

en-japan inc.



2nd Quarter FY March 2019 Earnings Announcement [Japan GAAP] (Consolidated)

November 8, 2018

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)	Executive Officer and Administration Division Director	(Name)	Tomoki Tamai
Scheduled Date for Submission of Quarterly Report	November 14, 2018		
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 2019 Cumulative Second Quarter Operating Results (From April 1, 2018 to September 30, 2018)

(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 3/19 2nd Qtrr	22,924	21.3	6,692	39.1	6,871	40.6	4,819	41.9
FYE 3/18 2nd Qtrr	18,903	27.2	4,811	22.5	4,887	26.5	3,395	31.6

(Note) Comprehensive income FYE 3/19 2nd Qtrr 4,736 million yen (44.3%) FYE 3/18 2nd Qtrr 3,281 million yen (62.0%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/19 2nd Qtrr	105.91	105.60
FYE 3/18 2nd Qtrr	74.62	74.39

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/19 2nd Qtrr	42,464	31,280	72.9
FYE 3/18	40,600	28,626	70.1

(Reference) Core capital FYE 3/19 2nd Qtrr 30,972 million yen FYE 3/18 28,461 million yen

(Note) In the second quarter of the fiscal year ending March 31, 2019, the Company finalized the provisional accounting treatment concerning a business combination. Figures for FYE3/18 are the amounts after reflecting the revision to the amount of initial allocation of acquisition cost upon finalizing the provisional accounting treatment.

2. Dividends

	Dividends per Share				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
FYE 3/18	—	0.00	—	46.50	46.50
FYE 3/19	—	0.00	—	—	—
FYE 3/19 (projected)	—	—	—	56.60	56.60

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

3. FY Ending March 2019 Projected Consolidated Operating Results (April 1, 2018 - March 31, 2019)

(Percentages indicate percentage change from prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	EPS
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
	48,550	19.3	10,700	11.1	10,720	10.1	7,330	15.1
								161.09

(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: 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 3/19 2nd Qtr 49,716,000 shares FYE 3/18 49,716,000 shares
 b. Number of shares of treasury shares at the end of the period
 FYE 3/19 2nd Qtr 4,215,859 shares FYE 3/18 4,215,803 shares
 c. Average number of shares issued during the period (Quarter Year-to-Date)
 FYE 3/19 2nd Qtr 45,500,176 shares FYE 3/18 2nd Qtr 45,500,239 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 "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.

(Change in Presentation of Date)

The Company has changed its presentation method of date from a Japanese calendar-based presentation to a Gregorian calendar-based presentation from the "1st Quarter FY March 2019 Earnings Announcement."

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

(1) Explanation of Operating Results

In the second quarter of the fiscal year ending March 31, 2019, the Company finalized the provisional accounting treatment concerning a business combination. Figures for the previous fiscal year are the amounts after reflecting the important revision to the amount of initial allocation of acquisition cost upon finalizing the provisional accounting treatment.

During the first six months of the fiscal year ending March 31, 2019, the performance of both our job advertisement websites and job placement services was favorable mainly in Japan. Consequently, net sales increased 21.3% year on year to ¥22,924 million. On the expense side, although personnel expenses associated with sales and creation of scripts for job advertisements and outsourcing expenses in connection with the efforts to enhance operating efficiency increased, promotional expenses to acquire members were managed efficiently and transitioned at a level lower than expected.

As a result, the Company's profits increased, with operating income totaling ¥6,692 million (up 39.1% year on year) and ordinary income recording ¥6,871 million (up 40.6% year on year). Profit attributable to owners of the parent came to ¥4,819 million (up 41.9% year on year).

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

The Company partially changed its allocation method of segmentation from the first quarter of the fiscal year ending on March 31, 2019. The following comparisons made with the results of the same quarter of the previous fiscal year are conducted by using the figures of such period reclassified according to the segmentation after change.

[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)

Sales of "en TENSHOKU," the Company's core service site, continued to be driven by measures to increase the unit price on top of a higher number of listings thanks to sales reinforcement efforts. en-japan's service for job placement agencies "MIDDLE NO TENSHOKU" experienced enhanced use of the website by corporate clients and a higher number of listings. "AMBI," which was launched in April 2017, benefited from quality listings for young, high-profile positions and the acquisition of target members. Consequently, net sales significantly increased from the same period a year earlier. Furthermore, "en HAKEN," a service for temporary staffing companies, continued to expand its share.

