 2014. As a result, during the nine months ended December 31, 2014, capital surplus decreased by ¥33,734 million, and treasury stock decreased by ¥33,734 million.

As a result of these, as of December 31, 2014, common stock was ¥10,000 million, capital surplus was ¥53,679 million, and treasury stock amounted to ¥531 million.

(Segment Information, etc.)

[Segment Information]

Nine Months Ended December 31, 2014 (from April 1, 2014 to December 31, 2014)

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	239,186	203,971	489,792	1,238	934,189	1,334	935,523
Intersegment sales or transfers	458	2,964	7,318	11	10,753	(10,753)	-
Total	239,645	206,936	497,111	1,249	944,942	(9,419)	935,523
Segment income (loss) (Note 4)	72,404	50,532	30,532	(5,500)	147,969	(59,564)	88,404

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 ¥(59,564) million include depreciation and amortization of ¥(22,734) million; amortization of goodwill of ¥(27,986) million; and corporate expenses not allocated to any reportable segments of ¥(8,843) 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 calculated as operating income plus 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.