



en-japan inc.

1st Quarter FY March 2020 Earnings Announcement [Japan GAAP] (Consolidated)

August 8, 2019

| | | | | |
|--|-------------------------|-------------------|---|---------------------------|
| Company Name | en-japan inc. | Listing Exchanges | First Section of the Tokyo Stock Exchange | |
| Stock Code | 4849 | URL | https://corp.en-japan.com/ | |
| Representative (Title) | President | (Name) | Takatsugu Suzuki | |
| | Executive Officer and | | | |
| Contact (Title) | Administration Division | (Name) | Tomoki Tamai | Telephone +81-3-3342-4506 |
| | Director | | | |
| Scheduled Date for Submission of Quarterly Report | August 8, 2019 | | | |
| Scheduled Date to Begin Dividend Payments | - | | | |
| Preparation of Quarterly Summary Supplementary Explanatory Materials | Yes | | | |
| Quarterly Earnings Briefing | No | | | |

(Figures rounded down to nearest million yen)

1. FY Ending March 2020 Cumulative First Quarter Operating Results (From April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (cumulative) (percentages indicate percent change from prior fiscal year)

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of Parent | |
|-------------------|-------------|------|------------------|-------|-----------------|-------|---|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FYE 3/20 1st Qtrr | 13,763 | 22.7 | 2,904 | -16.0 | 2,892 | -18.4 | 1,917 | -22.1 |
| FYE 3/19 1st Qtrr | 11,213 | 22.9 | 3,459 | 26.7 | 3,546 | 28.8 | 2,463 | 29.1 |

(Note) Comprehensive income FYE 3/20 1st Qtrr 1,896 million yen (-18.9%) FYE 3/19 1st Qtrr 2,337 million yen (28.7%)

| | EPS | Fully Diluted EPS |
|-------------------|-------|-------------------|
| | Yen | Yen |
| FYE 3/20 1st Qtrr | 42.05 | 41.93 |
| FYE 3/19 1st Qtrr | 54.13 | 53.96 |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Net Asset Ratio |
|-------------------|--------------|-------------|-----------------|
| | Million yen | Million yen | % |
| FYE 3/20 1st Qtrr | 46,546 | 34,259 | 72.2 |
| FYE 3/19 | 49,852 | 35,466 | 69.8 |

(Reference) Core capital FYE 3/20 1st Qtrr 33,595 million yen FYE 3/19 34,774 million yen

2. Dividends

| | Dividends per Share | | | | |
|----------------------|---------------------|-----------------|-----------------|----------|-----------|
| | 1st Quarter-end | 2nd Quarter-end | 3rd Quarter-end | Year-end | Full Year |
| | Yen | Yen | Yen | Yen | Yen |
| FYE 3/19 | - | 0.00 | - | 62.80 | 62.80 |
| FYE 3/20 | - | | | | |
| FYE 3/20 (projected) | | 0.00 | - | 85.50 | 85.50 |

(Note) Revisions to the Company's latest dividend forecast: None

3. FY Ending March 2020 Projected Consolidated Operating Results (April 1, 2019 - March 31, 2020)

(Percentage for the full year indicates the percentage change from the prior fiscal year and percentage for the half year indicates the percentage changes from the same period of the prior fiscal year.)

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of Parent | | EPS |
|-----------|-------------|------|------------------|-------|-----------------|-------|---|-------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Half year | 28,008 | 22.2 | 5,309 | -20.7 | 5,321 | -22.6 | 3,533 | -26.7 | 77.47 |
| Full year | 60,000 | 23.1 | 12,200 | 4.6 | 12,219 | 3.2 | 8,210 | 0.8 | 180.02 |

(Note) Revisions to the Company's latest operating results projections: None

* Notes

- (1) Changes in material subsidiaries during the cumulative quarter under review (Change in specific subsidiaries that will accompany a change in scope of consolidation) No
 Newly included None (Name of company) –
 Exclusion None (Name of company) –
- (2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements Yes
- (3) Changes in accounting policy, changes in accounting estimates, or restatement due to correction
 a. Changes in accounting policy accompanying amendment of accounting principles: No
 b. Changes in accounting policy other than "a.": No
 c. Changes in accounting estimates: No
 d. Restatement due to correction: No
- (4) Number of shares issued (common share)
 a. Number of shares issued at the end of the period (including treasury shares)
 FYE 3/20 1st Qtr 49,716,000 shares FYE 3/19 49,716,000 shares
 b. Number of shares of treasury shares at the end of the period
 FYE 3/20 1st Qtr 4,110,404 shares FYE 3/19 4,110,384 shares
 c. Average number of shares issued during the period (Quarter Year-to-Date)
 FYE 3/20 1st Qtr 45,605,607 shares FYE 3/19 1st Qtr 45,500,197 shares

* The quarterly earnings announcement is not within the scope of the quarterly review procedure by a certified public accountant or an audit corporation.

