en-japan inc.
Fiscal Year Ended March 31, 2019, Earnings Announcement
[under Japanese GAAP] (Consolidated)

May 14, 2019

Company Name	en-japan inc.	Listing Exchanges	Tokyo Securities Exchange (Jasdaq Market)
Stock Code	4849	URL	http://corp.en-japan.com/
Representative (Title)	President	(Name)	Takatsugu Suzuki
Contact (Title)	Executive Officer and Administration Division Director	(Name)	Tomoki Tamai Telephone +81-3-3342-4506
Regular General Shareholders' Meeting		June 25, 2019	
Scheduled date to begin dividend payments		June 26, 2019	
Scheduled date for submission of Securities Report		June 26, 2019	
Preparation of Summary Supplementary Explanatory Materials			Yes
Earnings Briefing			Yes (for analysts and institutional investors)

(Figures rounded down to nearest million yen)

1. FYE 03/2019 Consolidated Earnings (From April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results (Percentages indicate percent change from the prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable To Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 03/2019	48,733	19.7	11,661	21.1	11,834	21.6	8,144	27.9
FYE 03/2018	40,710	28.3	9,626	40.4	9,731	42.1	6,366	59.0

(Note) Comprehensive income FYE03/2019: 8,284 million yen (32.4 %) FYE03/2018: 6,257 million yen (62.5 %)

	EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Assets	Operating Income to Sales
	Yen	Yen	%	%	%
FYE 03/2019	178.97	178.46	25.8	26.2	23.9
FYE 03/2018	139.93	139.48	24.5	26.5	23.6

(Reference) Equity in earnings (loss) of affiliates FYE 03/2019 - million yen FYE 03/2018 92 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FYE 03/2019	49,852	35,466	69.8	762.51
FYE 03/2018	40,600	28,626	70.1	625.52

(Reference) Equity FYE 03/2019 34,774 million yen FYE 03/2018 28,461 million yen

(3) Consolidated Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Period
	Million yen	Million yen	Million yen	Million yen
FYE 03/2019	10,680	-4,556	-2,237	29,942
FYE 03/2018	9,458	-2,724	-1,339	25,505

2. Dividends

	Dividend per Share					Total Dividend Amount (Full year)	Dividend Payout Ratio (Consolidated)	Dividend to Net Asset Ratio (Consolidated)
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year End	Full-Year Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FYE 03//2018	–	0.00	–	46.50	46.50	2,227	33.2	8.1
FYE 03/2019	–	0.00	–	62.80	62.80	3,014	35.1	9.0
FYE 03/2020 (projected)	–	0.00	–	85.50	85.50		47.5	

(Notes)1. EPS applied in the calculation of the dividend payout ratio is derived by dividing profit attributable to owners of parent by the number of shares excluding treasury shares. These treasury shares include shares for the board benefit system (J-ESOP). (2,397,200 shares) Since dividends are paid also for these shares, the dividend payout ratios in consideration of this factor are 35.0% for FYE 03/2018, 37.0% for FYE 03/2019 and 50.0% for FYE 03/2020.

2. For the dividend of FYE 03/2019, refer to “1. Analysis of Business Performance and Financial Position (3) Basic Policy concerning Distribution of Earnings and Current and Future Period Dividends” on page 7 of the Attachments.

3. FY Ending March 2020 Projected Consolidated Operating Results (From April 1, 2019 to 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	18.4	5,309	-23.1	5,321	-23.9	3,533	-26.6	77.47
Full year	60,000	23.1	12,200	4.6	12,219	3.2	8,210	0.8	180.02

*Notes

(1) Change in major subsidiaries during the fiscal year under review (Change in specific subsidiaries that will accompany a change in scope of consolidation): No
Addition (Name): None Exclusion (Name) None

(2) 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

(3) Number of shares issued (common share)

a. Number of shares issued at fiscal year-end (including treasury shares)
FYE 03/2019 49,716,000 shares FYE 03/2018 49,716,000 shares

b. Number of shares of treasury share at fiscal year-end
FYE 03/2019 4,110,384 shares FYE 03/2018 4,215,803 shares

c. Average number of shares issued during the period
FYE 03/2019 45,506,446 shares FYE 03/2018 45,500,218 shares

(Reference) Summary of Non-Consolidated Operating Results

1. FYE 03/2019 Non-Consolidated Earnings (From April 1, 2018 to March 31, 2019)

(1) Non-Consolidated Operating Results (Percentages indicate percent change from the prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 03/2019	36,519	16.2	10,187	12.8	10,576	17.8	7,442	18.7
FYE 03/2018	31,437	33.7	9,029	37.7	8,978	39.3	6,268	64.6

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 03/2019	163.55	163.08
FYE 03/2018	137.77	137.33

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FYE 03/2019	45,986	35,373	76.6	772.63
FYE 03/2018	39,568	29,727	74.8	650.65

(Reference) Equity FYE 03/2019 35,236 million yen FYE 03/2018 29,604 million yen

2. FY Ending March 2020 Projected Non-Consolidated Operating Results (From April 1, 2019 to 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		Ordinary Income		Profit		EPS
	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	18,535	5.3	4,786	-23.7	3,338	-24.6	73.20
Full year	40,000	9.5	10,829	2.4	7,540	1.3	165.34

[This Earnings Announcement [under Japanese GAAP] is outside the scope of audits by certified public accountants or an audit corporation.]

[Explanation regarding appropriate use of operating results projections and 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. Please refer to “(1) Analysis of Business Performance (Outlook for the Next Fiscal Year))” in “1. Analysis of Business Performance and Financial Position” on page 6 of the Attachments for the conditions used as assumptions and matters to note when using the projected operating results.

(Change in Presentation of Date)

The Company has changed its presentation method of date from a Japanese calendar-based presentation to a Gregorian calendar-based presentation from the “FYE March 2019 Earnings Announcement.”

Attachments Table of Contents

1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

During the fiscal year under review, with the increase mainly in job advertisement websites and job placement service in Japan, the Company recorded net sales of ¥48,733 million (up 19.7% year on year). In terms of expenses, although promotional expenses to acquire members in the existing business and to advance investment in the new business increased together with personnel expenses which had risen due to the increase in number of workers and others associated with business expansion, the level was lower than expected.

As a result, the Company recorded operating income of ¥11,661 million (up 21.1% year on year), ordinary income of ¥11,834 million (up 21.6% year on year), and profit attributable to owners of parent of ¥8,144 million (up 27.9% year on year).

Operating results by segment are as follows (net sales include internal sales). The Company partially changed its allocation method of segmentation from the fiscal year under review. The following year-on-year comparison is made by using figures of the previous fiscal year reclassified according to segmentation after change.

1) Hiring Business

The Hiring Business comprises management of job advertisement websites, provision of job placement service, and operations at overseas subsidiaries, among others.

(Domestic job advertisement websites)

In the core service site, "en TENSHOKU," success in operating functions and sites with distinguished elements and positive promotional activities provided corporate customers who place advertisements with effects of high application. As a result, the share of customers, particularly those with large hiring budgets, continued to increase as expected, leading to an increase in the average unit price for posting.

In service for job placement agencies, "MIDDLE NO TENSHOKU" experienced a steady increase in site usage by corporate customers. In addition, "AMBI", a site for young, high-profile positions, saw a steady increase in the number of members, thanks primarily to promotional activities and enhanced site content. Consequently, the number of successful job placements at companies via the two sites significantly increased.

In the service for temporary staffing companies, both "en HAKEN" 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, net sales of domestic job advertisement websites increased from the previous fiscal year.

(Domestic job placement service)

The job placement service of en-japan, "en AGENTS," was given larger target areas by utilizing the Company's database of job seekers.

The Company's subsidiary, en world Japan K.K., continuously contributed to sales with its new service RPO (Recruitment Process Outsourcing) in addition to achieving favorable results in its core job placement service and specialist dispatch business.

As a result, net sales of the domestic job placement service exceeded those of the previous fiscal year.

(Overseas subsidiaries)

Overseas subsidiaries recorded total net sales exceeding those of the previous fiscal year due to the consolidation of Talent Alliance (Beijing) Technology Development Limited, an equity method affiliate, in addition to the increase in net sales in Vietnam, a country that is being focused on, and Singapore.

As a result of the above, net sales of this segment amounted to ¥47,508 million (up 20.3% year on year) and operating income was ¥11,578 million (up 20.0% year on year).

2) Education/Evaluation Business

The Education/Evaluation Business comprises provision of various services that help workers in companies to demonstrate their strengths and personnel-related systems, among others.

(Services to help workers demonstrate strengths and personnel-related system)
To further promote the Company's philosophy of "Success After Joining," sales of aptitude tests previously categorized under the Hiring Business segment have been recorded under the Education and Evaluation Business segment from this fiscal year under review. The sales volume of the tests increased and hence net sales rose as a result of reinforcing ties with the Hiring Business Division.
Furthermore, since the Company transferred all shares of Cbase Corporation, previously a subsidiary, during the last quarter of the fiscal year ended March 31, 2019, Cbase Corporation is excluded from the scope of consolidation effective the last quarter of the fiscal year ended on March 31, 2019.
As a result of the above, net sales of this segment amounted to ¥1,315 million (down 1.7% year on year) and operating income improved to ¥77 million (up 11.1% year on year).

