

en Japan Inc.



1st Quarter FY March 2022 Earnings Announcement [Japan GAAP] (Consolidated)

August 16, 2021

Company Name	en Japan Inc.	Listing Exchanges	First Section of the Tokyo Stock Exchange
Stock Code	4849	URL	https://corp.en-japan.com/
Representative (Title)	President	(Name)	Takatsugu Suzuki
Contact (Title)	Administration Division Director	(Name)	Toshio Hijikata
Scheduled Date for Submission of Quarterly Report	August 16, 2021	Telephone	+81-3-3342-4506
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 2022 Cumulative First Quarter Operating Results (From April 1, 2021 to June 30, 2021)

(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 3/22 1st Qtr	12,060	15.5	2,310	85.1	2,314	87.2	1,515	145.1
FYE 3/21 1st Qtr	10,442	-24.1	1,248	-57.0	1,236	-57.2	618	-67.8

(Note) Comprehensive income FYE 3/22 1st Qtr 1,912 million yen (263.9%) FYE 3/21 1st Qtr 525 million yen (-72.3%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/22 1st Qtr	33.84	33.82
FYE 3/21 1st Qtr	13.79	13.75

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/22 1st Qtr	48,036	35,810	73.5
FYE 3/21	46,644	36,856	77.8

(Reference) Core capital FYE 3/22 1st Qtr 35,301 million yen FYE 3/21 36,311 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 3/21	–	0.00	–	37.10	37.10
FYE 3/22	–				
FYE 3/22 (projected)		0.00	–	72.50	72.50

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

3. FY Ending March 2022 Projected Consolidated Operating Results (April 1, 2021 - March 31, 2022)

(Percentages indicate year-on-year changes for the full year and for the quarter.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	23,818	15.3	4,122	41.3	4,128	37.8	2,825	82.3	63.08
Full year	51,000	19.4	10,000	28.7	9,999	25.9	6,842	95.4	152.77

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

* Notes

- (1) Changes in material subsidiaries during the cumulative quarter under review (Change in specific subsidiaries that will accompany a change in scope of consolidation) No
 Newly included None (Name of company) –
 Exclusion None (Name of company) –
- (2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements Yes
- (3) Changes in accounting policy, changes in accounting estimates, or restatement due to correction
 a. Changes in accounting policy accompanying amendment of accounting principles: Yes
 b. Changes in accounting policy other than "a." No
 c. Changes in accounting estimates: No
 d. Restatement due to correction: No

Notes to Changes in Accounting Policy

- (4) Number of shares issued (common share)
 a. Number of shares issued at the end of the period (including treasury shares)
 FYE 3/22 1st Qtr 49,716,000 shares FYE 3/21 49,716,000 shares
 b. Number of shares of treasury shares at the end of the period
 FYE 3/22 1st Qtr 4,841,029 shares FYE 3/21 4,923,672 shares
 c. Average number of shares issued during the period (Quarter Year-to-Date)
 FYE 3/22 1st Qtr 44,797,770 shares FYE 3/21 1st Qtr 44,829,940 shares

Notes on Number of Shares Issued

* 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

(Cautionary Notes on Forward-Looking Statements)

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.

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* The Company plans to post supplementary materials to explain its financial results on its website today.
Please refer to the following URL.
<https://corp.en-japan.com/IR/>

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

	(Unit: Million yen)	
	Previous Fiscal Year (As of March 31, 2021)	First Quarter of Current Fiscal Year (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	26,374	27,241
Notes and accounts receivable - trade	4,347	4,395
Securities	2,031	2,033
Other	1,079	951
Allowance for doubtful accounts	-108	-95
Total current assets	33,724	34,527
Non-current assets		
Property, plant and equipment	621	585
Intangible assets		
Goodwill	2,840	2,859
Other	4,158	4,188
Total intangible assets	6,999	7,047
Investments and other assets		
Investment securities	2,285	2,266
Shares of subsidiaries and associates	132	132
Other	3,239	3,838
Allowance for doubtful accounts	-359	-361
Total investments and other assets	5,299	5,876
Total non-current assets	12,920	13,509
Total assets	46,644	48,036
Liabilities		
Current liabilities		
Accounts payable - trade	434	533
Income taxes payable	955	855
Provision for bonuses	1,122	650
Provision for directors' bonuses	2	-
Advances received	2,307	4,264
Other	3,438	4,311
Total current liabilities	8,260	10,615
Non-current liabilities		
Provision for share benefits	389	399
Asset retirement obligations	203	203
Other	934	1,007
Total non-current liabilities	1,527	1,610
Total liabilities	9,788	12,226
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	998	911
Retained earnings	39,399	38,035
Treasury shares	-5,228	-5,111
Total shareholders' equity	36,365	35,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113	117
Foreign currency translation adjustment	-167	153
Total accumulated other comprehensive income	-53	271
Subscription rights to shares	136	137
Non-controlling interests	408	371
Total net assets	36,856	35,810
Total liabilities and net assets	46,644	48,036