* Explanation regarding appropriate use of operating results projections, other special notes

- Forward-looking statements including projected operating results contained in this report and supplementary materials are based on information currently available to the Company and on certain assumptions deemed as rational, and are not intended to guarantee achievements by the Company. Actual results may differ significantly from such projections due to various factors. For assumptions used when preparing projected operating results and reminders when using projected operating results, please refer to "1. Qualitative Information of Consolidated Performance during the Quarter under Review (3) Explanation of Future Projections such as Projections of Consolidated Operating Results" on page 3 of the Attachments.

Attachments Table of Contents

| | |
|---|-------|
| 1. Qualitative Information of Consolidated Performance during the Quarter under Review | - 2 - |
| (1) Explanation of Operating Results..... | - 2 - |
| (2) Explanation of Financial Position | - 3 - |
| (3) Explanation of Future Projections such as Projections of Consolidated Operating Results | - 3 - |
| 2. Quarterly Consolidated Financial Statements and Key Notes | - 4 - |
| (1) Quarterly Consolidated Balance Sheets | - 4 - |
| (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income | - 5 - |
| (3) Notes regarding Quarterly Consolidated Financial Statements | - 7 - |
| (Notes relating to the Going Concern Assumption)..... | - 7 - |
| (Notes on Significant Changes to Shareholders' Equity) | - 7 - |
| (Adoption of Special Accounting Treatment used in Preparation of the Quarterly Consolidated Financial Statements).. | - 7 - |
| (Segment Information) | - 7 - |

1. Qualitative Information of Consolidated Performance during the Quarter under Review

(1) Explanation of Operating Results

[1] Operating Results for the Cumulative First Quarter of the Fiscal Year Ending March 31, 2020

The Company recorded an increase in net sales mainly in Job Board and Permanent Recruitment in Japan. Expenses increased in advertising expenses for Job Board in Japan and HR-Tech service “engage,” personnel expenses and related expenses due to the staff increase in regard to the Permanent Recruitment in Japan with a view to medium-term growth. Furthermore, operating results of Future Focus Infotech Pvt. Ltd. (hereinafter “FFI”), an IT-related temporary staffing company based in India, have been reflected from the first quarter of the fiscal year ending March 31, 2020.

As a result, operating results for the cumulative first quarter of the fiscal year ending March 31, 2020 are as follows:

(Unit: Million yen)

| | Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2018 to June 30, 2018) | Cumulative First Quarter of the Current Fiscal Year (From April 1, 2019 to June 30, 2019) | Change | Percent change (%) |
|---|---|--|--------|--------------------|
| Net sales | 11,213 | 13,763 | +2,549 | +22.7 |
| Operating income | 3,459 | 2,904 | -554 | -16.0 |
| Ordinary income | 3,546 | 2,892 | -654 | -18.4 |
| Profit attributable to owners of parent | 2,463 | 1,917 | -545 | -22.1 |

- (Notes) 1. Since Talent Alliance (Beijing) Technology Development Limited (hereinafter “Talent Alliance”), a Chinese equity method affiliate, has been included in the scope of consolidation since the end of the fiscal year ended March 31, 2019, its operating results are not included in net sales and operating income of the cumulative first quarter of the fiscal year ended March 31, 2019.
2. With the finalization of the provisional accounting treatment related to business combination, the finalized figures are reflected in the operating results of the cumulative first quarter of the fiscal year ended March 31, 2019.

Reportable segments of en-japan group were classified under the Hiring Business and Education/Evaluation Business but have been changed to come under the single segment of the Human Resources Service Business from the first quarter of the fiscal year ending March 31, 2020. For this purpose, a summary of major businesses is stated as follows:

[2] Summary of Major Businesses

(Domestic Job Board)

“[en]Career Change Info” has undergone significant changes in its organizational structure and marketing strategies based on medium-term business strategy policies. As a result, the share of corporate customers with large hiring budgets increased, leading to an increase in the unit price for posting. However, due to a large-scale handover of duties and other matters arising from the structural change, the number of job advertisements decreased mainly from small and medium-sized customers.

In the service for permanent recruitment agencies, “[en]Career Change Consultant” and “AMBI,” a site for young, high-profile positions, both showed a steady performance. The increase in website customer access and steady increase in numbers of member job seekers matching targets led to the increase in website value. As a consequence, the number of successful job placements at companies via the two sites increased.