(Outlook for the Next Fiscal Year)

We project that the operating environment of Japan's human resources business market to which the en-japan Group belongs will continue to see strong hiring demand by corporations due to a significant impact of a shortage of workers caused by a decline in the working population, changes in industrial structures and other factors.
Under such circumstances, the Company has newly drawn up a Medium-Term Management Plan, a three-year plan with the fiscal year ending March 31, 2022 as its final year. The plan's primary aims are: (1) stable profit growth in job advertisement websites (2) increase in size of job placement service and (3) growth in new market areas through HR-Tech services.
To achieve them, as advance investment, the Company will actively conduct advertising and promotional activities to enhance the recognition of its services and increase the workforce to expand business scale next fiscal year, focusing on creating a foundation for achieving business results in the final year of the Medium-Term Management Plan.
Consequently, the Group projects consolidated net sales of ¥60,000 million, operating income of ¥12,200 million, ordinary income of ¥12,219 million, and profit attributable to owners of parent of ¥8,210 million for the fiscal year ending March 31, 2020.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets in the fiscal year ended March 31, 2019 increased by ¥9,251 million compared with the end of the previous fiscal year to ¥49,852 million.
Current assets increased ¥6,451 million from a year earlier to ¥37,255 million. This was mainly due to an increase in cash and deposits of ¥4,903 million and an increase in notes and accounts receivable-trade of ¥951 million. Non-current assets increased ¥2,800 million to ¥12,596 million. This was primarily attributable to increases in investment securities of ¥1,200 million, goodwill of ¥882 million, and software of ¥498 million.
Total liabilities were ¥14,385 million, an increase of ¥2,412 million from the end of the previous fiscal year. Current liabilities increased ¥2,291 million to ¥13,274 million. This mainly stemmed from increases in accounts payable-other of ¥1,429 million, advances received of ¥436 million, and accounts payable-trade of ¥15 million. Non-current liabilities rose ¥120 million to ¥1,111 million. This was mainly due to an increase in long-term accounts payable of ¥108 million, an increase in provision for share benefits of ¥35 million, and a decrease in deferred tax liabilities of ¥54 million.
Total net assets were ¥35,466 million, up ¥6,839 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings of ¥5,917 million, an increase in non-controlling interests of ¥512 million, and a decrease in treasury shares of ¥85 million.

2) Cash Flow

Cash and cash equivalents in the fiscal year ended March 31, 2019 increased ¥4,436 million from the previous fiscal year to ¥29,942 million.

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities in the fiscal year ended March 31, 2019 was ¥10,680 million compared to the previous fiscal year of ¥9,458 million. This was due to the posting of income before income taxes of ¥11,689 million and income taxes paid of ¥3,400 million.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities during the fiscal year ended March 31, 2019 was ¥4,556 million compared to net cash used in investing activities of ¥2,724 million in the previous fiscal year. Major components were purchase of intangible assets of ¥1,266 million, purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,187 million, and purchase of investment securities of ¥1,145 million.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities during the fiscal year ended March 31, 2019 amounted to ¥2,237 million compared to ¥1,339 million used in the previous fiscal year. This was primarily due to cash dividends paid of ¥2,226 million and dividends paid to non-controlling interests of ¥86 million.

(Reference) Cash Flow Indicators

	FYE 03/15	FYE 03/16	FYE03/17	FYE03/18	FYE03/19
Equity ratio (%)	77.9	73.4	71.5	70.1	69.8%
Equity ratio based on market capitalization (%)	147.2	302.9	343.0	691.5	294.6%
Cash flows/Interest-bearing debt ratio (%)	–	–	–	–	–
Interest coverage ratio (times)	–	–	–	–	–

(Notes)

Each indicator is calculated based on the following criteria.

Equity Ratio: Equity/Total assets

Equity ratio based on market capitalization: Market capitalization/Total assets

Cash flows/Interest-bearing debt ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

*Market capitalization is calculated as follows:

[Closing stock price at fiscal year-end] × [Number of shares issued at fiscal year-end (net of treasury shares)]

*The Company started adopting the “Practical Solution on Transactions of Delivering Company’s Own Stock to Employees, etc., through Trusts” (PITF No. 30 issued by the Accounting Standards Board of Japan on March 26, 2015) from the fiscal year ended March 31, 2015. Following this change, financial data after the fiscal year ended March 31, 2015 represent figures after retroactive application of this accounting policy.

(3) Basic Policy concerning Distribution of Earnings and Current and Future Period Dividends

As a policy on shareholders returns, the Company targets a dividend payout ratio of no less than 30%, and such ratio will be specifically determined after taking into account business performance, financial conditions, investment plans, and other factors of each fiscal year. In accordance with the above policy, the Company plans to set a dividend payout ratio of 37% and distribute ¥62.80 per share as the dividend for the fiscal year ended March 31, 2019.

Furthermore, the Company revised its policy on shareholders returns under its new three-year Medium-Term Management Plan running up to the fiscal year ending March 31, 2022. In order to improve capital efficiency and increase distribution of earnings to shareholders, the basic policy will be changed to a dividend payout ratio of 50% starting from the fiscal year ending March 31, 2020. Based on such change, with respect to the dividend for the fiscal year ending March 31, 2020, the Company plans to distribute ¥85.50 per share.

Furthermore, internal reserves shall be used for investments that help to enhance corporate value and contribute to shareholders returns after financial soundness is secured.

* The dividend payout ratio is calculated based on profit attributable to owners of parent.

* Net income per share used in the calculation of the dividend payout ratio is derived by dividing the profit attributable to owners of parent by the number of shares excluding treasury shares. These treasury shares include the portion of Japan Employee Stock Ownership Plans (J-ESOP). Since dividends are actually paid also with respect to the shares under J-ESOP, the Company sets payout ratios by taking this factor into account.

(4) Business Risks

Details of the major risk factors recognized by the en-japan Group as part of its business are provided below. The Group believes in actively disclosing information to investors and shareholders that may not be considered business risks, but which the Group believes is important for making investing decisions or understanding the Group's business. Having identified the potential of these risks, the Group endeavors to either prevent their occurrence or respond in the event of occurrence; however, the Group believes that decisions related to management or future business operations should be made only after carefully considering the matters presented below. The matters presented below do not necessarily represent all of the risks related to investment in en-japan inc. stock.

1) Changes in the business trend and employment situation

The en-japan Group's business is highly sensitive to changes in the economic environment such as business trends and labor market conditions. The Group expects that, even if the economic environment unexpectedly deteriorates, there will always be a certain level of demand for recruiting and job seeking services. However, should there be changes in the economic environment that go beyond those assumed by the en-japan Group, such changes may affect the Group's earnings.

2) Business lines

The en-japan Group is currently promoting its business centering on areas where it can take advantage of the expertise and brand strength it has built up over years, as a company specialized in offering services that contribute to "Hiring Personnel and Success After Joining." However, the earnings of the Group might be adversely impacted by factors such as the curtailment and slowed growth of the relevant markets and by declines in competitiveness and/or prices of various services offered by the Group.

3) New business

It is the Group's policy to explore new business for the purpose of expanding the size of its operation and diversifying its earnings base. In implementing this policy, the Group conducts the necessary information gathering and analysis to reduce risk. However, there may be many uncertain factors, and in the event that the Group fails to develop new business as planned and additional costs relating to system investment, R&D, advertisement and personnel for the new business arise, they may have a negative effect on the Group's earnings.

4) M&A

The en-japan Group pursues M&A activities and plans to continue taking this approach as necessary going forward, in an effort to promote business expansion. The Group plans to continue taking this approach as necessary going forward. In executing an M&A or such like, the Group conducts advance evaluations in detail of the financial conditions of the target company, contract terms and other factors in order to evade risks as much as possible. However, such transactions may have a negative effect on the Group's earnings if, after executing an M&A, the Company fails to develop its business according to the plan due to contingent liabilities or a change in the business environment, among other factors, forcing the Company to post impairment losses on goodwill and shares of affiliate companies.

5) Overseas subsidiaries

The Group owns overseas subsidiaries, and management of these overseas subsidiaries carries specific operational risks such as the effects from changes in economic, political, legal, and tax-related matters in each of the relevant countries and regions, as well as the difference in business practices, on top of the foreign exchange fluctuation risk. If our overseas business expands in the future and the share of the overseas subsidiaries within the Group's sales and earnings increases, and changes in the economic conditions in relevant countries and regions occur, such changes may affect the Group's operating performance.

6) Competitors

Numerous competitors exist in each of the business fields of the market in which the en-japan Group operates. If these competitors offer services comparable to those of the Group at lower prices or provide innovative services that attract individual job-seekers, such movements might cause the Group's market share to fall and adversely impact the Group's operating performance.