(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, 2020 to June 30, 2020)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2021 to June 30, 2021)
Net sales	10,442	12,060
Cost of sales	2,347	2,378
Gross profit	8,094	9,681
Selling, general and administrative expenses	6,846	7,371
Operating income	1,248	2,310
Non-operating income		
Interest income	10	23
Dividend income	10	9
Foreign exchange income	3	-
Other	5	10
Total non-operating income	28	43
Non-operating expenses		
Interest expenses	10	0
Loss on investments in partnership	21	25
Foreign exchange losses	-	10
Provision of allowance for doubtful accounts	5	-
Other	3	2
Total non-operating expenses	40	39
Ordinary income	1,236	2,314
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of investment securities	-	33
Total extraordinary income	-	33
Extraordinary losses		
Impairment loss	235	-
Loss on retirement of non-current assets	8	0
Total extraordinary losses	243	0
Profit before income taxes	993	2,347
Income taxes-current	390	773
Total income taxes	390	773
Profit	602	1,574
Profit (loss) attributable to non-controlling interests	-15	58
Profit attributable to owners of parent	618	1,515

Quarterly Consolidated Statements of Comprehensive Income

Cumulative First Quarter

(Unit: Million yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2020 to June 30, 2020)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2021 to June 30, 2021)
Profit	602	1,574
Other comprehensive income		
Valuation difference on available-for-sale securities	52	3
Foreign currency translation adjustment	-129	334
Total other comprehensive income	-77	338
Comprehensive income	525	1,912
(Break down)		
Comprehensive income attributable to owners of parent	548	1,840
Comprehensive income attributable to non-controlling interests	-22	71

(3) Notes regarding Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

There are no pertinent items.

(Changes in Accounting Policy)

Cumulative first quarter of the fiscal year under review
(from April 1, 2021 to June 30, 2021)

(Changes in accounting policy)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Accounting Standard for Revenue Recognition"), etc., effective from the beginning of the first quarter of the fiscal year under review. Accordingly, when control of the promised goods or services is transferred to the customer, revenue is recognized in the amount expected to be received in exchange for the goods or services. As a result, the Company has changed to the method of recognizing revenue as it meets its obligations over a certain period of time, instead of recognizing revenue as a one-time gain on the total amount of consideration received from customers in the business of advertising job openings by the Company Group. In the past, revenue was recognized on a net basis for transactions, such as advertising job openings through agencies, but the method has been changed to recognize revenue on a gross basis in the case that the Company Group falls under the category of principals.

Application of the Accounting Standard for Revenue Recognition, etc. is subject to transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactive application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year under review, was added to or subtracted from the beginning balance of retained earnings in the first quarter of the fiscal year under review, and the new accounting policy is applied from the balance at the beginning of the fiscal year under review.

As a result, net sales for the cumulative first quarter of the fiscal year ending March 2022 increased by ¥520 million, selling, general and administrative expenses increased by ¥559 million yen, and operating income, ordinary income and profit before income taxes decreased by ¥39 million, respectively. The balance of retained earnings at the beginning of the fiscal year under review decreased by ¥1,098 million.

In addition, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information is not presented on disaggregation of revenue that arises from contracts with customers pertaining to the cumulative first quarter of the previous fiscal year.

Cumulative first quarter of the fiscal year under review
(from April 1, 2021 to June 30, 2021)

(Changes in accounting policy)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Accounting Standard for Fair Value Measurement"), etc., effective from the beginning of the first quarter of the fiscal year ending March 2022. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy, prescribed in the Accounting Standard for Fair Value Measurement, etc., prospectively. There is no impact on the quarterly consolidated financial statements.

(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.

(Notes on Significant Changes to Shareholders' Equity)

The Company performed a stock swap with the Company serving as the stock swap wholly owning parent company and OWLS, INC. serving as the stock swap wholly owned subsidiary, effective June 30, 2021, and as compensation for the stock swap, the Company disposed of its treasury shares. As a result, capital surplus and treasury shares decreased by ¥97 million and ¥109 million respectively at the end of the first quarter of the fiscal year under review.

