

en-japan inc.



3rd Quarter FY March 2018 Earnings Announcement [Japan GAAP] (Consolidated)

February 8, 2018

Company Name	en-japan inc.	Listing Exchanges	Tokyo Stock Exchange (Jasdaq Market)
Stock Code	4849	URL	http://corp.en-japan.com/
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Scheduled Date for Submission of Quarterly Report	February 13, 2018		
Scheduled Date to Begin Dividend Payments	-		
Preparation of Quarterly Summary Supplementary Explanatory Materials	Yes		
Quarterly Earnings Briefing	None		

(Figures rounded down to nearest million yen)

1. FY Ending March 2018 Cumulative Third Quarter Operating Results (From April 1, 2017 to December 31, 2017)

(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 3/18 3rd Qtr	28,875	27.4	7,149	32.9	7,251	33.1	5,057	38.0
FYE 3/17 3rd Qtr	22,663	21.2	5,380	32.0	5,446	29.6	3,665	39.5

(Note) Comprehensive income FYE 3/18 3rd Qtr 4,983 million yen (65.1%) FYE 3/17 3rd Qtr 3,018 million yen (19.7%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/18 3rd Qtr	111.16	110.81
FYE 3/17 3rd Qtr	80.57	80.37

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/18 3rd Qtr	36,337	27,333	74.8
FYE 3/17	32,900	23,642	71.5

(Reference) Core capital FYE 3/18 3rd Qtr 27,176 million yen FYE 3/17 23,519 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 3/17	-	0.00	-	27.60	27.60
FYE 3/18	-	0.00	-		
FYE 3/18 (projected)				33.80	33.80

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

3. FY Ending March 2018 Projected Consolidated Operating Results (April 1, 2017 - March 31, 2018)

(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	39,500	24.5	9,000	31.3	9,000	31.4	6,000	49.8
								131.86

(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) –

(Note) Although not falling under a change in specific subsidiaries, the Company acquired all shares of Zeku, Ltd. during the third quarter of the fiscal year ending March 31, 2018, and included it in the scope of consolidation.

- (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." Yes
 c. Changes in accounting estimates: No
 d. Restatement due to correction: No

(Note) For details, refer to "2. Summary Information (Notes) (3) Changes in Accounting Policy, Changes in Accounting Estimates, or Restatement due to Correction" on page 4 of the Attachments

(4) Number of shares issued (common share)

- a. Number of shares issued at the end of the period (including treasury shares)
 FYE 3/18 3rd Qtr 49,716,000 shares FYE 3/17 49,716,000 shares
 b. Number of shares of treasury shares at the end of the period
 FYE 3/18 3rd Qtr 4,215,803 shares FYE 3/17 4,215,672 shares
 c. Average number of shares issued during the period (Quarter Year-to-Date)
 FYE 3/18 3rd Qtr 45,500,225 shares FYE 3/17 3rd Qtr 45,500,328 shares

(Note) The increase in the number of treasury shares at the end of the period is as a result of purchasing shares less than one unit.

* The quarterly earnings announcement is not within the scope of the quarterly review procedure.

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

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

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

(1) Explanation of Operating Results

During the first nine months of the fiscal year ending March 31, 2018, with favorable progress in the performance of both our job advertisement websites and job placement services in Japan, net sales increased 27.4% year on year to ¥28,875 million, thus slightly exceeding expectations. In terms of expenses, although expenses for attracting members linked with a rise in net sales and personnel expenses increased, total expenses remained at an expected level.

As a result, operating income totaled ¥7,149 million (up 32.9% year on year), ordinary income recorded ¥7,251 million (up 33.1% year on year), and profit attributable to owners of the parent came to ¥5,057 million (up 38.0% year on year).

Operating results by segment are as follows (net sales include internal sales).

[1] Hiring Business

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

(Job advertisement website)

The Company's core service site, en TENSHOKU, was renewed in December 2017. In addition to a conventional job openings search sorted by categories such as industry, job type and working conditions, the site now offers new, enhanced services with distinguished features. Such new services include the expansion of HATARAKIGAI KENSAKU (job satisfaction search), which focuses on the idea of "to whom and by what one can make oneself useful."