7) Human capital

We believe that a strong sales structure and technological development are vital factors in building a solid corporate foundation for the Group to keep growing. Accordingly, the en-japan Group places high priority on the hiring and training of talented individuals. Group business activities and earnings may be negatively affected in the event that the Group cannot hire and train the necessary personnel required for expanding operations, or in the event that highly skilled and knowledgeable personnel leave the Group.
Even if the hiring and training of the necessary personnel proceed as planned, if there is an increase in the Group's fixed assets such as personnel costs or facility costs, above the level expected by the Group, this may adversely affect the operating performance of the Group.

8) Advertising and promotion activities

Enhancing recognition of the en-japan Group brand in the market is vital to the growth of our business. The en-japan Group plans to actively engage in advertising and promotional activities, including the use of current media, to build our capacity to attract customers. However, it is impossible to accurately predict the effectiveness of these activities and expenses may increase significantly depending on the cost of advertising and promotions, which could have a negative effect on Group earnings.

9) Transactions with customers in specific industries

The en-japan Group sells job placement advertisements across a broad range of industries and occupations. However, demand for employment advertisements is strongly linked to changes in the economic environment and may result in a concentration of sales to a specific industry. The Group plans to continue a policy of selling advertisements across a wide range of industries and occupations; however, the business environment in a specific industry may have a negative effect on Group earnings.

10) Intellectual property infringement

The en-japan Group owns numerous intellectual property rights, including trademarks related to service names and copyrights related to content offered by the Group. The Group is engaged in the appropriate protection, maintenance and acquisition of intellectual property rights; however, disputes may occur with third parties related to such intellectual property, resulting in legal defense costs and other expenditures that may negatively affect our business and/or Group earnings.
Meanwhile, if a third party utilizes the same or similar name given to a service of the Group without permission, this might cause job-seekers to make a mistake or damage the reputation and credibility of the Group, consequently giving an adverse impact on the Group earnings.

11) Compliance with laws and statutes

In recognition of the growing number of subsidiaries and affiliates in the Group both in Japan and overseas, we are creating a stronger internal management control structure. Nevertheless, in the event that the construction, operation or monitoring of the system concerning internal controls does not function sufficiently because of human factors or a rapid change in the business environment, the Group might be unable to appropriately manage the various business risks, and this might have a negative effect on the Group's earnings.
Moreover, even if systems concerning internal controls fulfill their functions completely, such structures do not guarantee the elimination of all illegal activities. In the event a Group employee is responsible for serious negligence, fraud or another illegal act, the Group's earnings may be adversely impacted by subsequent lawsuits and/or compensation for damages.

12) Protection of personal information

The en-japan Group recognizes the extreme importance of managing personal information appropriately during the course of its business activities to ensure the prevention of leaks and misuse or alteration of information. Therefore, we have implemented proactive measures to create a management system to protect personal information. However, in the event of a serious problem such as a leak of personal information, there is a risk that legal responsibility could be imposed on the Group regardless of its contractual obligations. Even if the Group is not charged with legal responsibility, issues connected with personal data management could potentially damage the Group's brand image and have a negative impact on the Group's business and/or earnings.

13) Special statutory regulations

The en-japan Group needs to comply with laws and regulations of the countries and regions where it operates. The Group also needs to acquire permission and authorization for certain types of business.

In the event that the Group violates such laws and regulations or loses permission and authorization, the Group may no longer operate its business. Furthermore, in the event that new laws and regulations applicable to the Group's business are established or that a revision or change in judiciary or administrative interpretation of such laws and regulations occurs, the Group will be compelled to restructure its system to respond to such change, and as a result, the Group's earnings could be negatively affected.

14) Response to search engine

Internet users commonly obtain the necessary information through a search site, and our Group's website services also collect customers through a search site. If in the future, search results are not displayed in favor of the en-japan Group due to such reasons as changes in a search engine operator's high-order display policy or system trouble, the Group's customer collection effect will be reduced, and this may have a negative impact on the operating performance of the Group.

15) Dependence on Representative Directors

Michikatsu Ochi, Chairman and Representative Director, and Takatsugu Suzuki, President and Representative Director, are responsible for the formulation of overall management policies and business strategies of the Group, playing a major role in multiple areas. While the Group is working to establish a management structure that does not depend excessively on Representative Directors, should an unforeseen incident occur with respect to them, this may affect the Group's operating performance.

16) New technologies

Technological innovation proceeds at a dramatic pace in the Internet business segment; new technologies and services are introduced continuously. Our business is deeply intertwined with the Internet, and in order to continue offering competitive services we must be able to provide the latest technologies and services to our clients and users in a timely manner. To offer high-quality services, the Group has put into place a system for each planning division to take the lead in working with related departments to develop new products and services. This enables the en-japan Group to receive feedback from users and clients and reflect this information in our system.

Although we continue to expand the Group's personnel structure, if we delay the introduction of new technologies and/or services because an excessive amount of time is required to develop systems that are effective in enhancing our services, we may lose our competitive advantage within the industry, which may have an effect on the operating performance of the Group.

17) Litigation with a third party

The en-japan Group complies with laws and regulations in the countries and regions where it operates, but if a lawsuit which is important to our business is filed and an unfavorable judgment relating to our Group is made, the Group's earnings may be negatively affected.

18) Share price dilution due to stock option grants

The en-japan Group has adopted a stock-based compensation system. Future exercises of stock options may dilute share prices.

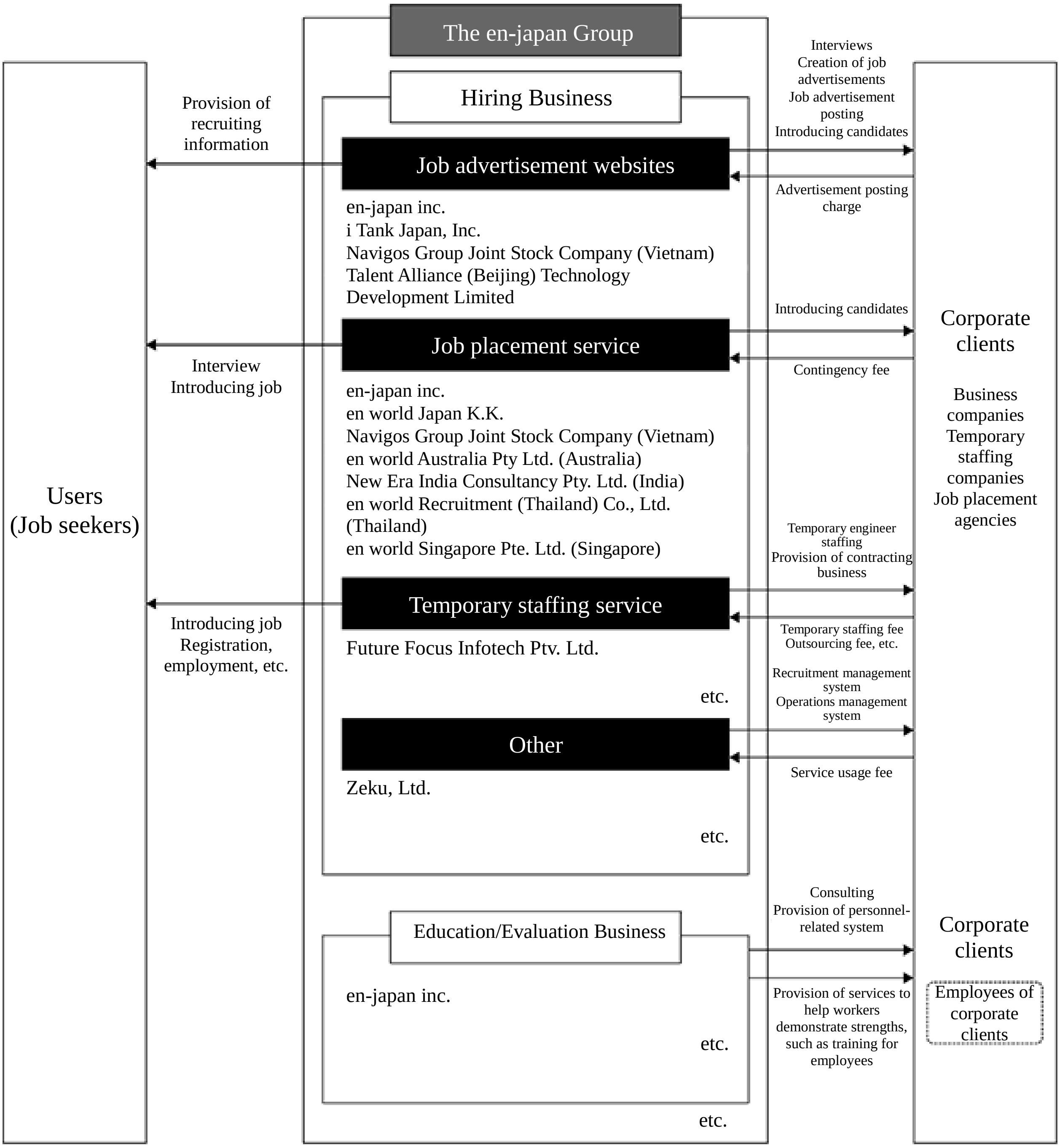
If these stock options are exercised in the future, the Company's stock value per share may be diluted by up to a maximum of 0.29%.