As a result, net sales of job advertising websites exceeded the results of the year before.

(Job placement service)

The Company's job placement service, "en AGENTS," continued to demonstrate steady results, driven by efforts to acquire deals through leveraging the features of the Company's database of job seekers and to reinforce manpower.

The Company's subsidiary, en world Japan K.K., managed to achieve favorable results in its specialist dispatch business in addition to growing its core job placement business.

As a result, net sales of the domestic job placement business exceeded those of the same period of the previous year.

(Overseas subsidiaries)

Overseas subsidiaries recorded higher net sales than in the same period of the previous year, thanks to the favorable performance of our subsidiary in Vietnam, a country which we are focusing on.

As a result of the above, net sales of this segment amounted to ¥22,307 million (up 21.8% year on year) and operating income was ¥6,630 million (up 37.0% 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)

To further promote en-japan's concept of "Success After Joining," sales of aptitude tests previously categorized under the Hiring Business segment are recorded under the Education and Evaluation Business segment from this fiscal year under review. In addition,

initiatives which include strengthening the partnership with the Hiring Business Division and offering proposals that properly consider the characteristics and trends of each industry were taken. Furthermore, we worked to expand the implementation of “HR OnBoard,” a tool to prevent workers from leaving jobs, and received positive recognition from many corporate clients for the favorable effects of the tool.

As a result of the above, net sales of this segment amounted to ¥671 million (up 7.3% year on year) and operating income was ¥63 million (up 116.6% year on year).

(2) Explanation of Financial Position

In the second quarter of the fiscal year ending March 31, 2019, the Company finalized the provisional accounting treatment concerning a business combination. Figures for the fiscal year ended March 31, 2018 are the amounts after reflecting the important revision to the amount of initial allocation of acquisition cost upon finalizing the provisional accounting treatment.

[1] Status of Assets, Liabilities and Net Assets

Total assets at the end of the second quarter of the year ending March 31, 2019 increased ¥1,863 million from the end of the previous fiscal year to ¥42,464 million.

Current assets increased ¥1,288 million to ¥32,092 million. This was mainly due to an increase in cash and deposits of ¥1,527 million and an increase in prepaid expenses of ¥118 million. Non-current assets increased ¥575 million to ¥10,371 million. This was mainly due to an increase in investment securities of ¥290 million.

Total liabilities at the end of the second quarter of the fiscal year ending March 31, 2019 were ¥11,183 million, a decrease of ¥789 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥891 million to ¥10,091 million. This mainly stemmed from a decrease in provision for bonuses of ¥207 million and a decrease in accrued consumption taxes of ¥138 million. Non-current liabilities increased ¥101 million to ¥1,092 million. This was primarily due to an increase in long-term accounts payable of ¥111 million.

Total net assets were ¥31,280 million, up ¥2,653 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings of ¥2,598 million and an increase in non-controlling interests of ¥153 million.

Asset information for each segment is not prepared because the en-japan Group does not use the information for purposes of resource allocation and performance evaluation.

[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, 2019 were ¥4,745 million (against ¥3,719 million in the same period of the previous fiscal year). This was primarily a result of posting profit before income taxes of ¥6,871 million, which was reduced by income taxes paid of ¥1,888 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the cumulative second quarter of the fiscal year ending March 31, 2019 were ¥1,336 million (against ¥1,054 million in the same period of the previous fiscal year). This was mainly due to purchase of intangible assets of ¥622 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities in the cumulative second quarter of the fiscal year ending March 31, 2019 were ¥2,135 million (against ¥1,321 million in the same period of the previous fiscal year). This mainly consisted of cash dividend paid of ¥2,225 million.

