

en-japan inc.



## 3rd Quarter FY March 2020 Earnings Announcement [Japan GAAP] (Consolidated)

February 12, 2020

Company Name	en-japan inc.	Listing Exchanges	First Section of the Tokyo Stock Exchange
Stock Code	4849	URL	<a href="https://corp.en-japan.com/">https://corp.en-japan.com/</a>
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	February 13, 2020		
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 2020 Cumulative Third Quarter Operating Results (From April 1, 2019 to December 31, 2019)

(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 3/20 3rd Qtr	41,904	20.4	8,198	-9.9	8,176	-11.8	5,483	-15.5
FYE 3/19 3rd Qtr	34,801	20.5	9,101	27.3	9,266	27.8	6,487	28.3

(Note) Comprehensive income FYE 3/20 3rd Qtr 5,212 million yen (-19.4%) FYE 3/19 3rd Qtr 6,466 million yen (29.8%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/20 3rd Qtr	120.17	119.81
FYE 3/19 3rd Qtr	142.58	142.17

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/20 3rd Qtr	49,625	37,741	74.6
FYE 3/19	49,852	35,466	69.8

(Reference) Core capital FYE 3/20 3rd Qtr 37,012 million yen FYE 3/19 34,774 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 3/19	-	0.00	-	62.80	62.80
FYE 3/20	-	0.00	-		
FYE 3/20 (projected)				85.50	85.50

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

### 3. FY Ending March 2020 Projected Consolidated Operating Results (April 1, 2019 - March 31, 2020)

(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	57,100	17.2	10,800	-7.4	10,810	-8.7	7,310	-10.2
								160.23

(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 3/20 3rd Qtrr 49,716,000 shares FYE 3/19 49,716,000 shares  
 b. Number of shares of treasury shares at the end of the period  
 FYE 3/20 3rd Qtrr 4,075,629 shares FYE 3/19 4,110,384 shares  
 c. Average number of shares issued during the period (Quarter Year-to-Date)  
 FYE 3/20 3rd Qtrr 45,627,477 shares FYE 3/19 3rd Qtrr 45,500,164 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.

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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 an increase in net sales mainly in overseas business and Domestic Job Board. Expenses increased in advertising expenses for Domestic Job Board and HR-Tech service “engage,” personnel expenses and related expenses due to the staff increase in regard to Domestic Permanent Recruitment with a view to medium-term growth. Furthermore, operating results of Future Focus Infotech Pvt. Ltd. (hereinafter “FFI”), an IT-related temporary staffing company based in India, have been reflected from the first quarter of the fiscal year ending March 31, 2020.

As a result, operating results for the cumulative third quarter of the fiscal year ending March 31, 2020 are as follows:

(Unit: Million yen)

	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2018 to December 31, 2018)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2019 to December 31, 2019)	Change	Percent change (%)
Net sales	34,801	41,904	+7,103	+20.4
Operating income	9,101	8,198	-902	-9.9
Ordinary income	9,266	8,176	-1,089	-11.8
Profit attributable to owners of parent	6,487	5,483	-1,004	-15.5

(Notes) 1. Since Talent Alliance (Beijing) Technology Development Limited (hereinafter “Talent Alliance”), a Chinese equity method affiliate, has been included in the scope of consolidation since the end of the fiscal year ended March 31, 2019, its operating results are not included in net sales and operating income of the cumulative third quarter of the fiscal year ended March 31, 2019.

Reportable segments of en-japan group were classified under the Hiring Business and Education/Evaluation Business but have been changed to come under the single segment of the Human Resources Service Business from the first quarter of the fiscal year ending March 31, 2020. For this purpose, a summary of major businesses is stated as follows:

### [2] Summary of Major Businesses

#### (Domestic Job Board)

“[en]Career Change Info” steadily continued to increase its share of corporate customers with large hiring budgets based on the strategic policy for the period, which led to an increase in the unit price of postings. On the other hand, the number of postings from small-and-midsize corporate customers decreased as price competition in the market became more intense than expected.

In the service for job placement agencies, “[en]Career Change Consultant” and “AMBI,” a site for young, high-profile positions, both showed a steady performance. With the increase in number of new members and website customer access in both websites, the number of successful job placements at companies increased.