19) Major natural disasters and accidents

The en-japan Group's business relies on communications networks that connect computer systems. The Group may be unable to operate normally in the event that a natural disaster, power failure or communications problem interferes with network communications. Servers at the Group or our Internet Service Provider may not operate properly due to temporary access overloads, and network problems may occur due to unauthorized access from outside the Group or employee error. Not only could such damages inflict direct harm on the Group, but a server inoperability or defect could also result in damage to the Group's reputation and suspension of business transactions, or in lawsuits and compensation for damages, potentially having a negative impact on the Group's business.

2. Current Conditions of the Corporate Group

The business flow diagram is shown below.



3. Management Policies

(1) Target Management Indices

In an aim to realize its philosophy of “Success After Joining,” the en-japan Group provides high-quality, fully user-oriented services. In addition, it also makes efforts to create businesses that offer differentiating factors from competitors by providing corporate customers with consistent education and evaluation services on top of the hiring service. We believe the outcome of these efforts will translate into greater recognition of the Group among job seekers and corporate clients, promote the use of en-japan’s services and lead to improvements in net sales and income.

We updated the Medium-Term Management Plan, which runs until the fiscal year ending March 31, 2022. Based on the revised Medium-Term Management Plan, the Group will aim to achieve the targets of consolidated net sales of ¥85,000 million and consolidated operating income of ¥23,000 million in the final fiscal year of the Plan.

(2) Mid- and Long-term Company Management Strategies and Issues to be Addressed

The Group foresees that over the long term, the Japanese economy may shrink in size due to weaker domestic consumption and reduced corporate production activities caused by the effects of a decrease in the population. In such a case, the human resources business market in Japan will be affected and may not grow. In the medium-to-long term, it is possible that the business model we currently adopt may shrink and a new technology-based business might come to the forefront.

In light of such circumstances, the Group will make its business portfolio stable through multi-business development and invest according to individual business situations to achieve sustainable growth on a Group-wide basis.

[(1) Domestic job advertisement websites]
The Group will pursue user-first service quality in its domestic recruitment websites, further enhancing the predominance of services with differentiated factors. This will prevent the Group from falling into price competition, and by continuously operating highly profitable business, the Group will aim to achieve stable growth in profits.

[(2) Domestic job placement service]
The Group offers job placement services in a wide range of areas such as young, mid-career, and global talented personnel. By utilizing the database of the Company’s recruitment site members corresponding to these areas, the Group will increase its share in the job placement market which has a high growth rate and great potential to expand.

[(3) International business]
The Asian region where the en-japan Group operates is expected to show a high economic growth rate compared to that of Japan. Demand for human resources service is anticipated to expand mainly in countries whose population is large and average working age is lower compared to other countries. Considering these factors, we will focus our resources in Vietnam and India where business is expected to expand in the medium-to-long term.

[(4) New business]
While the human resources market going forward is expected to continue indicating growth centered on existing business models, new employment and career change support services may expand on a medium- and long-term basis. Taking these circumstances into consideration, the en-japan Group will strengthen development of and investment in new businesses in the hiring area and its peripheral areas. In particular, by combining technology with the 3Es (interlocking employment, education, and evaluation) which the Company is strong at, “a support service to ensure success after joining” will be offered to more customers. The Group will also be striving to create new businesses in areas other than hiring, in order to stabilize its business portfolio.

4. Basic Approach to the Selection of Accounting Standards

It is the en-japan Group's policy, in the foreseeable future, to continue preparing its consolidated financial statements based on the Japanese accounting standard to secure the comparability of financial data over different periods and among different companies.

Concerning the adoption of International Financial Reporting Standards (IFRS), the Group will be taking appropriate measures in consideration of the domestic and international situation.

5. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	Prior Fiscal Year (As of March 31, 2018)	Current Fiscal Year (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	23,505	28,409
Notes and accounts receivable-trade	4,662	5,614
Securities	2,000	2,000
Supplies	10	22
Other	707	1,268
Allowance for doubtful accounts	-82	-59
Total current assets	30,804	37,255
Non-current assets		
Property, plant and equipment		
Buildings	752	854
Accumulated depreciation	-413	-502
Buildings, net	339	352
Vehicles	–	28
Accumulated depreciation	–	-24
Vehicles, net	–	4
Furniture and fixtures	696	943
Accumulated depreciation	-479	-642
Furniture and fixtures, net	216	301
Leased assets	56	3
Accumulated depreciation	-48	-2
Leased assets, net	8	1
Construction in progress	16	60
Total property, plant and equipment	580	719
Intangible assets		
Software	2,143	2,641
Goodwill	2,530	3,412
Other	1,110	803
Total intangible assets	5,784	6,858
Investments and other assets		
Investment securities	768	1,968
Long-term loans receivable	559	830
Deferred tax assets	866	905
Shares of subsidiaries and associates	336	46
Other	1,243	1,514
Allowance for doubtful accounts	-342	-248
Total investments and other assets	3,431	5,018
Total non-current assets	9,796	12,596
Total assets	40,600	49,852

(Million yen)

	Prior Fiscal Year (As of March 31, 2018)	Current Fiscal Year (As of March 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	111	126
Lease obligations	7	0
Accounts payable-other	3,910	5,340
Income taxes payable	2,057	2,072
Provision for bonuses	1,327	1,117
Provision for directors' bonuses	20	7
Advances received	2,205	2,642
Other	1,341	1,965
Total current liabilities	10,982	13,274
Non-current liabilities		
Lease obligations	1	0
Deferred tax liabilities	235	181
Provision for share benefits	274	310
Asset retirement obligations	253	279
Long-term accounts payable-other	218	327
Other	6	12
Total non-current liabilities	990	1,111
Total liabilities	11,973	14,385
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	224	538
Retained earnings	29,579	35,496
Treasury shares	-2,880	-2,795
Total shareholders' equity	28,118	34,434
Accumulated other comprehensive income		
Valuation difference on available-for-sale	-49	-31
Foreign currency translation adjustment	392	372
Total accumulated other comprehensive income	343	340
Subscription rights to shares	123	136
Non-controlling interests	42	555
Total net assets	28,626	35,466
Total liabilities and net assets	40,600	49,852

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

Consolidated Statements of Income

(Million yen)

	Prior Fiscal Year (From April 1, 2017 to March 31, 2018)	Current Fiscal Year (From April 1, 2018 to March 31, 2019)
Net sales	40,710	48,733
Cost of sales	3,835	4,682
Gross profit	36,875	44,051
Selling, general and administrative expenses		
Advertising expenses	8,637	10,709
Salaries and allowances	6,330	7,637
Bonuses	1,554	1,812
Other	10,726	12,230
Total selling, general and administrative expenses	27,248	32,389
Operating income	9,626	11,661
Non-operating income		
Interest income	45	65
Dividends income	1	10
Gain on investments in partnership	55	37
Share of profit of entities accounted for using equity method	92	–
Foreign exchange gains	–	23
Miscellaneous income	25	47
Total non-operating income	219	183
Non-operating expenses		
Foreign exchange losses	42	–
Provision of allowance for doubtful accounts	65	–
Miscellaneous loss	6	10
Total non-operating expenses	114	10
Ordinary income	9,731	11,834
Extraordinary income		
Gain on sales of investment securities	–	55
Gain on sales of non-current assets	0	1
Gain on sales of shares of subsidiaries and associates	9	–
Total extraordinary income	9	57
Extraordinary losses		
Loss on retirement of non-current assets	–	1
Loss on valuation of shares of subsidiaries and associates	38	–
Loss on sales of shares of subsidiaries and associates	–	33
Loss on valuation of investment securities	23	–
Impairment loss	–	65
Amortization of goodwill	340	102
Total extraordinary losses	403	202
Income before income taxes	9,337	11,689
Income taxes - current	3,063	3,449
Income taxes - deferred	-93	-58
Total income taxes	2,970	3,390
Profit	6,367	8,299
Profit attributable to non-controlling interests	0	155
Profit attributable to owners of parent	6,366	8,144

Consolidated Statements of Comprehensive Income

(Million yen)

	Prior Fiscal Year (From April 1, 2017 to March 31, 2018)	Current Fiscal Year (From April 1, 2018 to March 31, 2019)
Profit	6,367	8,299
Other comprehensive income		
Valuation difference on available-for-sale securities	-46	17
Foreign currency translation adjustment	-81	-32
Share of other comprehensive income of entities accounted for using equity method	19	–
Total other comprehensive income	-109	-15
Comprehensive income	6,257	8,284
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,253	8,141
Comprehensive income attributable to non-controlling interests	4	143

