

en Japan Inc.



2nd Quarter FY March 2021 Earnings Announcement [Japan GAAP] (Consolidated)

November 12, 2020

Company Name	en Japan Inc.	Listing Exchanges	First Section of the Tokyo Stock Exchange
Stock Code	4849	URL	https://corp.en-japan.com/
Representative (Title)	President	(Name)	Takatsugu Suzuki
	Executive Officer and		
Contact (Title)	Administration Division	(Name)	Tomoki Tamai
	Director		Telephone +81-3-3342-4506
Scheduled Date for Submission of Quarterly Report	November 12, 2020		
Scheduled Date to Begin Dividend Payments	—		
Preparation of Quarterly Summary Supplementary Explanatory Materials	Yes		
Quarterly Earnings Briefing	Yes (for analysts and institutional investors)		

(Figures rounded down to nearest million yen)

1. FY Ending March 2021 Cumulative Second Quarter Operating Results (From April 1, 2020 to September 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 2nd Qtr	20,650	-26.8	2,917	-53.0	2,995	-51.7	1,549	-62.3
FYE 3/20 2nd Qtr	28,204	23.0	6,200	-7.3	6,197	-9.8	4,108	-14.7

(Note) Comprehensive income FYE 3/21 2nd Qtr 1,491 million yen (-61.2%) FYE 3/20 2nd Qtr 3,842 million yen (-18.9%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/21 2nd Qtr	34.59	34.49
FYE 3/20 2nd Qtr	90.06	89.79

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/21 2nd Qtr	45,237	35,114	76.0
FYE 3/20	51,896	38,648	72.8

(Reference) Core capital FYE 3/21 2nd Qtr 34,378 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	—	0.00	—	—	—
FYE 3/21 (projected)	—	—	—	39.70	39.70

(Note) Revisions to the Company's latest dividend forecast: Yes

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

(Percentages indicate percentage change from 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
Full year	41,543	-26.9	6,129	-44.3	6,261	-43.4	3,741	-47.5	83.55

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

* 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 2nd 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 2nd Qtr 4,938,800 shares FYE 3/20 4,451,919 shares
 c. Average number of shares issued during the period (Quarter Year-to-Date)
 FYE 3/21 2nd Qtr 44,800,495 shares FYE 3/20 2nd Qtr 45,620,995 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" on page 5 of the Attachments.

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

(1) Explanation of Operating Results

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

The Company recorded a year-on-year decrease in net sales as corporate clients showed weaker demand for recruitment and postponed hiring activities mainly due to COVID-19. In the domestic Human Resources Service Business, the decrease was significant from April to June in the pay-per-listing type services where the period from receiving and placing orders to recognizing sales is short and from July to September in success-fee type services that require a certain period of time from conclusion of contracts to recognizing sales. For the overseas business, the performance is reflected in the results three months behind, and the performance of Vietnam, which was particularly hit hard by the lockdown measure, was reflected in the July–September period.

As a result, net sales for the cumulative second quarter of the fiscal year ending March 31, 2021 were ¥20,650 million (down 26.8% year on year).

Expenses totaled ¥17,733 million, down 19.4% year on year, as a result of fully making efforts for reductions primarily in outsourcing expenses from the second quarter of the fiscal year under review in addition to curtailing advertising expenses which are variable expenses.

As a result, the Company recorded operating income of ¥2,917 million (down 53.0% year on year) and ordinary income of ¥2,995 million (down 51.7% year on year). Profit attributable to owners of parent came to ¥1,549 million (down 62.3% year on year). This was a result of reflecting the goodwill impairment related to JapanWork, INC., which is a consolidated subsidiary of en Japan Inc., in the first quarter of the fiscal year ending March 31, 2021; recording an impairment loss on buildings and other non-current assets in connection with the decision to terminate offices in the second quarter of the fiscal year under review; recording a loss on valuation of investment securities for non-listed stocks; and other factors.

(Unit: Million yen)

	FY Ended March 2020 Cumulative Second Quarter	FY Ending March 2021 Cumulative Second Quarter	Change	Percent change (%)
Net sales	28,204	20,650	-7,554	-26.8
Operating income	6,200	2,917	-3,283	-53.0
Ordinary income	6,197	2,995	-3,202	-51.7
Profit attributable to owners of parent	4,108	1,549	-2,558	-62.3

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

(Unit: Million yen)

Net sales	FY Ended March 2020 Cumulative Second Quarter	FY Ending March 2021 Cumulative Second Quarter	Change	Percent change (%)
Domestic Job Board	15,723	9,839	-5,884	-37.4
Domestic Permanent Recruitment	6,039	5,018	-1,021	-16.9
Overseas	5,524	4,162	-1,361	-24.7
HR-Tech	124	515	+390	+313.4
Other business/ Subsidiaries	1,038	1,319	+280	+27.0

* 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.

