



en-japan inc.

1st Quarter FY March 2021 Earnings Announcement [Japan GAAP] (Consolidated)

August 13, 2020

Company Name	en-japan inc.	Listing Exchanges	First Section of the Tokyo Stock Exchange	
Stock Code	4849	URL	<a href="https://corp.en-japan.com/">https://corp.en-japan.com/</a>	
Representative (Title)	President Executive Officer and	(Name)	Takatsugu Suzuki	
Contact (Title)	Administration Division Director	(Name)	Tomoki Tamai	Telephone +81-3-3342-4506
Scheduled Date for Submission of Quarterly Report	August 13, 2020			
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 2021 Cumulative First Quarter Operating Results (From April 1, 2020 to June 30, 2020)

(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 3/21 1st Qtrr	10,442	-24.1	1,248	-57.0	1,236	-57.2	618	-67.8
FYE 3/20 1st Qtrr	13,763	22.7	2,904	-16.0	2,892	-18.4	1,917	-22.1

(Note) Comprehensive income FYE 3/21 1st Qtrr 525 million yen (-72.3%) FYE 3/20 1st Qtrr 1,896 million yen (-18.9%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/21 1st Qtrr	13.79	13.75
FYE 3/20 1st Qtrr	42.05	41.93

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/21 1st Qtrr	44,475	34,212	75.2
FYE 3/20	51,896	38,648	72.8

(Reference) Core capital FYE 3/21 1st Qtrr 33,436 million yen FYE 3/20 37,783 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 3/20	-	0.00	-	74.80	74.80
FYE 3/21	-	-	-	-	-
FYE 3/21 (projected)	-	-	-	-	-

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

Concerning the dividend for the fiscal year ending March 31, 2021, the amount of expected dividends is undecided as the Company has not yet disclosed the full-year operating results forecast.

3. FY Ending March 2021 Projected Consolidated Operating Results (April 1, 2020 - March 31, 2021)

(Percentages indicate the percentage change from the same period of the prior fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		EPS
Half year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	19,703	-30.1	1,992	-67.9	1,956	-68.4	1,018	-75.2	22.75

(Note) Revisions to the Company's latest operating results projections: Yes

The Company acknowledges that it is extremely difficult to precisely understand the impacts of COVID-19 on its businesses and operating results and incorporate them into the operating results projections of the fiscal year ending March 31, 2021. As such, the Company instead provides projections of operating results for the cumulative second quarter of the fiscal year ending March 31, 2021 as operating results projections for a reasonably computable period, based on the assumptions currently available. Please refer to "(3) Explanation of Future Projections such as Projections of Consolidated Operating Results" on page 4 for details.

\* 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 3/21 1st Qtr 49,716,000 shares FYE 3/20 49,716,000 shares  
 b. Number of shares of treasury shares at the end of the period  
 FYE 3/21 1st Qtr 4,945,966 shares FYE 3/20 4,451,919 shares  
 c. Average number of shares issued during the period (Quarter Year-to-Date)  
 FYE 3/21 1st Qtr 44,829,940 shares FYE 3/20 1st Qtr 45,605,607 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 "(3) Explanation of Future Projections such as Projections of Consolidated Operating Results, (Supplementary Explanation of Projected Consolidated Operating Results for Cumulative Second Quarter)" on page 4 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 .....	- 4 -
2. Quarterly Consolidated Financial Statements and Key Notes .....	- 6 -
(1) Quarterly Consolidated Balance Sheets .....	- 6 -
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income .....	- 7 -
(3) Notes regarding Quarterly Consolidated Financial Statements .....	- 9 -
(Notes relating to the Going Concern Assumption) .....	- 9 -
(Notes on Significant Changes to Shareholders' Equity) .....	- 9 -
(Adoption of Special Accounting Treatment used in Preparation of the Quarterly Consolidated Financial Statements) ..	- 9 -
(Segment Information) .....	- 9 -
(Additional Information) .....	- 9 -

## 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, 2021

The Company recorded a decrease in net sales mainly due to the reduced demand for recruitment at clients and postponement of hiring activities because of COVID-19. The decline was particularly huge in Domestic Job Board where the term from receiving and placing orders to recognizing sales is short. As a result, net sales for the cumulative first quarter of the fiscal year ending March 31, 2021 were ¥10,442 million (down 24.1% year on year). Expenses during the quarter were ¥9,193 million (down 15.3% year on year) as a result of cost reduction efforts primarily in advertisement that is a part of variable costs and because we accelerated an overhaul ahead of the schedule.

