

en-japan inc.



3rd Quarter FY March 2019 Earnings Announcement [Japan GAAP] (Consolidated)

February 7, 2019

Company Name en-japan inc. Listing Exchanges Tokyo Stock Exchange (Jasdaq Market)
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 Scheduled Date for Submission of Quarterly Report February 13, 2019
 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 2019 Cumulative Third Quarter Operating Results (From April 1, 2018 to December 31, 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 3rd Qtr	34,801	20.5	9,101	27.3	9,266	27.8	6,487	28.3
FYE 3/18 3rd Qtr	28,875	27.4	7,149	32.9	7,251	33.1	5,057	38.0

(Note) Comprehensive income FYE 3/19 3rd Qtr 6,466 million yen (29.8%) FYE 3/18 3rd Qtr 4,983 million yen (65.1%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/19 3rd Qtr	142.58	142.17
FYE 3/18 3rd Qtr	111.16	110.81

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/19 3rd Qtr	44,416	33,027	73.6
FYE 3/18	40,600	28,626	70.1

(Reference) Core capital FYE 3/19 3rd Qtr 32,701 million yen FYE 3/18 28,461 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 3/18	–	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 3rd 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 3rd 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 3rd Qtr 45,500,164 shares FYE 3/18 3rd Qtr 45,500,225 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

(Notes on forward-looking statements, etc.)

- 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

During the first nine 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 20.5% year on year to ¥34,801 million. On the expense side, although there were increases in personnel expenses due to increasing manpower, etc. associated with the expansion of our business scope, expenses relating to promotional activities for acquiring members, outsourcing expenses in connection with enhancing operating efficiency among others, expenses remained at an expected level.

As a result, operating income totaled ¥9,101 million (up 27.3% year on year), ordinary income recorded ¥9,266 million (up 27.8% year on year), and profit attributable to owners of the parent came to ¥6,487 million (up 28.3% 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)

“en TENSHOKU,” the Company’s core service site, managed to increase the average unit price for postings as a result of a smooth implementation of the measure to increase shares of clients with a large hiring budget. en-japan’s service for job placement agencies “MIDDLE NO TENSHOKU” experienced steady progress in revising the charging structure and a more-than-expected increase in the use of the site by corporate clients. In addition, “AMBI,” a site for young, high-profile positions, saw a steady rise in the number of target members, thanks primarily to promotional activities and enhanced site content. Consequently, the number of successful job placements at companies via these sites significantly increased.

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

(Job placement service)

The job placement service, “en AGENTS,” demonstrated a steady expansion of target areas by utilizing the Company’s database of job seekers.

The Company’s subsidiary, en world Japan K.K., benefited from a stable contribution to sales by the new service RPO (Recruitment Process Outsourcing) in addition to achieving favorable results in its core job placement business and specialist dispatch 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 overall net sales than in the same period of the previous year, thanks to the growth of net sales in Vietnam, the key operating site, as well as in Singapore.

As a result of the above, net sales of this segment amounted to ¥33,851 million (up 21.0% year on year) and operating income was ¥9,006 million (up 26.0% 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. The sales volume of aptitude tests increased and hence net sales rose as a result of reinforcing ties with the Hiring Business Division.

As a result of the above, net sales of this segment amounted to ¥1,033 million (up 6.0% year on year) and operating income was ¥89 million (up 34.3% year on year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year ending in March 31, 2019 increased ¥3,815 million compared to the end of the previous fiscal year to ¥44,416 million.

Current assets increased ¥2,546 million to ¥33,350 million. This was mainly due to an increase in cash and deposits of ¥3,138 million and an increase in prepaid expenses of ¥197 million. Non-current assets increased ¥1,268 million to ¥11,065 million. This was mainly due to an increase in investment securities of ¥777 million.

Total liabilities at the end of the third quarter of the fiscal year ending March 31, 2019 were ¥11,388 million, a decrease of ¥585 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥678 million to ¥10,303 million. This mainly stemmed from a decrease in provision for bonuses of ¥508 million and a decrease in accrued consumption taxes of ¥68 million. Non-current liabilities increased ¥93 million to ¥1,084 million. This was primarily due to an increase in long-term accounts payable of ¥111 million.

Total net assets were ¥33,027 million, up ¥4,401 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings of ¥4,266 million and an increase in non-controlling interests of ¥163 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.