Furthermore, our efforts in highly effective advertisement listings through active promotion, more efficient sales and marketing, and reinforcement of the structure for sales expansion continued to be successful. Consequently, higher net sales were recorded compared to those in the same period of the previous year.

Other job advertisement websites also recorded higher net sales than those in the same period of the previous fiscal year. This was attributable primarily to the favorable performance of "en HAKEN" and "en BAITO" that provide services for temporary staffing companies and of "MIDDLE NO TENSHOKU" — en-japan's service for job placement agencies.

(Job placement service)

The Company's job placement service, en AGENTS, was successful in reinforcing the education system for sales representatives and consultants. Consequently, productivity continued to improve. In addition, measures taken to expand the target segments using the Company's database of job seekers remain favorable. As a result, net sales of "en AGENTS" exceeded those in the same period of the previous year.

The Company's subsidiary, en world Japan K.K., was successful in carrying out the structural reconstruction in the previous period. With improving consultants' productivity and smooth transition of the newly launched Recruitment Process Outsourcing (RPO) service, it posted higher net sales than those in the same period of the previous year.

(Overseas subsidiaries)

Operating results of overseas subsidiaries were generally as expected. All driven by the growth of our subsidiary in Vietnam, a country which we particularly focus on, higher net sales than in the same period of the previous year were recorded.

As a result of the above, net sales of this segment amounted to ¥28,133 million (up 28.2% year on year) and operating income was ¥7,161 million (up 32.0% 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)

The Company worked to mainly reinforce collaboration with other business divisions and advance linkage between educational services and evaluation services. Consequently, net sales increased year on year. Moreover, the Company released new services which combined the know-how and technologies it had nurtured, including the release of a service to visualize employee retention risk, HR OnBoard, in December 2017.

As a result of the above, net sales of this segment amounted to ¥814 million (up 4.4% year on year) and operating income was ¥52

million (operating loss of ¥48 million a year earlier).

(2) Explanation of Financial Position

Analysis of Financial Position

Total assets at the end of the third quarter of the fiscal year ending in March 31, 2018 increased ¥3,437 million compared to the end of the previous fiscal year to ¥36,337 million.

Current assets increased ¥2,252 million to ¥27,078 million. This was mainly due to an increase in cash and deposits of ¥1,895 million. Non-current assets increased ¥1,185 million to ¥9,259 million. This was mainly due to an increase in goodwill of ¥598 million.

Total liabilities at the end of the third quarter of the fiscal year ending March 31, 2018 were ¥9,004 million, a decrease of ¥253 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥321 million to ¥8,212 million. This mainly stemmed from a decrease in provision for bonuses of ¥444 million. Non-current liabilities increased ¥67 million to ¥792 million. This was primarily due to an increase in provision for share benefits of ¥38 million.

Total net assets were ¥27,333 million, up ¥3,690 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings of ¥3,735 million due primarily to the posting of profit attributable to owners of the parent.

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

There has been no change from the projections of consolidated operating results for the full fiscal year ending March 31, 2018, announced on November 8, 2017.

2. Summary Information (Notes)

(1) Changes in Status of Material Subsidiaries during the Cumulative Quarter under Review

With the acquisition of all shares of Zeku, Ltd. during the third quarter of the fiscal year under review, the Company has included the said subsidiary in the scope of consolidation. The deemed acquisition date is set as December 31, 2017, and only balance sheets are consolidated for the third quarter of the fiscal year under review.

(2) 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 third 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 Company adopts the statutory tax rate.

(3) Changes in Accounting Policy, Changes in Accounting Estimates, or Restatement due to Correction

(Change in the method of calculation of tax expenses)

The Company conventionally calculated tax expenses of the Company and its consolidated subsidiaries based on a generally accepted method. However, the Company aims to further enhance the efficiency of quarterly financial closing operations of the Company and its consolidated subsidiaries. Therefore, effective the first quarter of the fiscal year under review, the Company changed the method of calculation to rationally estimate the effective tax rate after applying tax effect accounting on profit before income taxes of the fiscal year on a consolidated basis. It then multiplies the estimated effective tax rate by profit before income taxes for the quarter.