In the service for temporary staffing companies, both “en HAKEN” and “en BAITO” saw a continuous increase in advertisement placement by customers of major temporary staffing companies, leading to an increase in the unit price per customer.

As a result, Domestic Job Board recorded higher net sales year on year.

#### (Domestic Permanent Recruitment)

The Company’s subsidiary en world Japan K.K. fell short of its initial plan for the period under review due to the weakening of needs of some customers, primarily manufacturers, due to the impact of economic conditions in the core job placement business, although it posted higher net sales year on year. The job placement service of en-japan, “en AGENTS,” strengthened its development of human resources with a view toward medium-term growth.

As a result, Domestic Permanent Recruitment recorded higher net sales year on year.

(Overseas)

In the overseas business, both net sales and income remained favorable and exceeded expectations in the priority countries of Vietnam and India although performance fell short of expectations in non-priority countries. In India, the performance of FFI is reflected in the results from the first quarter of the fiscal year ending March 31, 2020.

As a result, the overseas business recorded significantly higher net sales year on year.

(HR-Tech)

As for the personnel and recruitment support platform “engage,” thanks to active promotional activities, the number of user companies steadily increased up to 250,000 (as of December 2019). Furthermore, the number of companies using the fee-based service plan launched in April 2019 increased steadily; consequently, net sales increased 35% from the previous quarter.

## (2) Explanation of Financial Position

### Status of Assets, Liabilities and Net Assets

Total assets at the end of the third quarter of the year ending March 31, 2020 decreased ¥226 million from the end of the previous fiscal year to ¥49,625 million.

Current assets decreased ¥1,885 million to ¥35,370 million. This was mainly due to decreases in cash and deposits of ¥1,402 million and notes and accounts receivable - trade of ¥500 million. Non-current assets increased ¥1,658 million to ¥14,255 million. This was mainly due to an increase in investment securities of ¥1,140 million.

Total liabilities at the end of the third quarter of the fiscal year ending March 31, 2020 were ¥11,884 million, a decrease of ¥2,501 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥2,627 million to ¥10,646 million. This mainly stemmed from decreases in accounts payable - other of ¥1,380 million and income taxes payable of ¥961 million. Non-current liabilities increased ¥126 million to ¥1,237 million. This was primarily due to an increase in long-term accounts payable of ¥150 million.

Total net assets were ¥37,741 million, up ¥2,274 million from the end of the previous fiscal year. This was mainly attributable to increases in retained earnings of ¥2,468 million and capital surplus of ¥118 million.

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

Adjustments have been made to the full-year consolidated performance forecasts for the fiscal year ending March 31, 2020 announced in the “Fiscal Year Ended March 31, 2019 Earnings Announcement (Consolidated)” on May 14, 2019.

For details, please refer to “Revision of Business Performance” dated and announced on February 12, 2020.

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

	(Unit: Million yen)	
	Previous Fiscal Year (As of March 31, 2019)	Third Quarter of Current Fiscal Year (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	28,409	27,006
Notes and accounts receivable - trade	5,614	5,114
Securities	2,000	2,045
Other	1,291	1,292
Allowance for doubtful accounts	-59	-88
Total current assets	37,255	35,370
Non-current assets		
Property, plant and equipment	719	667
Intangible assets		
Goodwill	3,412	3,334
Other	3,445	3,813
Total intangible assets	6,858	7,147
Investments and other assets		
Investment securities	1,968	3,109
Shares of subsidiaries and associates	46	46
Other	3,250	3,569
Allowance for doubtful accounts	-248	-287
Total investments and other assets	5,018	6,439
Total non-current assets	12,596	14,255
Total assets	49,852	49,625
Liabilities		
Current liabilities		
Accounts payable - trade	126	448
Income taxes payable	2,072	1,111
Provision for bonuses	1,117	828
Provision for directors' bonuses	7	15
Advances received	2,642	2,848
Other	7,306	5,395
Total current liabilities	13,274	10,646
Non-current liabilities		
Provision for share benefits	310	358
Asset retirement obligations	279	268
Other	521	610
Total non-current liabilities	1,111	1,237
Total liabilities	14,385	11,884
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	538	656
Retained earnings	35,496	37,965
Treasury shares	-2,795	-2,767
Total shareholders' equity	34,434	37,049
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-31	-174
Foreign currency translation adjustment	372	138
Total accumulated other comprehensive income	340	-36
Subscription rights to shares	136	147
Non-controlling interests	555	581
Total net assets	35,466	37,741
Total liabilities and net assets	49,852	49,625