(Domestic Job Board)

Demand for recruitment at clients has been on a recovery trend since the lifting of the declaration of a state of emergency in June, after hitting the bottom in May. However, given that COVID-19 infections have been on the rise again since July and that the future of the Japanese economy remains uncertain, the hiring mindset of corporate clients continues to be cautious, causing the recovery in demand to be moderate.

Net sales of the Domestic Job Board for the first two quarters of the fiscal year ending March 31, 2021 were ¥9,839 million, down 37.4% year on year.

This consisted of net sales for the first quarter of the fiscal year of ¥4,642 million, down 38.5% year on year and net sales for the second quarter of the fiscal year of ¥5,196 million, down 36.4%, reflecting a quarter-on-quarter increase in net sales as well as a slight improvement in the rate of year-on-year decrease in net sales.

Looking at the results by service, “[en]Career Change Info (for permanent-job seekers)” saw a quarter-on-quarter increase in net sales and an improvement in the rate of year-on-year decrease in net sales. Job boards for permanent recruitment agencies saw a quarter-on-quarter decrease in earnings, since the revenue model is mostly based on success fees and the sales recorded in this second quarter were for contracts closed in the first quarter of the fiscal year when the business was most affected by the spread of COVID-19. Job boards for temporary staffing companies saw a level of net sales for the second quarter that was comparable to that of the previous quarter, since time is required for a recovery in the number of new listings that lead to generating earnings for the en Japan’s sites despite the favorable employment status of existing temporary staff at client temporary staffing companies.

(Domestic Permanent Recruitment)

Demand for recruitment at clients has been on a moderate recovery path since June as is the case with the domestic job boards.

Net sales of Domestic Permanent Recruitment in the first two quarters of the fiscal year ending March 31, 2021 were ¥5,018 million, down 16.9% year on year.

This consisted of net sales for the first quarter of the fiscal year of ¥2,812 million, down 7.8% year on year, and net sales for the second quarter of the fiscal year of ¥2,206 million, down 26.2% year on year, reflecting a quarter-on-quarter decrease in net sales and a greater rate of year-on-year decrease in net sales. This is because the revenue model is mostly based on success fees and the sales recorded in this second quarter were for the contracts closed in the first quarter of the fiscal year when the business was most affected by the spread of COVID-19.

High-profile staffing service, en world Japan K.K., managed to keep the range of decline in earnings relatively small mainly because a certain level of recruiting demand could be captured 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. However, the decline in hiring demand mainly for young age groups was significant, resulting in a larger decrease in earnings.

(Overseas)

For the overseas business, the performance is reflected in the results 3 months behind.

Net sales in the overseas business for the first two quarters of the fiscal year ending March 31, 2021 were ¥4,162 million, down 24.7% year on year.

This consisted of net sales for the first quarter of the fiscal year of ¥2,208 million, down 19.1% year on year, and net sales for the second quarter of the fiscal year of ¥1,953 million, down 30.1% year on year, reflecting a quarter-on-quarter decrease in net sales as well as a larger rate of year-on-year decrease in net sales.

The results in countries the Company focused on, Vietnam and India, have been fully affected by the spread of COVID-19 since the second quarter of the fiscal year (locally the April-to-June period). Vietnam, which focuses on services for job boards, was impacted by the large-scale lockdown measure implemented in the country in April and recorded a significant decrease in earnings in the second quarter. India operates mainly in the temp IT staffing business. The persisting spread of COVID-19 in the country has been continuing to affect the real economy. However, since the business focuses on temp IT staffing as previously mentioned, steps were taken, such as having people work from home, to continue conducting business activities, and this helped to keep the decline in earnings relatively small.

(HR-Tech)

Net sales in HR-Tech for the first two quarters of the fiscal year ending March 31, 2021 were up approximately 4.1 times year on year to ¥515 million.

As for the personnel and recruitment support platform “engage,” the total number of user companies steadily increased to 301,000 (as of September 2020). In addition, the service was enhanced on a large scale in September 2020. Based on this enhancement, users of fee-based “engage” can place listings on job boards of other firms and other paid sections, such as an aggregation site, in addition to listing job posts on the en Japan’s job board, consequently increasing their exposure to a great extent. As a result, the number of PV rose approximately 23 times compared with that before the enhancement, and “engage” evolved into a service offering not only greater convenience but also higher success in recruitment for corporate clients.