Since the impact of this change is minimal, no retrospective application has been made.

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

(Unit: Million yen)

	Previous Fiscal Year (As of March 31, 2017)	Third Quarter of Current Fiscal Year (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	18,228	20,124
Notes and accounts receivable - trade	3,567	3,680
Securities	2,000	2,000
Other	1,086	1,349
Allowance for doubtful accounts	-56	-75
Total current assets	24,826	27,078
Non-current assets		
Property, plant and equipment	640	591
Intangible assets		
Goodwill	2,630	3,228
Other	2,615	2,780
Total intangible assets	5,246	6,009
Investments and other assets		
Investment securities	508	802
Shares of subsidiaries and associates	269	287
Other	1,730	1,912
Allowance for doubtful accounts	-321	-344
Total investments and other assets	2,187	2,658
Total non-current assets	8,074	9,259
Total assets	32,900	36,337
Liabilities		
Current liabilities		
Accounts payable - trade	72	80
Income taxes payable	1,551	1,121
Provision for bonuses	1,111	666
Other provision	6	14
Advances received	1,818	2,406
Other	3,973	3,922
Total current liabilities	8,533	8,212
Non-current liabilities		
Provision for share benefits	225	264
Asset retirement obligations	247	253
Other	251	274
Total non-current liabilities	724	792
Total liabilities	9,258	9,004
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	224	224
Retained earnings	24,538	28,274
Treasury shares	-2,880	-2,880
Total shareholders' equity	23,077	26,812
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-2	-24
Foreign currency translation adjustment	444	387
Total accumulated other comprehensive income	442	363
Subscription rights to shares	85	115
Non-controlling interests	37	41
Total net assets	23,642	27,333
Total liabilities and net assets	32,900	36,337

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

Quarterly Consolidated Statements of Income

Cumulative Third Quarter

(Unit: Million yen)

	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2016 to December 31, 2016)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2017 to December 31, 2017)
Net sales	22,663	28,875
Cost of sales	2,191	2,691
Gross profit	20,471	26,183
Selling, general and administrative expenses	15,091	19,033
Operating income	5,380	7,149
Non-operating income		
Interest income	9	26
Dividend income	0	0
Share of profit of entities accounted for using equity method	27	67
Other	37	14
Total non-operating income	73	109
Non-operating expenses		
Interest expenses	1	4
Loss on investments in partnership	4	2
Miscellaneous loss	1	—
Total non-operating expenses	7	6
Ordinary income	5,446	7,251
Extraordinary income		
Gain on sales of non-current assets	30	0
Gain on sales of shares of subsidiaries and associates	—	9
Total extraordinary income	30	9
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	—	28
Loss on sales of shares of subsidiaries and associates	0	—
Total extraordinary losses	0	28
Profit before income taxes	5,475	7,232
Income taxes-current	1,533	2,172
Income taxes-deferred	249	—
Total income taxes	1,783	2,172
Profit	3,692	5,059
Profit attributable to non-controlling interests	26	2
Profit attributable to owners of parent	3,665	5,057

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Third Quarter

(Unit: Million yen)

	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2016 to December 31, 2016)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2017 to December 31, 2017)
Profit	3,692	5,059
Other comprehensive income		
Valuation difference on available-for-sale securities	-10	-21
Foreign currency translation adjustment	-619	-68
Share of other comprehensive income of entities accounted for using equity method	-44	13
Total other comprehensive income	-674	-76
Comprehensive income	3,018	4,983
(Break down)		
Comprehensive income attributable to owners of parent	3,012	4,978
Comprehensive income attributable to non-controlling interests	6	4

(3) Notes regarding Quarterly Consolidated Financial Statements

(Notes relating to the Going Concern Assumption)

There are no pertinent items.

(Notes on Significant Changes to Shareholders' Equity)

There are no pertinent items.