(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, 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)	Third Quarter of Current Fiscal Year (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	23,505	26,644
Notes and accounts receivable - trade	4,662	4,082
Securities	2,000	2,000
Other	718	698
Allowance for doubtful accounts	-82	-75
Total current assets	30,804	33,350
Non-current assets		
Property, plant and equipment	580	628
Intangible assets		
Goodwill	2,530	2,282
Other	3,254	3,432
Total intangible assets	5,784	5,714
Investments and other assets		
Investment securities	768	1,545
Shares of subsidiaries and associates	336	371
Other	2,669	3,053
Allowance for doubtful accounts	-342	-248
Total investments and other assets	3,431	4,721
Total non-current assets	9,796	11,065
Total assets	40,600	44,416
Liabilities		
Current liabilities		
Accounts payable - trade	111	106
Income taxes payable	2,057	1,422
Provision for bonuses	1,327	818
Provision for directors' bonuses	20	23
Advances received	2,205	2,794
Other	5,260	5,139
Total current liabilities	10,982	10,303
Non-current liabilities		
Provision for share benefits	274	318
Asset retirement obligations	253	250
Other	462	515
Total non-current liabilities	990	1,084
Total liabilities	11,973	11,388
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	224	224
Retained earnings	29,579	33,846
Treasury shares	-2,880	-2,881
Total shareholders' equity	28,118	32,384
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-49	-27
Foreign currency translation adjustment	392	344
Total accumulated other comprehensive income	343	316
Subscription rights to shares	123	120
Non-controlling interests	42	205
Total net assets	28,626	33,027
Total liabilities and net assets	40,600	44,416

(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, 2017 to December 31, 2017)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2018 to December 31, 2018)
Net sales	28,875	34,801
Cost of sales	2,691	3,430
Gross profit	26,183	31,370
Selling, general and administrative expenses	19,033	22,269
Operating income	7,149	9,101
Non-operating income		
Interest income	26	36
Dividend income	0	9
Share of profit of entities accounted for using equity method	67	116
Other	14	33
Total non-operating income	109	196
Non-operating expenses		
Interest expenses	4	0
Foreign exchange losses	—	9
Loss on investments in partnership	2	14
Miscellaneous loss	—	6
Total non-operating expenses	6	31
Ordinary income	7,251	9,266
Extraordinary income		
Gain on sales of non-current assets	0	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	—	3
Loss on valuation of shares of subsidiaries and associates	28	—
Total extraordinary losses	28	3
Profit before income taxes	7,232	9,264
Income taxes-current	2,172	2,776
Total income taxes	2,172	2,776
Profit	5,059	6,488
Profit attributable to non-controlling interests	2	0
Profit attributable to owners of parent	5,057	6,487

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Third Quarter

(Unit: Million yen)

	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2017 to December 31, 2017)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2018 to December 31, 2018)
Profit	5,059	6,488
Other comprehensive income		
Valuation difference on available-for-sale securities	-21	21
Foreign currency translation adjustment	-68	-25
Share of other comprehensive income of entities accounted for using equity method	13	-17
Total other comprehensive income	-76	-21
Comprehensive income	4,983	6,466
(Break down)		
Comprehensive income attributable to owners of parent	4,978	6,461
Comprehensive income attributable to non-controlling interests	4	5

(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.

(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.

(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 third quarter of the previous fiscal year (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	27,971	903	28,875	—	28,875
Internal sales among segments, transfers	0	71	72	-72	—
Total	27,972	974	28,947	-72	28,875
Segment profit	7,148	66	7,214	-65	7,149

(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. Information on impairment loss of non-current assets, goodwill, etc. by reportable segment

(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 ¥659 million.

II Cumulative third quarter of the fiscal year under review (from April 1, 2018 to December 31, 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	33,847	953	34,801	—	34,801
Internal sales among segments, transfers	3	80	84	-84	—
Total	33,851	1,033	34,885	-84	34,801
Segment profit	9,006	89	9,095	5	9,101

(Notes) 1. Adjustments to segment profit are eliminations of intersegment transactions.

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 third quarter of the fiscal year ending March 31, 2018 disclosed herein has been prepared based

on the reportable segments used in the third quarter 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 “(3) 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 third quarter 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.

(Significant Subsequent Events)

There are no pertinent items.