(2) Explanation of Financial Position

[1] Status of Assets, Liabilities and Net Assets

Total assets at the end of the second quarter of the fiscal year ending in March 31, 2021 decreased ¥6,659 million compared to the end of the previous fiscal year to ¥45,237 million.

Current assets decreased ¥6,421 million to ¥30,643 million. This was mainly attributable to a decrease in cash and deposits of ¥4,523 million, and a decrease in notes and accounts receivable-trade of ¥1,931 million. Non-current assets decreased ¥237 million to ¥14,593 million.

Total liabilities at the end of the second quarter of the fiscal year ending March 31, 2021 were ¥10,123 million, a decrease of ¥3,124 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥3,323 million to ¥8,438 million. This mainly stemmed from decreases in accounts payable - other of ¥2,008 million and income taxes payable of ¥831 million. Non-current liabilities increased ¥198 million to ¥1,684 million.

Total net assets were ¥35,114 million, down ¥3,534 million from the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings of ¥2,137 million due to cash dividends paid of ¥3,562 million and an increase in profit attributable to owners of parent of ¥1,549 million, and an increase in treasury shares of ¥992 million.

[2] Status of Cash Flows

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the cumulative second quarter of the fiscal year ending March 31, 2021 was ¥1,873 million compared to the same period of the previous fiscal year of ¥3,511 million. This was mainly due to the posting profit before income taxes of ¥2,378 million, decrease in notes and accounts receivable - trade of ¥1,837 million, decrease in accounts payable - other of ¥1,836 million, and income taxes paid of ¥1,662 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the cumulative second quarter of the fiscal year ending March 31, 2021 was ¥1,410 million compared to net cash used in investing activities of ¥3,055 million in the same period of the previous fiscal year. This was mainly due to purchase of intangible assets of ¥912 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities in the cumulative second quarter of the fiscal year ending March 31, 2021 was ¥4,958 million compared to ¥3,184 million used in the same period of the previous fiscal year. This was mainly due to cash dividends paid of ¥3,562 million and purchase of treasury shares of ¥1,000 million.

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

The Company has produced its full-year consolidated operating results forecast for the fiscal year ending March 31, 2021. This had formerly been announced as “not determined.”

For details, please refer to the “Notice of the Full-year Consolidated Operating Results Forecast and the Year-end Dividend Forecast for the Fiscal Year Ending March 2021” released today.

Projected Consolidated Operating Results - FY Ending March 2021 (April 2020 - March 2021)

(Unit: Million yen)

	FY Ended March 2020	FY Ending March 2021	Change	Percent change (%)
Net sales	56,848	41,543	-15,305	-26.9
Operating income	11,005	6,129	-4,875	-44.3
Ordinary income	11,057	6,261	-4,796	-43.4
Profit attributable to owners of parent	7,125	3,741	-3,384	-47.5

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	Previous Fiscal Year (As of March 31, 2020)	Second Quarter of Current Fiscal Year (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	28,081	23,557
Notes and accounts receivable - trade	5,736	3,805
Securities	2,047	2,045
Other	1,372	1,383
Allowance for doubtful accounts	-171	-148
Total current assets	37,065	30,643
Non-current assets		
Property, plant and equipment	1,021	901
Intangible assets		
Goodwill	3,795	3,234
Other	3,917	4,160
Total intangible assets	7,712	7,395
Investments and other assets		
Investment securities	2,957	3,105
Shares of subsidiaries and associates	46	37
Other	3,338	3,449
Allowance for doubtful accounts	-246	-295
Total investments and other assets	6,096	6,296
Total non-current assets	14,830	14,593
Total assets	51,896	45,237
Liabilities		
Current liabilities		
Accounts payable - trade	475	323
Income taxes payable	1,883	1,052
Provision for bonuses	1,192	1,019
Provision for directors' bonuses	2	5
Advances received	2,620	2,821
Other	5,587	3,216
Total current liabilities	11,762	8,438
Non-current liabilities		
Provision for share benefits	388	409
Asset retirement obligations	268	294
Other	828	980
Total non-current liabilities	1,485	1,684
Total liabilities	13,247	10,123
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	1,133	930
Retained earnings	39,588	37,450
Treasury shares	-4,253	-5,245
Total shareholders' equity	37,663	34,330
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-7	70
Foreign currency translation adjustment	126	-22
Total accumulated other comprehensive income	119	47
Subscription rights to shares	154	153
Non-controlling interests	710	582
Total net assets	38,648	35,114
Total liabilities and net assets	51,896	45,237