In the service for temporary staffing companies, both “[en]Temporary Placement Info” and “en BAITO” saw an increase in advertisement placement by customers of major temporary staffing companies, leading to an increase in the unit price for offering.

As a result, Domestic Job Board recorded higher net sales year on year.

(Domestic Permanent Recruitment)

The Company’s subsidiary, en world Japan K.K., achieved favorable results in its core permanent recruitment. Meanwhile, the permanent recruitment of en-japan, “en Agent,” increased its workforce with a view to medium-term growth.

As a result, the Domestic Permanent Recruitment recorded higher net sales year on year.

(Overseas)

In the overseas business, operating results of FFI have been reflected since the first quarter of the fiscal year ending March 31, 2020 in regard to India, a country that the Company is focusing on. Talent Alliance, an equity method affiliate, also has been included in the scope of consolidation from the end of the fiscal year ended March 31, 2019. As a result, the Overseas recorded significantly higher net sales year on year.

(HR-Tech)

As for the personnel and recruitment support platform “engage,” thanks to the successful active promotional activities, the number of user companies steadily increased up to 210,000 (as of June 2019). While a basic service is offered free of charge, “engage” has launched a fee-based service plan to corporate customers who are further strengthening their recruitment, and it is showing progress as expected.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year ending in March 31, 2020 decreased ¥3,305 million compared to the end of the previous fiscal year to ¥46,546 million.

Current assets decreased ¥3,557 million to ¥33,697 million. This was mainly attributable to a decrease in cash and deposits of ¥3,250 million, and a decrease in notes and accounts receivable-trade of ¥228 million. And Non-current assets increased ¥252 million to ¥12,848 million. This was mainly attributable to an increase in investment securities of ¥21 million.

Total liabilities at the end of the first quarter of the fiscal year ending March 31, 2020 were ¥12,287 million, a decrease of ¥2,098 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥2,242 million to ¥11,032 million. This mainly stemmed from decreases in income taxes payable of ¥961 million and provision of bonuses of ¥342 million. And Non-current liabilities increased ¥144 million to ¥1,255 million. This was mainly attributable to an increase in provision for share benefits of ¥11 million.

Total net assets were ¥34,259 million, down ¥1,207 million from the end of the previous fiscal year. This was mainly attributable to decreases in retained earnings of ¥1,097 million and foreign currency translation adjustment of ¥50 million.

(3) Explanation of Future Projections such as Projections of Consolidated Operating Results

There has been no change from the projections of consolidated operating results for the full fiscal year ending March 31, 2020 announced on May 14, 2019.

2. Quarterly Consolidated Financial Statements and Key Notes
 (1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

| | Previous Fiscal Year (As of March 31, 2019) | First Quarter of Current Fiscal Year (As of June 30, 2019) |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 28,409 | 25,159 |
| Notes and accounts receivable - trade | 5,614 | 5,385 |
| Securities | 2,000 | 2,000 |
| Other | 1,291 | 1,235 |
| Allowance for doubtful accounts | -59 | -82 |
| Total current assets | 37,255 | 33,697 |
| Non-current assets | | |
| Property, plant and equipment | 719 | 730 |
| Intangible assets | | |
| Goodwill | 3,412 | 3,283 |
| Other | 3,445 | 3,585 |
| Total intangible assets | 6,858 | 6,869 |
| Investments and other assets | | |
| Investment securities | 1,968 | 1,990 |
| Shares of subsidiaries and associates | 46 | 56 |
| Other | 3,250 | 3,450 |
| Allowance for doubtful accounts | -248 | -247 |
| Total investments and other assets | 5,018 | 5,249 |
| Total non-current assets | 12,596 | 12,848 |
| Total assets | 49,852 | 46,546 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 126 | 578 |
| Income taxes payable | 2,072 | 1,111 |
| Provision for bonuses | 1,117 | 775 |
| Provision for directors' bonuses | 7 | 12 |
| Advances received | 2,642 | 2,964 |
| Other | 7,306 | 5,589 |
| Total current liabilities | 13,274 | 11,032 |
| Non-current liabilities | | |
| Provision for share benefits | 310 | 322 |
| Asset retirement obligations | 279 | 284 |
| Other | 521 | 648 |
| Total non-current liabilities | 1,111 | 1,255 |
| Total liabilities | 14,385 | 12,287 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,194 | 1,194 |
| Capital surplus | 538 | 537 |
| Retained earnings | 35,496 | 34,399 |
| Treasury shares | -2,795 | -2,795 |
| Total shareholders' equity | 34,434 | 33,336 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -31 | -61 |
| Foreign currency translation adjustment | 372 | 321 |
| Total accumulated other comprehensive income | 340 | 259 |
| Subscription rights to shares | 136 | 145 |
| Non-controlling interests | 555 | 518 |
| Total net assets | 35,466 | 34,259 |
| Total liabilities and net assets | 49,852 | 46,546 |