As a result, the Company recorded operating income of ¥1,248 million (down 57.0% year on year) and ordinary income of ¥1,236 million (down 57.2% year on year). Profit attributable to owners of parent was ¥618 million (down 67.8% year on year), reflecting the goodwill impairment related to JapanWork, INC., which is a consolidated subsidiary of en-japan inc., for the cumulative first quarter of the fiscal year ending March 31, 2021.

(Unit: Million yen)

	FY Ended March 2020 Cumulative First Quarter	FY Ending March 2021 Cumulative First Quarter	Change	Percent change (%)
Net sales	13,763	10,442	-3,320	-24.1
Operating income	2,904	1,248	-1,656	-57.0
Ordinary income	2,892	1,236	-1,655	-57.2
Profit attributable to owners of parent	1,917	618	-1,299	-67.8

#### [2] Summary of Major Businesses (based on managerial accounting)

(Unit: Million yen)

	FY Ended March 2020 Cumulative First Quarter	FY Ending March 2021 Cumulative First Quarter	Change	Percent change (%)
Domestic Job Board	7,550	4,642	-2,908	-38.5
Domestic Permanent Recruitment	3,049	2,812	-237	-7.8
Overseas	2,728	2,208	-519	-19.1
HR-Tech	43	246	+203	+472.9
Other business/ Subsidiaries	514	657	+143	+28.0

\* The difference between the combined net sales of each business and the consolidated net sales is attributable to the adjustment made among the businesses and consolidated adjustments.

\* For characteristics in the sales recognition by the type of services, please refer to “(3) Explanation of Future Projections such as Projections of Consolidated Operating Results, (Supplementary Explanation of Projected Consolidated Operating Results for Cumulative Second Quarter)” on page 4 for details.

#### (Domestic Job Board)

Net sales in Domestic Job Board decreased significantly due to reduced demand for recruitment at clients and increased postponement of hiring activities and so forth after the declaration of the state of emergency in response to the COVID-19 pandemic.

“[en]Career Change Info (for permanent-job seekers)” and job boards for temporary staffing companies saw an immediate impact on the results. This came from the plunge in the number of job openings as their revenue model is primarily built on pay-

per-listing billing.

Job boards for permanent recruitment agencies were also affected by the reduced demand for recruitment as well as other job boards. However, the business saw year-on-year growth because the revenue model is mostly based on success fees and the sales recognized in this first quarter were largely boosted by the favorable operational performance in the previous quarter.

As a result, net sales of Domestic Job Board recorded ¥4,642 million, down 38.5% year on year.

#### (Domestic Permanent Recruitment)

Both “en Agent” and the Company’s subsidiary, en World Japan K.K., were affected by the reduced demand for recruitment, but the level of decline in sales was limited because the revenue model is mostly based on success fees and the sales recognized in this first quarter were largely boosted by the favorable operational performance in the previous quarter.

High-profile staffing service, en world Japan K.K., posted solid results as a certain level of recruiting demand is expected in this business even in this challenging market environment.

“en Agent” identified companies aspiring to recruit even under the challenging market environment and made stronger approaches to those companies. “en Agent” also accelerated the implementation of online meetings with clients and interviews with candidates early on, putting in place a system to continue in the future.

As a result, net sales of Domestic Permanent Recruitment recorded ¥2,812 million, down 7.8% year on year.

#### (Overseas)

For the overseas business, the performance is reflected in the results 3 months behind. The results in countries focused on, Vietnam and India, from January to March reflect the performance in the period before the countries were hit hard by the COVID-19 pandemic. For this reason, Vietnam recorded an increase in sales in the quarter supported mostly by services for job boards. India, which operates mainly in the temp IT staffing business, recorded a decrease in sales affected by impacts such as the deteriorated economic environment in the country. China, which operates job boards, was severely hit by the impact of the COVID-19 pandemic and the lockdown from January to March.

As a result, net sales of Overseas business recorded ¥2,208 million, down 19.1% year on year.

#### (HR-Tech)

As for the personnel and recruitment support platform “engage,” the number of user companies steadily increased up to 287,000 (as of June 2020). The number of paid user companies increased by more than 6 times year on year, though, the number decreased by approximately 20% from the previous quarter because recruiting needs were lower than expected due to the COVID-19 pandemic. The number hit bottom in May and has been back on a recovery track since June.

As a result, net sales in the quarter were up by 5.7 times year on year to ¥246 million.

## (2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year ending in March 31, 2021 decreased ¥7,421 million compared to the end of the previous fiscal year to ¥44,475 million.

Current assets decreased ¥7,496 million to ¥29,568 million. This was mainly attributable to a decrease in cash and deposits of ¥5,645 million, and a decrease in notes and accounts receivable-trade of ¥2,066 million. Non-current assets increased ¥75 million to ¥14,906 million.