(Segment Information)

[Segment Information]

I Cumulative third quarter of the previous fiscal year (from April 1, 2016 to December 31, 2016)

1. Information on sales and profit/loss by reporting segment

(Unit: Million yen)

	Reportable segments			Adjustments (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	21,935	728	22,663	—	22,663
Internal sales among segments, transfers	5	50	56	-56	—
Total	21,940	779	22,719	-56	22,663
Segment profit (loss)	5,423	-48	5,374	5	5,380

- (Notes) 1. Adjustments to segment profit (loss) are eliminations of intersegment transactions.
2. Segment profit (loss) is adjusted from the operating income booked in the consolidated financial statements.

II Cumulative third quarter of the fiscal year under review (from April 1, 2017 to December 31, 2017)

1. Information on sales and profit/loss by reporting segment

(Unit: Million yen)

	Reportable segments			Adjustments (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	28,132	742	28,875	—	28,875
Internal sales among segments, transfers	0	71	72	-72	—
Total	28,133	814	28,947	-72	28,875
Segment profit	7,161	52	7,214	-65	7,149

- (Notes) 1. Adjustments to segment profit (loss) are eliminations of intersegment transactions and company-wide expenses that are not allocated to each reporting segment.
2. Segment profit (loss) is adjusted from the operating income booked in the consolidated financial statements.

2. Information on impairment loss of non-current assets, goodwill, etc. by reportable segments

(Significant changes in amount of goodwill)

With the acquisition of all shares of Zeku, Ltd. during the third quarter of the fiscal year under review, a significant change has occurred in the amount of goodwill relating to the hiring business segment. The increased amount of goodwill due to the said event is ¥914 million.

(Business combination)

Business combination by acquisition

The Company resolved at its meeting of the Board of Directors on August 21, 2017 to acquire all shares of Zeku, Ltd. (“Zeku”) and make the company into a fully-owned subsidiary and concluded a share transfer agreement with Zeku on the same date. The Company acquired all shares of Zeku effective October 30, 2017.

(1) Overview of the business combination

(i) Name and business of the acquired company

Company name: Zeku, Ltd.

Business activities: Recruitment-related systems solution business, Web-based recruiting business, etc.

(ii) Primary reason for the business combination

Zeku provides management systems, etc. for increasing the efficiency of hiring activities of companies. Its products are used by a wide range of customers including large firms and small-to-medium-size firms in diverse industries and they contribute to increasing the productivity of the hiring operations of firms.

Meanwhile, the Company engages in the business of helping firms to hire and have staff members take on active roles after entering firms. We provide a number of firms with services relating to hiring, education and evaluation of human resources.

By making Zeku a fully-owned subsidiary, en-japan aims to achieve synergistic effects between the services of Zeku and those of en-japan and utilize those effects to increase the corporate value of the entire en-japan Group.

(iii) Date of the business combination: October 30, 2017

(iv) Legal form on the date of the business combination: Acquisition of shares

(v) Name following the business combination: No change

(vi) Ratio of voting rights acquired: 100%

(vii) Primary basis for determining the acquired company: en-japan acquired shares of the company in exchange for cash

(2) Period of operating results of the acquired company included in the quarterly consolidated statements of income for the cumulative quarter of the fiscal year

Since the deemed acquisition date is set as December 31, 2017, and the difference between the said date and the quarterly consolidated fiscal year-end does not exceed three months, only the balance sheets are consolidated. Operating results of the acquired company are not included in the quarterly consolidated statements of income for the cumulative third quarter ended December 31, 2017.

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

Consideration for the acquisition:	¥1,076 million in cash
Acquisition cost:	¥1,076 million

(4) Major acquisition-related expenses and amount

Advisory fees, etc. ¥5 million

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

(i) Amount of goodwill generated

¥914 million

Since the allocation of acquisition cost is not completed as of the end of the third quarter of the fiscal year under review, the amount of goodwill is calculated on a tentative basis.

(ii) Reason for generation

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

(iii) Method and period of amortization

The straight-line method is planned to be applied over a period in which benefits are expected to be realized.