(Segment Information)

[Segment Information]

I Cumulative first quarter of the previous fiscal year (from April 1, 2020 to June 30, 2020)

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, 2021 to June 30, 2021)

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

(Business Combination, etc.)

(Common control transactions, etc.)

Additional acquisition of subsidiary interests

1. Overview of the Transaction

(1) The names of parties to the business combination and outline of the business

Company name: OWLS, INC. (hereinafter referred to as "OWLS")

Outline of business: Website and application design and development contracting business and start-up support business

(2) Date of the Business Combination

June 30, 2021

(3) Legal Form of the Business Combination

A stock swap with the Company serving as the stock swap wholly owning parent company and OWLS serving as the stock swap wholly owned subsidiary

(4) Name of the Combined Entity

No change.

(5) Purpose of the Stock Swap

The Company acquired 51% of the shares of OWLS on March 11, 2019. This made OWLS its consolidated subsidiary. Additionally, the Company entered into a basic agreement contract pertaining to a stock swap with the Company serving as the stock swap wholly owning parent company and OWLS serving as the stock swap wholly owned subsidiary. The effective period of this is from January 31 to August 31, 2021.

Since becoming a consolidated subsidiary of the Company, OWLS has steadily increased the number of sales orders it has received. This status has been reached through a cooperative structure that included the dispatching of sales personnel from the Company to OWLS. OWLS's sales declined temporarily last year due to the impact of COVID-19. Nevertheless, it has got its business performance on a recovery trend by improving its earnings structure including costs control.

The business of developing websites and apps that focus on UI/UX, in which OWLS excels, is in a market that is projected to further grow in size in the future and is also in a promising new business domain to the Company.

The Company will look to further accelerate the growth of its new businesses outside of the personnel area, where there is strong growth potential and resilience against economic downturns, by making OWLS into its wholly owned subsidiary. In this way, the Company aims to stabilize, expand and reinforce its business portfolio.

(6) Summary of the Stock Swap

[1] Schedule of the Stock Swap

Written resolution of the Board of Directors approving the stock swap contract (by the Company)	June 8, 2021
Conclusion of the stock swap contract (by the Company and OWLS)	June 8, 2021
Approval of the General Meeting of Shareholders for the stock swap (by OWLS)	June 30, 2021
Scheduled date of the stock swap (effective date)	June 30, 2021

[2] Details of the Allocation Pertaining to the Stock Swap

	The Company (Stock swap wholly owning parent company)	OWLS, INC. (Stock swap wholly owned subsidiary)
Allocation ratio pertaining to the stock swap	1	49.46
Number of shares to be granted with the stock swap	The Company's common shares: 72,704	

(Note 1) The allocation ratio is presented after rounding off to the second decimal place.

[3] Basis for Calculating the Details of the Allocation Pertaining to the Stock Swap

The Company is listed on the First Section of the Tokyo Stock Exchange. Therefore, the share price of the Company has been calculated with reference to the market price without seeking any third-party opinions. Specifically, it is believed that the share price as close as possible to the stock swap contract date reflects the price of the Company's shares at the time of concluding the stock swap contract. Therefore, the Company decided to adopt the closing price on the First Section of the Tokyo Stock Exchange of its common shares on June 7, 2021, the business day before the day of the resolution by the Board of Directors. The result of basing its calculation on that is that the Company calculates the price of its stock per share to be ¥3,790.

On the other hand, the Company agreed with the shareholders of OWLS to calculate the swap value of shares in OWLS in the stock swap ratio calculation based on seven times the EBITDA performance in the fiscal year ended January 2021 of OWLS.

The Board of Directors of the Company examined the stock swap ratio based on the above calculation results. It determined that the stock swap ratio fell within a reasonable range. Therefore, it decided to allocate 49.46 shares of the Company for each share of OWLS together with the stock swap ratio.

2. Outline of the Accounting Treatment Implemented

The Company treated the stock swap as common control transactions, etc. stipulated in the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3. Additional Acquisition of Subsidiary Interests

Breakdown of acquisition cost and consideration by type

Consideration for the acquisition	Common shares	¥287 million
Acquisition cost		¥287 million

4. Matters Relating to Changes in the Company's Equity Concerning Transactions with Non-Controlling Shareholders

(1) Major Fluctuation Factors for Capital Surplus

Additional acquisition of subsidiary interests

(2) Decrease in the Amount of Capital Surplus Due to Transactions with Non-Controlling Shareholders

¥274 million