Total liabilities at the end of the first quarter of the fiscal year ending March 31, 2021 were ¥10,262 million, a decrease of ¥2,984 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥3,219 million to ¥8,543 million. This mainly stemmed from decreases in income taxes payable of ¥1,355 million and provision of bonuses of ¥595 million. Non-current liabilities increased ¥234 million to ¥1,719 million.

Total net assets were ¥34,212 million, down ¥4,436 million from the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings of ¥3,069 million due to cash dividends paid and an increase in treasury shares of ¥998 million.

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

The Company considers it is hard to grasp the outlook for economic conditions, client companies' financial results and demand for recruitment as it is still uncertain at this point in time when the COVID-19 pandemic will end both in Japan and overseas. For this reason, the Company has decided to disclose projections of operating results for the cumulative second quarter of the fiscal year ending March 31, 2021 in view of recent trends.

The Company will announce the forecast for full-year consolidated operating results as soon as it becomes available.

The estimated operating results for the cumulative second quarter of the fiscal year ending March 31, 2021 include net sales of ¥19,703 million (down 30.1% year on year), operating income of ¥1,992 million (down 67.9% year on year), ordinary income of ¥1,956 million (down 68.4% year on year), and profit attributable to owners of parent of ¥1,018 million (down 75.2% year on year).

#### ■ Projected Consolidated Operating Results - FY Ending March 2021 Cumulative Second Quarter (April 2020 - September 2020)

(Unit: Million yen)

	FY Ended March 2020 Cumulative Second Quarter	FY Ending March 2021 Cumulative Second Quarter	Change	Percent change (%)
Net sales	28,204	19,703	-8,500	-30.1
Operating income	6,200	1,992	-4,208	-67.9
Ordinary income	6,197	1,956	-4,241	-68.4
Profit attributable to owners of parent	4,108	1,018	-3,090	-75.2

#### ■ (Reference) Projected Consolidated Operating Results - FY Ending March 2021 Second Quarter (July 2020 - September 2020)

(Unit: Million yen)

	FY Ended March 2020 Second Quarter	FY Ending March 2021 Second Quarter	Change	Percent change (%)
Net sales	14,441	9,261	-5,179	-35.9
Operating income	3,295	743	-2,552	-77.4
Ordinary income	3,305	719	-2,585	-78.2
Profit attributable to owners of parent	2,190	399	-1,790	-81.7

(Supplementary Explanation of Projected Consolidated Operating Results for the Second Quarter)

#### [1] Preconditions for results impacted by COVID-19

While Japan has been seeing a resumption of hiring activities since June after the state of emergency was lifted, the Company assumes the improvement is not enough to achieve a speedy return and the demand for recruitment will recover gradually.

For overseas countries where the Company group operates, the performance is reflected in the results three months behind. For this reason, the above forecast is worked out based on the performance in each country from April to June, which accordingly includes results affected by the lockdown and so forth during the period.

This forecast does not include possibilities such as a further spread of COVID-19 and consequent additional lockdowns both in Japan and overseas.

[2] Characteristics in the sales revenue recognition by the type of services

Under the Domestic Job Board, “[en]Career Change Info” and job boards for temporary staffing companies operate based on the revenue model centering on pay-per-listing billing, and job boards for permanent recruitment agencies operate based on the revenue model centering on success fees. In a success fee-type service, sales tend to be recorded approximately two to four months behind the actual sales activities and conclusion of contracts (because the sales are recognized when the candidate who has been accepted via our service joins a new company).

Likewise, “en Agent” under the Domestic Permanent Recruitment and the Company’s subsidiary “en world Japan K.K.” operate based on the success-fee type revenue model, so the timing for recognizing the sales is the same as above.

[3] Preconditions for consolidated net sales and profit planning

Net sales are expected to decrease by 35.9% year on year to ¥9,261 million. This is based on the assumption of the year-on-year decrease in the Domestic Job Board by approximately 47%, Domestic Permanent Recruitment by approximately 29%, overseas subsidiaries by approximately 28%, and the year-on-year growth in HR-Tech by approximately 4 times. As explained in [1] and [2] as above, the forecast is premised on the expectation that companies’ recruiting activities will recover gradually and success-fee type services and overseas subsidiaries will see a significant negative impact during the second quarter of the fiscal year ending March 31, 2021 due to the revenue recognition timing.

Expenses are expected to decrease by 23.6% year on year to ¥8,517 million. This reflects a continued control of advertising expenses initiated in the first quarter of the fiscal year ending March 31, 2021 as well as driving further reductions in outsourcing related expenses including the payment of commission fees from the second quarter of the fiscal year.