(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, 2018 to December 31, 2018)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2019 to December 31, 2019)
Net sales	34,801	41,904
Cost of sales	3,430	7,780
Gross profit	31,370	34,123
Selling, general and administrative expenses	22,269	25,924
Operating income	9,101	8,198
Non-operating income		
Interest income	36	46
Dividend income	9	10
Share of profit of entities accounted for using equity method	116	—
Other	33	28
Total non-operating income	196	84
Non-operating expenses		
Interest expenses	0	17
Loss on investments in partnership	14	20
Foreign exchange losses	9	12
Provision of allowance for doubtful accounts	—	40
Other	6	16
Total non-operating expenses	31	106
Ordinary income	9,266	8,176
Extraordinary income		
Gain on sales of non-current assets	1	23
Total extraordinary income	1	23
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Loss on valuation of investment securities	—	56
Loss on valuation of shares of subsidiaries and associates	—	9
Total extraordinary losses	3	66
Profit before income taxes	9,264	8,133
Income taxes-current	2,776	2,525
Total income taxes	2,776	2,525
Profit	6,488	5,608
Profit attributable to non-controlling interests	0	125
Profit attributable to owners of parent	6,487	5,483

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Third Quarter

(Unit: Million yen)

	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2018 to December 31, 2018)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2019 to December 31, 2019)
Profit	6,488	5,608
Other comprehensive income		
Valuation difference on available-for-sale securities	21	-142
Foreign currency translation adjustment	-25	-252
Share of other comprehensive income of entities accounted for using equity method	-17	—
Total other comprehensive income	-21	-395
Comprehensive income	6,466	5,212
(Break down)		
Comprehensive income attributable to owners of parent	6,461	5,106
Comprehensive income attributable to non-controlling interests	5	106



### (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)

The Company acquired shares of JapanWork, Inc. as of July 12, 2019 and has included the firm in the scope of consolidation. As a result of disposing of its treasury stock through a third-party allocation to pay consideration for the applicable share acquisition, in the cumulative third quarter of the fiscal year ending March 31, 2020, capital surplus increased by ¥112 million while treasury shares decreased by ¥28 million. As of the end of the third quarter of the fiscal year under review, capital surplus totaled ¥656 million and treasury shares came to ¥2,767 million.

(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.

(Segment Information)

[Segment Information]

I Cumulative third quarter of the previous fiscal year (from April 1, 2018 to December 31, 2018)

Description is as in “II. Cumulative third quarter of the fiscal year under review (Matters related to changes and others in the reportable segments).”

II Cumulative third quarter of the fiscal year under review (from April 1, 2019 to December 31, 2019)

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

(Matters related to changes and others in the reportable segments)

Reportable segments of en-japan group were classified under the Hiring Business and Education/Evaluation Business, but have been changed to come under a single segment from the first quarter of the fiscal year ending March 31, 2020.

The change is based on the judgement, resulting from a review on business segmentation, that Hiring Business and Education/Evaluation Business is appropriate to be managed as a single segment of Human Resources Service Business. With the sales of all shares of Cbase Corporation executed in the fiscal year ended March 31, 2019, net sales and income in Education/Evaluation Business became insignificant as Cbase Corporation was then a consolidated subsidiary classified under Education/Evaluation Business. Under such circumstances and from a perspective of en-japan group’s actual situation in regard to business development, management resource allocation, and management control structure, the aforementioned businesses were thought practical to be treated as an integrated business.

As a result of such change, description of segment information in the cumulative third quarter of the fiscal year ended March 31, 2019 and the cumulative third quarter of the fiscal year ended March 31, 2020 have been omitted.

(Significant Subsequent Events)

(Making Brocante Inc. into a Wholly-owned Subsidiary through Share Exchange)

en-japan inc. decided to execute a share exchange to make Brocante Inc. (head office: Shibuya-ku, Tokyo; CEO: Ryo Kasama; hereinafter “Brocante”) into its wholly-owned subsidiary. This share exchange will see en-japan become the wholly-owning parent company in share exchange and Brocante become the wholly-owned subsidiary in share exchange, and the two companies have entered into a share exchange agreement. en-japan executed this share exchange based on the simplified share exchange procedures that do not require approval at a general meeting of shareholders pursuant to the provisions in Article 796, Paragraph 2 of the Companies Act.