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

There is no change to the projection of consolidated operating results for the fiscal year ending March 31, 2019 announced on May 10, 2018.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	Previous Fiscal Year (As of March 31, 2018)	Second Quarter of Current Fiscal Year (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	23,505	25,033
Notes and accounts receivable - trade	4,662	4,571
Securities	2,000	2,000
Other	718	581
Allowance for doubtful accounts	-82	-94
Total current assets	30,804	32,092
Non-current assets		
Property, plant and equipment	580	538
Intangible assets		
Goodwill	2,530	2,327
Other	3,254	3,350
Total intangible assets	5,784	5,678
Investments and other assets		
Investment securities	768	1,058
Shares of subsidiaries and associates	336	345
Other	2,669	3,064
Allowance for doubtful accounts	-342	-314
Total investments and other assets	3,431	4,145
Total non-current assets	9,796	10,371
Total assets	40,600	42,464
Liabilities		
Current liabilities		
Accounts payable - trade	111	93
Income taxes payable	2,057	2,194
Provision for bonuses	1,327	1,120
Provision for directors' bonuses	20	20
Advances received	2,205	2,602
Other	5,260	4,061
Total current liabilities	10,982	10,091
Non-current liabilities		
Provision for share benefits	274	299
Asset retirement obligations	253	249
Other	462	543
Total non-current liabilities	990	1,092
Total liabilities	11,973	11,183
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	224	224
Retained earnings	29,579	32,177
Treasury shares	-2,880	-2,881
Total shareholders' equity	28,118	30,716
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-49	0
Foreign currency translation adjustment	392	255
Total accumulated other comprehensive income	343	256
Subscription rights to shares	123	112
Non-controlling interests	42	195
Total net assets	28,626	31,280
Total liabilities and net assets	40,600	42,464

(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, 2017 to September 30, 2017)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2018 to September 30, 2018)
Net sales		18,903	22,924
Cost of sales		1,738	2,284
Gross profit		17,165	20,640
Selling, general and administrative expenses		12,354	13,947
Operating income		4,811	6,692
Non-operating income			
Interest income		16	27
Dividend income		0	9
Share of profit of entities accounted for using equity method		54	95
Foreign exchange gains		—	27
Other		10	32
Total non-operating income		80	193
Non-operating expenses			
Interest expenses		0	0
Loss on investments in partnership		—	9
Foreign exchange losses		4	—
Other		—	4
Total non-operating expenses		4	14
Ordinary income		4,887	6,871
Extraordinary income			
Gain on sales of non-current assets		—	1
Gain on sales of shares of subsidiaries and associates		9	—
Total extraordinary income		9	1
Extraordinary losses			
Loss on retirement of non-current assets		—	1
Total of Extraordinary losses		—	1
Profit before income taxes		4,896	6,871
Income taxes-current		1,496	2,050
Total income taxes		1,496	2,050
Profit		3,400	4,820
Profit attributable to non-controlling interests		5	1
Profit attributable to owners of parent		3,395	4,819

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Second Quarter

(Unit: Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2017 to September 30, 2017)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2018 to September 30, 2018)
Profit	3,400	4,820
Other comprehensive income		
Valuation difference on available-for-sale securities	-35	49
Foreign currency translation adjustment	-76	-120
Share of other comprehensive income of entities accounted for using equity method	-7	-13
Total other comprehensive income	-118	-84
Comprehensive income	3,281	4,736
(Break down)		
Comprehensive income attributable to owners of parent	3,276	4,731
Comprehensive income attributable to non-controlling interests	5	4

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2017 to September 30, 2017)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	4,896	6,871
Depreciation	466	539
Amortization of goodwill	182	168
Increase (decrease) in allowance for doubtful account	24	-14
Increase (decrease) in provision for bonuses	-157	-205
Increase (decrease) in provision for directors' bonuses	2	0
Interest and dividend income	-16	-36
Foreign exchange losses (gains)	4	-27
Share of (profit) loss of entities accounted for using equity method	-54	-95
Loss (gain) on investments in partnership	-1	9
Loss (gain) on sales of shares of subsidiaries and associates	-9	—
Loss (gain) on sales of non-current assets	—	-1
Loss on retirement of non-current assets	—	1
Decrease (increase) in notes and accounts receivable - trade	-503	95
Increase (decrease) in notes and accounts payable - trade	4	-18
Increase (decrease) in accounts payable - other	99	-1,069
Increase (decrease) in advances received	262	396
Other, net	-91	-29
Subtotal	5,109	6,582
Interest and dividend income received	51	36
Income taxes paid	-1,441	-1,888
Income taxes refund	0	14
Net cash provided by (used in) operating activities	3,719	4,745
Cash flows from investing activities		
Payments into time deposits	—	-279
Purchase of property, plant and equipment	-78	-66
Purchase of intangible assets	-429	-622
Purchase of investment securities	-344	-235
Proceeds from sales and redemption of investment securities	20	6
Payment for lease and guarantee deposits	-61	-73
Proceeds from collection of lease and guarantee deposits	0	6
Purchase of insurance funds	-6	-6
Payments of loans receivable	-172	-65
Other proceeds	16	—
Net cash provided by (used in) investing activities	-1,054	-1,336