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

Quarterly Consolidated Statements of Income

Cumulative First Quarter

(Unit: Million yen)

| | Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2018 to June 30, 2018) | Cumulative First Quarter of the Current Fiscal Year (From April 1, 2019 to June 30, 2019) |
|---|---|--|
| Net sales | 11,213 | 13,763 |
| Cost of sales | 1,143 | 2,542 |
| Gross profit | 10,070 | 11,221 |
| Selling, general and administrative expenses | 6,611 | 8,316 |
| Operating income | 3,459 | 2,904 |
| Non-operating income | | |
| Interest income | 10 | 9 |
| Dividend income | 9 | 10 |
| Share of profit of entities accounted for using equity method | 44 | - |
| Foreign exchange income | 14 | - |
| Other | 12 | 6 |
| Total non-operating income | 91 | 26 |
| Non-operating expenses | | |
| Interest expenses | 0 | 7 |
| Loss on investments in partnership | 2 | 5 |
| Foreign exchange losses | - | 16 |
| Other | 1 | 9 |
| Total non-operating expenses | 4 | 38 |
| Ordinary income | 3,546 | 2,892 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 1 | 0 |
| Total extraordinary income | 1 | 0 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | - | 0 |
| Total extraordinary losses | - | 0 |
| Profit before income taxes | 3,547 | 2,892 |
| Income taxes-current | 1,084 | 921 |
| Total income taxes | 1,084 | 921 |
| Profit | 2,463 | 1,971 |
| Profit attributable to non-controlling interests | 0 | 53 |
| Profit attributable to owners of parent | 2,463 | 1,917 |

Quarterly Consolidated Statements of Comprehensive Income

Cumulative First Quarter

(Unit: Million yen)

| | Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2018 to June 30, 2018) | Cumulative First Quarter of the Current Fiscal Year (From April 1, 2019 to June 30, 2019) |
|--|--|---|
| Profit | 2,463 | 1,971 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 41 | -29 |
| Foreign currency translation adjustment | -190 | -44 |
| Share of other comprehensive income of entities accounted for using equity method | 23 | - |
| Total other comprehensive income | -126 | -74 |
| Comprehensive income | 2,337 | 1,896 |
| (Break down) | | |
| Comprehensive income attributable to owners of parent | 2,333 | 1,836 |
| Comprehensive income attributable to non-controlling interests | 3 | 59 |

(3) Notes regarding Quarterly Consolidated Financial Statements

(Notes relating to the Going Concern Assumption)

There are no pertinent items.

(Notes on Significant Changes to Shareholders' Equity)

There are no pertinent items.

(Adoption of Special Accounting Treatment used in Preparation of the Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

The Company calculates tax expenses by rationally estimating the effective tax rate after applying tax effect accounting on profit before income taxes on a consolidated basis for the fiscal year including the first quarter of the period. It then multiplies the estimated effective tax rate by profit before income taxes for the quarter.

Note, however, that if calculating tax expenses using the estimated effective tax rate produces a result which significantly lacks reasonableness, the statutory tax rate is adopted.

(Segment Information)

[Segment Information]

I Cumulative first quarter of the previous fiscal year (April 1, 2018 to June 30, 2018)

Description is as in "II. Cumulative first quarter of the fiscal year under review (Matters related to changes and others in the reportable segments)."

II Cumulative first quarter of the fiscal year under review (from April 1, 2019 to June 30, 2019)

Description is omitted since en-japan group is formed under a single segment.

(Matters related to changes and others in the reportable segments)

Reportable segments of en-japan group were classified under the Hiring Business and Education/Evaluation Business, but have been changed to come under a single segment from the first quarter of the fiscal year ending March 31, 2020.

The change is based on the judgement, resulting from a review on business segmentation, that Hiring Business and Education/Evaluation Business is appropriate to be managed as a single segment of Human Resources Service Business. With the sales of all shares of Cbase Corporation executed in the fiscal year ended March 31, 2019, net sales and income in Education/Evaluation Business became insignificant as Cbase Corporation was then a consolidated subsidiary classified under Education/Evaluation Business. Under such circumstances and from a perspective of en-japan group's actual situation in regard to business development, management resource allocation, and management control structure, the aforementioned businesses were thought practical to be treated as an integrated business.

As a result of such change, description of segment information in the cumulative first quarter of the fiscal year ended March 31, 2019 and the cumulative first quarter of the fiscal year ended March 31, 2020 have been omitted.