(3) Consolidated Statements of Changes in Net Assets

Prior fiscal year (from April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	1,194	224	24,538	-2,880	23,077	-2	444	442	85	37	23,642
Changes of items during the period											
Dividends of surplus			-1,322		-1,322			–			-1,322
Profit attributable to owners of parent			6,366		6,366			–			6,366
Purchase of treasury shares				-0	-0			–			-0
Disposal of treasury shares					–			–			–
Change of scope of consolidation			-3		-3			–			-3
Changes in treasury shares of parent arising from transactions with non-controlling interests					–			–			–
Net changes of items other than shareholders' equity					–	-46	-52	-98	38	4	-56
Total changes of items during period	–	–	5,040	-0	5,040	-46	-52	-98	38	4	4,984
Balance at end of current period	1,194	224	29,579	-2,880	28,118	-49	392	343	123	42	28,626

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	1,194	224	29,579	-2,880	28,118	-49	392	343	123	42	28,626
Changes of items during the period											
Dividends of surplus			-2,227		-2,227			–			-2,227
Profit attributable to owners of parent			8,144		8,144			–			8,144
Purchase of treasury shares				-0	-0			–			-0
Disposal of treasury shares		314		85	399			–			399
Change of scope of consolidation					–			–			–
Changes in treasury shares of parent arising from transactions with non-controlling interests					–			–			–
Net changes of items other than shareholders' equity						17	-20	-3	13	512	523
Total changes of items during period	–	314	5,917	85	6,316	17	-20	-3	13	512	6,839
Balance at end of current period	1,194	538	35,496	-2,795	34,434	-31	372	340	136	555	35,466

(4) Consolidated Statements of Cash Flows

(Million yen)

	Prior Fiscal Year (From April 1, 2017 to March 31, 2018)	Current Fiscal Year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	9,337	11,689
Depreciation	996	1,148
Amortization of goodwill	722	450
Impairment loss	–	65
Increase (decrease) in allowance for doubtful accounts	107	-49
Increase (decrease) in provision for bonuses	221	-207
Increase (decrease) in provision for directors' bonuses	12	-12
Interest and dividend income	-46	-75
Foreign exchange losses (gains)	42	-23
Share of (profit) loss of entities accounted for using equity method	-92	–
Loss (gain) on investments in partnership	-55	-37
Loss (gain) on valuation of investment securities	23	–
Loss (gain) on sales of investment securities	–	-55
Loss (gain) on valuation of shares of subsidiaries and associates	38	–
Loss (gain) on sales of shares of subsidiaries and associates	-9	33
Loss (gain) on sales of non-current assets	-0	-1
Loss on retirement of non-current assets	–	1
Decrease (increase) in notes and accounts receivable-trade	-1,042	-135
Increase (decrease) in notes and accounts payable-trade	34	15
Increase (decrease) in accounts payable-other	897	675
Increase (decrease) in advances received	386	443
Other	482	66
Subtotal	12,058	13,990
Interest and dividend income received	46	75
Income taxes paid	-2,645	-3,400
Income taxes refund	0	14
Net cash provided by (used in) operating activities	9,458	10,680

(Million yen)

	Prior Fiscal Year (From April 1, 2017 to March 31, 2018)	Current Fiscal Year (From April 1, 2018 to March 31, 2019)
Cash flows from investing activities		
Payments into time deposits	–	-466
Purchase of property, plant and equipment	-154	-235
Purchase of intangible assets	-975	-1,266
Purchase of investment securities	-504	-1,145
Proceeds from sales and redemption of investment securities	149	6
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-950	-1,187
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	13
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	21
Payments for lease and guarantee deposits	-51	-156
Proceeds from collection of lease and guarantee deposits	2	19
Purchase of insurance funds	-17	-17
Payments of loans receivable	-238	-157
Other proceeds	17	13
Net cash provided by (used in) investing activities	-2,724	-4,556
Cash flows from financing activities		
Purchase of treasury shares	-0	-0
Cash dividends paid	-1,322	-2,226
Dividends paid to non-controlling interests	–	-86
Repayments of lease obligations	-17	-7
Proceeds from share issuance to non-controlling shareholders	–	98
Other payments	–	-14
Net cash provided by (used in) financing activities	-1,339	-2,237
Effect of exchange rate change on cash and cash equivalents	-39	-94
Net increase (decrease) in cash and cash equivalents	5,355	3,792
Cash and cash equivalents at beginning of period	20,228	25,505
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-78	–
Increase in cash and cash equivalents from newly consolidated subsidiary	–	643
Cash and cash equivalents at end of period	25,505	29,942

(5) Notes to the Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Basis of Preparing the Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 17

Name of company: en world Japan K.K.
en-Asia holdings Limited
en world Singapore Pte. Ltd.
en world Australia Pty. Ltd
Navigos Group, Ltd.
Navigos Group Vietnam Joint Stock Company
en world Recruitment (Thailand) Co., Ltd.
en Holdings (Thailand) Ltd.
New Era India Consultancy Pvt. Ltd.
Future Focus Infotech Pvt. Ltd.
Future Focus Infotech FZE
Focus America INC
Talent Alliance (Beijing) Technology Development Limited
i Tank Japan, Inc.
Zeku, Ltd.
LENSA, Ltd.
OWLS, INC.

With the establishment of LENSA, Ltd., the Company has included the firm in the scope of consolidation effective the fiscal year under review. With its share acquisition of OWLS, INC., the firm has also been included in the scope of consolidation. Furthermore, en-Asia Holdings Ltd. and New Era India Consultancy Pvt. Ltd., both consolidated subsidiaries of the Company, acquired shares of Future Focus Infotech Pvt. Ltd. to make it into a subsidiary (it was made a sub-subsidiary of the Company). As a result, Future Focus Infotech Pvt. Ltd. and its two subsidiaries have been included in the scope of consolidation.

Since the deemed acquisition date of OWLS, INC. and Future Focus Infotech Pvt. Ltd. are set at March 31, 2019, only balance sheets are consolidated. Operating results are not included in the consolidated statements of income for the fiscal year ended March 31, 2019.

Since the Company sold all shares of Cbase Corporation, which was conventionally its consolidated subsidiary, the firm has been excluded from the scope of consolidation effective the fiscal year ended March 31, 2019.

Talent Alliance (Beijing) Technology Development Limited, a non-consolidated subsidiary in the previous fiscal year, has been included in the scope of consolidation as a consolidated subsidiary from the fiscal year under review due to its increasing importance.

(2) Names of major unconsolidated subsidiaries:

Insight Tech Ltd. and five other companies

(Reason for exclusion from consolidation)

Unconsolidated subsidiaries are excluded from the scope of consolidation since their total assets, net sales, profit (amount proportional to the equity share), and retained earnings (amount proportional to the equity share), etc. have no material impact on the consolidated financial statements.

2. Application of the Equity Method

(1) Number of unconsolidated subsidiaries accounted for by the equity method: –

(2) Names of the unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

Insight Tech Ltd. and six other companies

(Reason for not applying the equity method)

Unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are excluded from the scope of application of the equity method since their profit (amount proportional to the equity share) and retained earnings (amount proportional to the equity share), etc. have no material impact on the consolidated financial statements, and they are immaterial also on the whole.

3. Fiscal Year, etc., of Consolidated Subsidiaries

Consolidated subsidiaries whose term end differs from the consolidated term end are as follows:

Consolidated subsidiaries	Closing date	
Navigos Group, Ltd.	December 31	Note 1
Navigos Group Vietnam Joint Stock Company	December 31	Note 1
en world Recruitment (Thailand) Co., Ltd.	December 31	Note 1
Talent Alliance (Beijing) Technology Development Limited	December 31	Note 1
OWLS, INC.	January 31	Note 1

Note 1 The Group adopts provisional financial statements for the term end of consolidated subsidiaries, provided, however, those necessary adjustments on consolidation are made to reflect material transactions conducted between this date and the consolidated term end.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

1) Securities

a. Held-to-maturity securities

Carried at amortized cost (straight-line method)

b. Available-for-sale securities

Available-for-sale securities for which the fair market values are readily determinable:

Valued at market as of the balance sheet date. Unrealized gain or loss is included directly in net assets. The cost of securities sold is determined by the moving-average method.

Compound instruments whose embedded derivatives cannot be estimated individually are valued at market as a whole, and unrealized gains or losses are included in the Statements of Income.

Available-for-sale securities for which the fair market values are not readily determinable:

Valued at cost determined by the moving-average method

The Company accounts for investments in investment limited partnerships and similar associations (investments deemed to be negotiable securities under Article 2, Paragraph 2, of the Financial Instruments and Exchange Act) by booking a net amount equivalent to the equity method value, based on the most recent closing statement that can be obtained in accordance with the account reporting date provided for in the partnership agreement.

2) Inventories

Supplies

Most recent purchase cost method (amount reported on the balance sheet is stated by writing down based on decrease in profitability)

(2) Depreciation method for major depreciable assets

1) Property, plant and equipment (excluding lease assets)

The depreciation of property, plant and equipment at the Company and its consolidated subsidiary is computed by the declining-balance method using the applicable rates based on the estimated useful lives of the assets.

However, the straight-line method is used to depreciate buildings (excluding accompanying facilities).