For these reasons, the Company expects the results in the second quarter of the fiscal year ending March 31, 2021 will be impacted most largely by a decline in sales despite the further expense reductions during the period. Year on year, operating income is expected to decrease by 77.4% to ¥743 million, ordinary income by 78.2% to ¥719 million, and profit attributable to owners of parent by 81.7% to ¥399 million.

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

(Unit: Million yen)

	Previous Fiscal Year (As of March 31, 2020)	First Quarter of Current Fiscal Year (As of June 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	28,081	22,436
Notes and accounts receivable - trade	5,736	3,670
Securities	2,047	2,045
Other	1,372	1,487
Allowance for doubtful accounts	-171	-71
Total current assets	37,065	29,568
Non-current assets		
Property, plant and equipment	1,021	1,052
Intangible assets		
Goodwill	3,795	3,370
Other	3,917	4,056
Total intangible assets	7,712	7,426
Investments and other assets		
Investment securities	2,957	3,196
Shares of subsidiaries and associates	46	46
Other	3,338	3,473
Allowance for doubtful accounts	-246	-288
Total investments and other assets	6,096	6,427
Total non-current assets	14,830	14,906
Total assets	51,896	44,475
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	475	323
Income taxes payable	1,883	527
Provision for bonuses	1,192	597
Provision for directors' bonuses	2	4
Advances received	2,620	3,167
Other	5,587	3,923
Total current liabilities	11,762	8,543
Non-current liabilities		
Provision for share benefits	388	402
Asset retirement obligations	268	269
Other	828	1,048
Total non-current liabilities	1,485	1,719
Total liabilities	13,247	10,262
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	1,133	923
Retained earnings	39,588	36,519
Treasury shares	-4,253	-5,252
Total shareholders' equity	37,663	33,386
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-7	45
Foreign currency translation adjustment	126	4
Total accumulated other comprehensive income	119	49
Subscription rights to shares	154	161
Non-controlling interests	710	614
Total net assets	38,648	34,212
Total liabilities and net assets	51,896	44,475



(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, 2019 to June 30, 2019)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2020 to June 30, 2020)
Net sales	13,763	10,442
Cost of sales	2,542	2,347
Gross profit	11,221	8,094
Selling, general and administrative expenses	8,316	6,846
Operating income	2,904	1,248
Non-operating income		
Interest income	9	10
Dividend income	10	10
Foreign exchange income	-	3
Other	6	5
Total non-operating income	26	28
Non-operating expenses		
Interest expenses	7	10
Loss on investments in partnership	5	21
Foreign exchange losses	16	-
Provision of allowance for doubtful accounts	-	5
Other	9	3
Total non-operating expenses	38	40
Ordinary income	2,892	1,236
Extraordinary income		
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Impairment loss	-	235
Loss on retirement of non-current assets	0	8
Total extraordinary losses	0	243
Profit before income taxes	2,892	993
Income taxes-current	921	390
Total income taxes	921	390
Profit	1,971	602
Profit (loss) attributable to non-controlling interests	53	-15
Profit attributable to owners of parent	1,917	618

Quarterly Consolidated Statements of Comprehensive Income

Cumulative First Quarter

(Unit: Million yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2019 to June 30, 2019)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2020 to June 30, 2020)
Profit	1,971	602
Other comprehensive income		
Valuation difference on available-for-sale securities	-29	52
Foreign currency translation adjustment	-44	-129
Total other comprehensive income	-74	-77
Comprehensive income	1,896	525
(Break down)		
Comprehensive income attributable to owners of parent	1,836	548
Comprehensive income attributable to non-controlling interests	59	-22

### (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)

en-japan adopted a resolution on matters related to acquiring treasury shares based on a written resolution in lieu of the resolution of the Board of Directors on March 25, 2020 and the provision of Article 156 of the Companies Act to be applied mutatis mutandis pursuant to the provision of Article 165, Paragraph 3 of the said Act, and accordingly acquired 496,200 common shares. As a result, treasury shares increased by ¥1,000 million at the end of the first quarter of the current fiscal year.

(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, 2019 to June 30, 2019)

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

II Cumulative first quarter of the fiscal year under review (from April 1, 2020 to June 30, 2020)

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

(Additional Information)

Cumulative first quarter of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)
There has been no critical change about the assumptions including the outlook for the spread of COVID-19 and the time when it will end, which were described in the Annual Securities Report for the previous fiscal year in the "Additional Information: Accounting estimate under the COVID-19 outbreak."