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

Quarterly Consolidated Statements of Income

Cumulative Second Quarter

(Unit: Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2019 to September 30, 2019)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2020 to September 30, 2020)
Net sales	28,204	20,650
Cost of sales	5,178	4,385
Gross profit	23,026	16,264
Selling, general and administrative expenses	16,825	13,347
Operating income	6,200	2,917
Non-operating income		
Interest income	29	43
Dividend income	10	10
Subsidy for employment adjustment	—	27
Other	17	26
Total non-operating income	56	107
Non-operating expenses		
Interest expenses	14	0
Loss on investments in partnership	19	8
Foreign exchange losses	13	10
Provision of allowance for doubtful accounts	—	6
Other	12	3
Total non-operating expenses	60	30
Ordinary income	6,197	2,995
Extraordinary income		
Gain on sales of non-current assets	23	—
Total extraordinary income	23	—
Extraordinary losses		
Impairment loss	—	406
Loss on retirement of non-current assets	0	8
Loss on valuation of investment securities	56	176
Loss on valuation of shares of subsidiaries and associates	—	10
Loss on sales of shares of subsidiaries and associates	—	15
Total of Extraordinary losses	56	616
Profit before income taxes	6,164	2,378
Income taxes-current	1,945	799
Total income taxes	1,945	799
Profit	4,218	1,578
Profit attributable to non-controlling interests	110	29
Profit attributable to owners of parent	4,108	1,549

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Second Quarter

(Unit: Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2019 to September 30, 2019)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2020 to September 30, 2020)
Profit	4,218	1,578
Other comprehensive income		
Valuation difference on available-for-sale securities	-153	77
Foreign currency translation adjustment	-222	-164
Total other comprehensive income	-376	-87
Comprehensive income	3,842	1,491
(Break down)		
Comprehensive income attributable to owners of parent	3,744	1,477
Comprehensive income attributable to non-controlling interests	98	14

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2019 to September 30, 2019)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	6,164	2,378
Depreciation	600	782
Impairment loss	—	406
Amortization of goodwill	232	258
Increase (decrease) in allowance for doubtful account	25	-7
Increase (decrease) in provision for bonuses	57	-169
Increase (decrease) in provision for directors' bonuses	0	2
Interest and dividend income	-39	-53
Interest expenses	14	0
Foreign exchange losses (gains)	13	10
Loss (gain) on investments in partnership	19	8
Loss (gain) on sales of shares of subsidiaries and associates	—	15
Loss (gain) on valuation of shares of subsidiaries and associates	—	10
Loss (gain) on sales of non-current assets	-23	—
Loss on retirement of non-current assets	0	8
Decrease (increase) in notes and accounts receivable - trade	-49	1,837
Increase (decrease) in notes and accounts payable - trade	476	-134
Loss (gain) on valuation of investment securities	56	176
Increase (decrease) in accounts payable - other	-1,600	-1,836
Increase (decrease) in advances received	-39	209
Other, net	-546	-389
Subtotal	5,361	3,515
Interest and dividend income received	39	20
Interest expenses paid	-14	-0
Income taxes paid	-1,889	-1,662
Income taxes refund	15	—
Net cash provided by (used in) operating activities	3,511	1,873
Cash flows from investing activities		
Payments into time deposits	-774	-410
Proceeds from withdrawal of time deposits	102	285
Purchase of property, plant and equipment	-105	-131
Proceeds from sales of property, plant and equipment	24	—
Purchase of intangible assets	-823	-912
Purchase of investment securities	-1,270	-222
Proceeds from sales and redemption of investment securities	5	2
Payment for lease and guarantee deposits	-81	-5
Proceeds from collection of lease and guarantee deposits	11	2
Purchase of insurance funds	-6	-1
Payments of loans receivable	-40	—
Collection of loans receivable	2	—
Purchase of shares of subsidiaries and associates	-10	—

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2019 to September 30, 2019)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2020 to September 30, 2020)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-90	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	-16
Other payments	–	-0
Other proceeds	–	0
Net cash provided by (used in) investing activities	-3,055	-1,410
Cash flows from financing activities		
Purchase of treasury shares	-0	-1,000
Cash dividends paid	-3,010	-3,562
Repayments of lease obligations	-0	-0
Dividends paid to non-controlling interests	-103	-69
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	-323
Other payments	-69	-2
Other proceeds	–	0
Net cash provided by (used in) financing activities	-3,184	-4,958
Effect of exchange rate change on cash and cash equivalents	-90	-71
Net increase (decrease) in cash and cash equivalents	-2,818	-4,566
Cash and cash equivalents at beginning of period	29,942	28,766
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	-81
Cash and cash equivalents at end of period	27,123	24,118

(4) 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 second 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 six months 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 second quarter of the previous fiscal year (April 1, 2019 to September 30, 2019)

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

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

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

(Additional Information)

Cumulative second quarter of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 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."	