The range of useful lives is as follows:

Buildings:	8–25 years
Furniture and fixtures:	2–20 years

For assets acquired on or before March 31, 2007, the remaining book values are equally depreciated on a straight-line basis over five years, starting from the year following the year during which depreciation to the residual values was completed up to the maximum depreciable amounts.

2) Intangible assets (excluding lease assets)

The amortization of intangible assets at the Company and its consolidated subsidiary is computed by the straight-line method.

Computer software for internal use is amortized over the estimated useful life (2–5 years) depending on the nature of the respective software products.

3) Lease assets

Lease assets related to the finance lease transactions other than those where the ownership of the lease assets

These lease assets are amortized by the straight-line method, assuming that the lease period is the useful life and there is no residual value.

(3) Accounting for important reserves

1) Allowance for doubtful accounts:

The allowance for doubtful accounts is provided for possible bad debt of claims at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

2) Provision for bonuses:

The provision for bonuses is provided for possible payment of bonuses to employees at an amount based on the amount estimated to be paid at the end of the fiscal year under review.

3) Provision for directors' bonuses:

Provision for directors' bonuses at subsidiaries is provided for in estimated amounts, which the subsidiaries will pay based on the service provided during the current consolidated accounting period.

4) Provision for share benefits

A provision for share benefits is provided for possible delivery of stock to employees in accordance with the stock delivery regulation at an amount based on the estimated amount of stock benefits obligation at the end of the fiscal year under review.

(4) Method and period of amortization of goodwill

The amount of goodwill and negative goodwill is equally amortized over the estimated years during which the effects are estimated to emerge.

(5) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits and short-term investments due within three months from the date of acquisition, which are easily convertible into cash with little or no risk from fluctuation in value.

(6) Other important matters of presenting the consolidated financial statements

Accounting for consumption taxes

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

(Change in Method of Presentation)

(Change due to application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018; hereinafter "Partial Amendments to Accounting Standard for Tax Effect Accounting") from the beginning of the fiscal year ended March 31, 2019. Accordingly, the Company changed the method to which deferred tax assets are presented under the category of investments and other assets, and deferred tax liabilities under the category of non-current liabilities.
As a result, deferred tax assets of ¥601 million under current assets are included in deferred tax assets of ¥866 million under investments and other assets in the consolidated balance sheets of the previous fiscal year.

(Consolidated Balance Sheets)

Overdraft Facility Agreement
To procure working capital efficiently, the Company has concluded an overdraft facility agreement with one of its primary financing banks. The unused balance at the end of fiscal years based on this agreement was as follows.

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Maximum overdraft amount	1,000 million yen	1,000 million yen
Outstanding borrowings	– million yen	– million yen
Balance	1,000 million yen	1,000 million yen

Collateral assets and secured liabilities
Assets pledged as collateral and secured liabilities are as follows:

Assets pledged as collateral

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Cash and deposits	– million yen	121 million yen
Notes and accounts receivable-trade	– million yen	863 million yen
Other-current assets	– million yen	602 million yen
Buildings	– million yen	8 million yen
Vehicles	– million yen	1 million yen
Furniture and fixtures	– million yen	15 million yen
Construction in progress	– million yen	52 million yen
Software	– million yen	1 million yen
Other-non-current assets	– million yen	28 million yen
Total	– million yen	1,694 million yen

Secured liabilities

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019
Other-current liabilities (Short-term loans payable)	– million yen	249 million yen
Total	– million yen	249 million yen

The above is related to the consolidated subsidiary Future Focus Infotech Pvt. Ltd.

(Consolidated Statements of Income)

*1 Loss on Retirement of Non-current Assets was as follows.

	Prior fiscal year (from April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Buildings	– million yen	0 million yen
Furniture and fixtures	– million yen	0 million yen
Software	– million yen	0 million yen
Total	– million yen	1 million yen

*2 The content of amortization of goodwill is as follows.

Prior fiscal year (from April 1, 2017 to March 31, 2018)

In connection with the posting of a loss on valuation of shares of subsidiaries and associates in the non-consolidated financial statements of a subsidiary in the fiscal year ended March 31, 2018, the Company executed a one-time amortization of goodwill associated with the consolidated subsidiary of ¥340 million yen. This was done in accordance with the provision of Item 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (Accounting Practice Committee Statement No. 7; latest revision on November 28, 2014 by The Japanese Institute of Certified Public Accountants).

Current fiscal year (from April 1, 2018 to March 31, 2019)

In connection with the posting of a loss on valuation of shares of subsidiaries and associates in the non-consolidated financial statements of a subsidiary in the fiscal year ended March 31, 2019, the Company executed a one-time amortization of goodwill associated with the consolidated subsidiary of ¥102 million yen. This was done in accordance with the provision of Item 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (Accounting Practice Committee Statement No. 7; latest revision on November 28, 2014 by The Japanese Institute of Certified Public Accountants).

*3 Impairment loss

Prior fiscal year (from April 1, 2017 to March 31, 2018)

The Company had no material matters to report.

Current fiscal year (from April 1, 2018 to March 31, 2019)

The Group recorded an impairment loss for the following asset group.

(1) Outline of asset group which impairment loss was recognized

Purpose of use	Type	Location
Hiring Business	Facilities attached to buildings Furniture and fixtures Software	Shinjuku-ku, Tokyo

(2) Reason for recognizing impairment loss

Due to a partial change in business policy, assets no longer in use are recognized as an impairment loss.

(3) Amount of impairment loss

Facilities attached to buildings	34	million yen
Furniture and fixtures	4	million yen
Software	26	million yen

(4) Asset grouping method

The Group groups assets for business and others based on categories of managerial accounting in which earnings and expenses are grasped on an ongoing basis.

(5) Calculation method of recoverability

The recoverable amounts of such asset group are measured by net sale value. Net sale value is set at ¥0 since it is difficult to sell the assets or use them for other purposes.

(Consolidated Statements of Comprehensive Income)

* Adjustments and Taxes in Other Comprehensive Income

	Prior fiscal year (from April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities		
Amount incurred during the term	-65 million yen	24 million yen
Recycling amount	-1 million yen	– million yen
Amount before tax adjustment	-67 million yen	24 million yen
Taxes	20 million yen	-7 million yen
Valuation difference on available-for-sale securities	-46 million yen	17 million yen
Foreign currency translation adjustment		
Amount incurred during the term	-81 million yen	-32 million yen
Share of other comprehensive income of entities accounted for using equity method		
Amount incurred during the term	19 million yen	– million yen
Other comprehensive income	-109 million yen	-15 million yen

(Consolidated Statements of Cash Flows)

*1. Relationship between Cash and Cash Equivalents at End of Period and the Line Item Amounts Stated on the Consolidated Balance Sheets

	Prior fiscal year (from April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Cash and deposits	23,505 million yen	28,409 million yen
Balance of items corresponding to cash equivalents in the securities account	2,000 million yen	2,000 million yen
Time deposits deposited for a period of more than three months	– million yen	-467 million yen
Cash and cash equivalents	25,505 million yen	29,942 million yen

*2. Details of Assets and Liabilities of Newly Consolidated Subsidiaries Resulting from the Company's Share Acquisition

Prior fiscal year (from April 1, 2017 to March 31, 2018)

Details of assets and liabilities of Zeku, Ltd., a newly consolidated subsidiary following an acquisition of shares, as of the starting date of consolidation and the relationship between the share acquisition cost and the (net) payment for the acquisition of Zeku, Ltd. are as follows.

Current assets	175 million yen
Non-current assets	6 million yen
Current liabilities	-20 million yen
Goodwill	914 million yen
Share acquisition cost	1,076 million yen
Cash and cash equivalents	-125 million yen
Difference: payment for the share acquisition	950 million yen

Current fiscal year (from April 1, 2018 to March 31, 2019)

In connection with Future Focus Infotech Pvt. Ltd. and its two subsidiaries newly consolidated through acquisition of shares, details of assets and liabilities as of the starting date of consolidation, and the relationship between the share acquisition cost and the payment (net increase) for the acquisition are as follows:

Current assets	1,586	million yen
Non-current assets	111	million yen
Current liabilities	-1,296	million yen
Non-current liabilities	-1	million yen
Goodwill	1,012	million yen
Foreign currency translation adjustment	9	million yen
Non-controlling interests	-113	million yen
Share acquisition cost	1,308	million yen
Cash and cash equivalents	-121	million yen
Difference: payment for the share acquisition	1,187	million yen

Details of assets and liabilities of OWLS, INC., a newly consolidated subsidiary following an acquisition of shares, as of the starting date of consolidation and the relationship between the share acquisition cost and the (net) payment for the acquisition of OWLS, INC. are as follows.