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2017 to September 30, 2017)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2018 to September 30, 2018)
Cash flows from financing activities		
Purchase of treasury shares	-0	-0
Cash dividends paid	-1,321	-2,225
Repayments of lease obligations	—	-7
Proceeds from share issuance to non-controlling shareholders	—	98
Net cash provided by (used in) financing activities	-1,321	-2,135
Effect of exchange rate change on cash and cash equivalents	-25	-29
Net increase (decrease) in cash and cash equivalents	1,316	1,243
Cash and cash equivalents at beginning of period	20,228	25,505
Cash and cash equivalents at end of period	21,545	26,749

(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)

There are no pertinent items.

(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 Company adopts the statutory tax rate.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," and others.)

The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and others from the beginning of the first quarter of the fiscal year ending on March 31, 2019. Accordingly, deferred tax assets are presented under the category of investment and other assets.

(Segment Information)

[Segment Information]

I Cumulative second quarter of the previous fiscal year (April 1, 2017 to September 30, 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	18,320	583	18,903	—	18,903
Internal sales among segments, transfers	0	42	42	-42	—
Total	18,320	626	18,946	-42	18,903
Segment profit	4,840	29	4,870	-59	4,811

(Notes) 1. Adjustments to segment profit are eliminations of intersegment transactions and company-wide expenses that are not allocated to each reporting segment.

2. Segment profit is adjusted from the operating income booked in the consolidated financial statements.

II Cumulative second quarter of the fiscal year under review (from April 1, 2018 to September 30, 2018)

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	22,303	621	22,924	–	22,924
Internal sales among segments, transfers	3	50	54	-54	–
Total	22,307	671	22,978	-54	22,924
Segment profit	6,630	63	6,694	-1	6,692

(Notes) 1. Adjustments to segment profit are eliminations of intersegment transactions and company-wide expenses that are not allocated to each reporting segment.

2. Segment profit is adjusted from the operating income booked in the consolidated financial statements.

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

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

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

3. Information on impairment losses or goodwill, etc. concerning non-current assets by reportable segment

(Important change to the amount of goodwill)

The Company had carried out provisional accounting treatment in the previous fiscal year for the acquisition of shares of Zeku, Ltd. executed on October 30, 2017. The accounting treatment was finalized in the second quarter of the fiscal year ending March 31, 2019 as a result of which the amount of goodwill in the Hiring Business segment has declined.

The details are as indicated under “(4) Notes regarding Quarterly Consolidated Financial Statements (Business Combination-related)” of “2. Quarterly Consolidated Financial Statements and Key Notes.”

(Business Combination-related)

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

The Company had carried out provisional accounting treatment in the previous fiscal year for the acquisition of shares of Zeku, Ltd. executed on October 30, 2017. The accounting treatment was finalized in the second quarter of the fiscal year ending March 31, 2019.

In connection with the finalization of this provisional accounting treatment, an important revision to the amount of initial allocation of acquisition cost is reflected in the comparative information included in the quarterly consolidated financial statements for the first six months of the fiscal year ending March 31, 2019. As a result of allocating ¥367 million to “Intangible assets, Other” and ¥112 million to “Non-current liabilities, Other,” the amount of goodwill provisionally estimated declined by ¥255 million from ¥914 million to ¥659 million. In addition, as of the end of the previous fiscal year, “Intangible assets, Other” increased by ¥356 million and “Non-current liabilities, Other” increased by ¥109 million, while “Goodwill” and “Retained Earnings” declined ¥248 million and ¥1 million, respectively.