Current assets	27	million yen
Non-current assets	2	million yen
Current liabilities	-13	million yen
Non-current liabilities	-11	million yen
Goodwill	397	million yen
Non-controlling interests	-2	million yen
Share acquisition cost	400	million yen
Disposal amount of treasury shares	-398	million yen
Cash and cash equivalents	-15	million yen
Difference: payment for the share acquisition	-13	million yen

(Business Combination)

Finalization of provisional accounting treatment related to a business combination and important revision to initially allocated amount of acquisition cost in comparative information

The Company had carried out provisional accounting treatment in the previous fiscal year for the acquisition of shares of Zeku, Ltd. executed on October 30, 2017. The accounting treatment was finalized in the fiscal year ended March 31, 2019. In connection with the finalization of this provisional accounting treatment, an important revision to the amount of initial allocation of acquisition cost is reflected in the comparative information included in the consolidated financial statements for the fiscal year ended March 31, 2019. As a result of allocating ¥367 million to other-intangible assets and ¥112 million to other-non-current liabilities, the amount of goodwill provisionally estimated decreased by ¥255 million, to ¥659 million from ¥914 million.
In addition, as of the end of the previous fiscal year, other-intangible assets increased by ¥356 million and other-non-current liabilities increased by ¥109 million, while goodwill and retained earnings decreased by ¥248 million and ¥1 million, respectively. As for the consolidated statements of income for the previous fiscal year, while operating income, ordinary income, and profit before income taxes each decreased by ¥4 million mainly due to an increase in depreciation of intangible assets, profit attributable to owners of parent decreased by ¥1 million due to a decrease in income tax-deferred of ¥3 million.

Business combination by acquisition

The Company resolved at its meeting of Board of Directors held on February 19, 2019 to have its two consolidated subsidiaries, en-Asia Holdings Ltd. and New Era India Consultancy Pvt. Ltd., acquire shares of Future Focus Infotech Pvt. Ltd. (hereinafter “Future Focus”) to make it a sub-subsidiary and concluded a share transfer agreement on the same date. The shares were acquired effective March 19, 2019.

(1) Overview of the business combination

1) Name and business of the acquired company
Company name: Future Focus Infotech Pvt. Ltd.
(Note) Future Focus has the following two subsidiaries (including sub-subsidiaries).
- Future Focus Infotech FZE
- Focus America INC
Business activities: IT temporary staffing, managed software development

2) Primary reason for the business combination
The Company is striving to push ahead with “selection and concentration” as its priority strategy in its overseas development, concentrating its resources in Vietnam and India where medium- to long-term growth potential is the highest. Future Focus, the company to be made a sub-subsidiary, has a twenty-year track record in the IT temporary staffing business. Having both abundant experience and foresight, Future Focus’s business development is stable. It is highly regarded in India for possessing leading Indian IT companies as customers, focusing its efforts on advanced technology (e.g., IoT, AI, and robotics) education and proactively investing in new business areas. Through this capital participation, further growth of Future Focus will be sought by advancing as en-japan Group into the temporary staffing business, India’s largest business market. This will be done by striving for stable profit and sustainable growth, but also, in particular, for enhanced customer service and applicability of advanced technology.

3) Date of the business combination: March 19, 2019
4) Legal form on the date of the business combination: Acquisition of shares
5) Name following the business combination: No change
6) Ratio of voting rights acquired: 72.28%
7) Primary basis for determining the acquired company
en-Asia Holdings Ltd. and New Era India Consultancy Pvt. Ltd., the Company’s two consolidated subsidiaries, acquired shares in exchange for cash.

(2) Period of operating results of the acquired company included in the consolidated financial statements of the previous fiscal year for the cumulative quarter of the fiscal year
Since the deemed acquisition date of the acquired company is set at March 31, 2019 and thus only balance sheets are consolidated, operating results of the acquired company are not included in the consolidated statements of income.

(3) Breakdown of cost for the acquisition of the acquired company and type of consideration

Consideration for the acquisition:	813 million Indian rupee in cash
Acquisition cost:	813 million Indian rupee

(4) Major acquisition-related expenses and amount
Advisory fees, etc. ¥90 million

(5) Amount of goodwill generated, reason for generation, method and period of amortization

1) Amount of goodwill generated
¥1,012 million
Since the allocation of acquisition cost is not completed as of the end of the fiscal year under review, the amount of goodwill is calculated on a tentative basis.

2) Reason for generation
Since the acquisition cost exceeds the net amount of assets acquired and liabilities assumed, the excess amount is recorded as goodwill.

3) Method and period of amortization
Amortized over a period of 10 years using the straight-line method.

(6) Assets received and liabilities undertaken on the date of the business combination, their amounts and major breakdown items

Current assets	1,586	million yen
Non-current assets	111	million yen
Total assets	1,698	million yen
Current liabilities	1,296	million yen
Non-current liabilities	1	million yen
Total liabilities	1,298	million yen

(7) Allocation of acquisition cost
Since specification of identifiable assets and liabilities as of the date of business combination and calculation of fair market values are yet to be completed, allocation of acquisition cost is not concluded as of the end of the fiscal year under review. Consequently, the Company has carried out provisional accounting treatment based on reasonable information available at that time.

(8) Estimated amount of impact on the consolidated financial statements of the fiscal year ended March 31, 2019 and the calculation method thereof assuming that the business combination was completed on the first day of the fiscal year
Estimated amount of impact is not presented due to a difficulty in making a reasonable calculation.

Business combination by acquisition

The Company resolved at its meeting of the Board of Directors held on February 22, 2019 to acquire some outstanding shares of OWLS, INC. (hereinafter “OWLS”) and then make it a subsidiary, dispose of its treasury stock through a third-party allocation to pay the consideration for the applicable share acquisition, and sign afterward a basic agreement to perform a stock swap, with the Company serving as the stock swap wholly owned parent company and OWLS as the stock swap wholly owned subsidiary.

(1) Overview of the business combination

1) Name and business of the acquired company
Company name: OWLS, INC.
Business activities: Website and application design, development contracting business, startup support business
2) Primary reason for the business combination
The Company aims to expand its business portfolio to minimize effects on operating results at times of economic downturn by creating new businesses outside the area of recruiting services, in addition to the area of recruiting services. OWLS, which is to be made a subsidiary, is a company established in February 2017. Under the leadership of OWLS management, high-quality value at a mid-range unit price is provided in the UI/UX growth contracting business, much of which are set high. By establishing a unique position in the business, new projects continue to be acquired. By making OWLS a subsidiary, the Company will expand into the promising market that has high growth potential and is recession-proof, leading to the creation of new business and improved corporate value.
3) Date of the business combination: March 11, 2019
4) Legal form on the date of the business combination: Acquisition of shares in exchange for cash and treasury stock disposed of through a third-party allocation
5) Name following the business combination: No change
6) Ratio of voting rights acquired: 51%
7) Primary basis for determining the acquired company:
The Company acquired shares in exchange for cash and treasury stock disposed of through a third-party allocation.

(2) Period of operating results of the acquired company included in the consolidated financial statements of the previous fiscal year for the cumulative quarter of the fiscal year
Since the deemed acquisition date of the acquired company is set at March 31, 2019 and thus only balance sheets are consolidated, operating results of the acquired company are not included in the consolidated statements of income.

(3) Breakdown of cost for the acquisition of the acquired company and type of consideration

Consideration for the acquisition:	¥1 million in cash
	¥398 million in treasury shares
Acquisition cost:	¥400 million

(4) Major acquisition-related expenses and amount
Advisory fees, etc. ¥3 million

(5) Amount of goodwill generated, reason for generation, method and period of amortization

1) Amount of goodwill generated
¥397 million
Since the allocation of acquisition cost is not completed as of the end of the fiscal year under review, the amount of goodwill is calculated on a tentative basis.
2) Reason for generation
Since the acquisition cost exceeds the net amount of assets acquired and liabilities assumed, the excess amount is recorded as goodwill.
3) Method and period of amortization
Amortized over a period of 10 years using the straight-line method.

(6) Assets received and liabilities undertaken on the date of the business combination, their amounts and major breakdown items

Current assets	27	million yen
Non-current assets	2	million yen
Total assets	29	million yen
Current liabilities	13	million yen
Non-current liabilities	11	million yen
Total liabilities	24	million yen

(7) Allocation of acquisition cost

Since specification of identifiable assets and liabilities as of the date of business combination and calculation of fair market values are yet to be completed, allocation of acquisition cost is not concluded as of the end of the fiscal year under review. Consequently, the Company has carried out provisional accounting treatment based on reasonable information available at that time.

(8) Estimated amount of impact on the consolidated financial statements of the fiscal year ended March 31, 2019 and the calculation method thereof assuming that the business combination was completed on the first day of the fiscal year

Estimated amount of impact is not presented due to a difficulty in making a reasonable calculation.

(Additional Information)

The Company has concluded a basic agreement with the shareholders of OWLS to perform a stock swap in which the Company serves as the stock swap wholly owning parent company and OWLS as the stock swap wholly owned subsidiary on February 22, 2019. The effective date will be from January 31, 2021 to August 31, 2021.

(Segment Information, etc.)

(Segment Information)

1. Outline of Reporting Segments

The en-japan Group's reporting segments are business units for which separate financial information can be obtained and periodically reviewed by the Company's decision making bodies such as the Board of Directors in the determination of resource allocation as well as the evaluation of business performance.

As a company specializing in offering services that contribute to "Hiring Personnel and Success After Joining," the en-japan Group is engaged mainly in managing job advertising websites, job placement service, and education/evaluation of human resources.

Therefore, the Company classifies its business into the two segments of the Hiring Business and Education/Evaluation Business, in accordance with their respective management organization and characteristics of services.

The main services provided at each segment are as follows.

(1) Hiring Business –	Management of job advertising websites (main websites are en TENSHOKU, en HAKEN, MIDDLE NO TENSHOKU and Vietnam Works), job placement service (main brands are en world and en AGENTS), temporary staffing service, and provision of recruitment-related systems and operations management system
(2) Education/Evaluation Business –	Provision of implementation of fixed-fee training (en COLLEGE) and hiring/ personnel-related systems.

2. Measurement of Sales, Income (loss), Assets, Liabilities and Other Material Items of Reportable Segments

The accounting policies for the reportable segments are the same as those described in "(Basis of Preparing the Consolidated Financial Statements)."

Intersegment sales are based on the transaction price among third parties and figures of segment profit (loss) are based on operating income.

Note that the assets are not allocated by business segment, but depreciation expenses on assets are allocated to each of the business segments in accordance with rational criteria set based on their status of use and such like.

3. Information on Sales, Income (loss), Assets, Liabilities and Other Material Items by Reportable Segment

Prior fiscal year (from April 1, 2017 to March 31, 2018)

(Million yen)

	Reportable segments			Adjustments (Note 1)	Amount stated in Consolidated Financial Statements (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	39,481	1,229	40,710	–	40,710
Internal sales among segments, transfers	3	108	111	-111	–
Total	39,484	1,337	40,822	-111	40,710
Segment profit	9,647	69	9,716	-90	9,626
Other Items					
Depreciation	961	34	996	–	996
Amortization of goodwill	707	15	722	–	722

(Notes)

1. Adjustments to segment profit are eliminations of intersegment transactions and company-wide expenses that are not allocated to each reporting segment.
2. Segment profit has been adjusted based on the operating income in the consolidated financial statements.
3 Segment assets are not stated because assets are not allocated by reportable segment.
4 The amount of amortization of goodwill includes “Amortization of goodwill” under extraordinary losses.
5. Figures for the above segment information disclosed are amounts after reflecting the important revision to initially allocated amount of acquisition costs upon the finalization of the provisional accounting treatment stated in “5. Consolidated Financial Statements and Key Notes (5) Notes to the Consolidated Financial Statements (Business Combination).”

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Million yen)

	Reportable segments			Adjustments (Note 1)	Amount stated in Consolidated Financial Statements (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	47,504	1,229	48,733	–	48,733
Internal sales among segments, transfers	4	86	90	-90	–
Total	47,508	1,315	48,823	-90	48,733
Segment profit	11,578	77	11,655	5	11,661
Other Items					
Depreciation	1,101	47	1,148	–	1,148
Amortization of goodwill	438	11	450	–	450

(Notes)

1. Adjustments to segment profit are eliminations of intersegment transactions and company-wide expenses that are not allocated to each reporting segment.
2. Segment profit/loss is adjusted from operating income booked in the consolidated financial statements.
3. Segment assets are not stated since the assets are not allocated by reportable segment.
4. The amount of amortization of goodwill includes “Amortization of goodwill” under extraordinary losses.

4. Matters related to changes and others in the reportable segments

To more accurately grasp the actual conditions of operating results of each segment, the Group reviewed and revised its management structure so that part of income and expenses originally included in the Hiring Business segment would be included in the Education and Evaluation Business segment, and changed the allocation method of segmentation effective from the fiscal year ended March 31, 2019.

The segment information for the previous fiscal year ended March 31, 2018 disclosed herein has been prepared based on the reportable segments and the allocation method of income and expenses used in the fiscal year ended March 31, 2019.

5. Information on impairment losses or goodwill and others concerning non-current assets by reportable segment

(Important change to the amount of goodwill)

The Company had carried out provisional accounting treatment in the previous fiscal year for the acquisition of shares of Zeku, Ltd. executed on October 30, 2017. The accounting treatment was finalized in the fiscal year ended March 31, 2019, resulting in a decrease in the amount of goodwill in the Hiring Business segment.

The details are as stated in “5. Consolidated Financial Statements and Key Notes (5) Notes to the Consolidated Financial Statements (Business Combination).”

(Related Information)

Prior fiscal year (from April 1, 2017 to March 31, 2018)

1. Information by Product and Service

Presentation is omitted as similar information is provided in the segment information.

2. Information by Region

(1) Net sales

(Million yen)

Japan	Asia/Oceania	Total
37,427	3,283	40,710

(2) Property, plant and equipment

(Million yen)

Japan	Asia/Oceania	Total
469	110	580

3. Information by Major Clients

Presentation is omitted as there are no net sales for outside clients that exceed 10% of net sales recorded in the consolidated statements of income.

Current fiscal year (from April 1, 2018 to March 31, 2019)

1. Information by Product and Service

Presentation is omitted as similar information is provided in the segment information.

2. Information by Region

(1) Net sales

(Million yen)

Japan	Asia/Oceania	Total
44,087	4,645	48,733

(2) Property, plant and equipment

(Million yen)

Japan	Asia/Oceania	Total
454	265	719

3. Information by Major Customers

Presentation is omitted as there are no net sales for outside customers that exceed 10% of net sales recorded in the consolidated statements of income.

(Information on Impairment Losses of Property, Plant and Equipment by Reportable Segment)

Prior fiscal year (from April 1, 2017 to March 31, 2018)

The Company had no material matters to report.

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Million yen)

	Reportable segments			Adjustments	Total
	Hiring Business	Education/ Evaluation Business	Total		
Impairment loss	65	–	65	–	65

(Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment)

Prior fiscal year (from April 1, 2017 to March 31, 2018)

(Million yen)

	Reportable segments			Adjustments	Total
	Hiring Business	Education/ Evaluation Business	Total		
Depreciation amount in the period	707	15	722	–	722
Balance at the end of the period	2,467	63	2,530	–	2,530

(Notes)

1. The amount of amortization of goodwill includes “Amortization of goodwill” under extraordinary losses.
2. Figures for the above segment information disclosed are amounts after reflecting the important revision to initially allocated amount of acquisition costs upon the finalization of the provisional accounting treatment stated in “5. Consolidated Financial Statements and Key Notes (5) Notes to the Consolidated Financial Statements (Business Combination).”

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Million yen)

	Reportable segments			Adjustments	Total
	Hiring Business	Education/ Evaluation Business	Total		
Depreciation amount in the period	438	11	450	–	450
Balance at the end of the period	3,412	–	3,412	–	3,412

(Note) The amount of amortization of goodwill includes “Amortization of goodwill” under extraordinary losses.

(Information on Gain on Negative Goodwill by Reportable Segment)

Prior fiscal year (from April 1, 2017 to March 31, 2018)

The Company had no material matters to report.

Current fiscal year (from April 1, 2018 to March 31, 2019)

The Company had no material matters to report.

(Per-Share Information)

	Prior Fiscal Year (From April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
Net Assets per Share	625. 52 yen	762. 51 yen
EPS	139. 93 yen	178. 97 yen
Fully Diluted EPS	139. 48 yen	178. 46 yen

(Notes)

1. Shares of the Company remaining in trust that are posted as treasury shares under shareholders' equity are included in the number of treasury shares deducted from calculating the average number of shares during the period for the sake of calculating EPS. They are included in the number of treasury shares deducted from the total number of shares issued as of the end of the period for the sake of calculating net assets per share.
   In calculating EPS, the average number during the period of the treasury shares deducted was 2,399,000 in the fiscal year ended March 31, 2018 and 2,398,675 for the fiscal year ended March 31, 2019. In addition, in calculating net assets per share, the number at the end of the period of the treasury shares deducted was 2,399,000 in the fiscal year ended March 31, 2018 and 2,397,200 in the fiscal year ended March 31, 2019.
2. The basis for calculating EPS and fully diluted EPS is shown below.

	Prior Fiscal Year (From April 1, 2017 to March 31, 2018)	Current fiscal year (from April 1, 2018 to March 31, 2019)
EPS		
Profit Attributable to Owners of Parent (million yen)	6,366	8,144
Amount not attributable to Common Shareholders (million yen)	–	–
Profit Attributable to Owners of Parent concerning Common Share (million yen)	6,366	8,144
Average Number of Shares of Common Share Outstanding during the Period (shares)	45,500,218	45,506,446
Fully Diluted EPS		
Profit Attributable to Owners of Parent – Deferred (million yen)	–	–
Increase in the Number of Shares of Common Share (shares)	146,071	131,817
(of which subscription rights to shares [shares])	(146,071)	(131,817)
Summary of Potential Shares not used in the Calculation of Fully Diluted EPS (potential shares have no dilutive effect)	–	–

(Material Subsequent Event)

The Company had no material matters to report.