1. Purpose of making Brocante into a wholly-owned subsidiary through the share exchange

en-japan engages in business activities that support personnel recruitment and encourage workers to take on active roles after employment, with a focus on the management of job offer information sites, job placements and educational evaluations. In our mid-term management plan for which the final year is the year ending March 31, 2022, we set forth a new strategy to strengthen M&As in the field of technology. In addition, we are striving to develop the business for freelancing, including the “pasture” freelance management tool, as a new business sector.

Brocante, which will become en-japan’s wholly-owned subsidiary, operates the “Freelance Start” IT project site for freelance engineers and designers – one of the largest of its kind in Japan. Offering more than 90,000 freelance agent listings, this site enables users to search project information and apply for projects all together. It is used by many freelance engineers and has been growing steadily since the service was launched in 2018.

The business for freelancing primarily in the IT sector represents a market that is expected to continue growing in size going forward due to the diversification of work styles. It is a promising new business area also for en-japan.

By making Brocante into our subsidiary, which would accelerate the speed of growth of our business for freelancing, we will boost our efforts to increase profits in the new business sector.

2. Outline of the share exchange

(1) Schedule of the share exchange

en-japan’s Board of Directors resolution to approve the share exchange:	December 27, 2019
Conclusion of share exchange agreement by en-japan and Brocante:	December 27, 2019
Brocante’s shareholders’ meeting to approve the share exchange agreement:	January 10, 2020
Date of execution and effective date of share exchange:	January 20, 2020

(2) Method of the share exchange

This share exchange will see en-japan become the wholly-owning parent company and Brocante become the wholly-owned subsidiary. en-japan allots 123,710 shares of treasury stock it owns to Ryo Kasama and Kosuke Sone, the shareholders of Brocante, as compensation for the share exchange.

(3) Allotment in the share exchange

Name of company	en-japan inc. (Wholly-owning parent company in the share exchange)	Brocante Inc. (Wholly-owned subsidiary company in the share exchange)
Ratio of allotment in the share exchange	1	0.41
Number of shares to be delivered upon the share exchange	Common stock of en-japan: 123,710 shares	

\*The allotment ratio of Brocante is indicated after truncating figures at and beyond the third decimal place.

(4) Treatment of share option and bonds with share option in relation to the share exchange

Brocante has not issued any share options or bonds with share options.

### 3. Basis for calculation of the allotment concerning the share exchange

#### (1) Basis for calculation of the share exchange ratio

en-japan is listed on the first section of the Tokyo Stock Exchange. Therefore, we calculated the share price of en-japan based on the market price without seeking any third-party opinions. Specifically, in recognition that the share price in the period as close as possible to the date of conclusion of the share exchange agreement reflects the price of our stock at the time of conclusion of the share exchange agreement, we decided to adopt the closing price of the common stock of en-japan on the first section of the Tokyo Stock Exchange on December 26, 2019 – the business day prior to the date of resolution reached by the Board of Directors. Using this as the basis for calculation, our calculation of the price per share of the stock of en-japan came to 4,850 yen.

On the other hand, since Brocante is an unlisted company, we could not calculate the share exchange ratio based on the market price of Brocante. Accordingly, we calculated the price of the stock of Brocante on the basis of the results of due diligence performed on the company's financial position and business performance by en-japan and external experts. We then determined the share exchange ratio based on those calculation results.

#### (2) Matters concerning calculation

We decided to seek the expert opinion of Ogura Accounting Office as a specialized organization independent of en-japan and Brocante to ensure the fairness and appropriateness of the calculation of Brocante's stock price. We requested Ogura Accounting Office to calculate Brocante's stock price and the share exchange ratio based on the market price of en-japan's stock and Brocante's stock price.

Given these calculation results, both en-japan and Brocante carefully discussed and examined the figures. Consequently, the two parties judged that the aforesaid ratio of share exchange was appropriate, and agreed and decided on the ratio.

#### (Buying back own shares)

en-japan has decided to buy back its own shares based on the written resolution in lieu of the resolution of the Board of Directors on February 12, 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.

##### 1. Reason

en-japan will buy back its own shares to further enhance corporate value by improving capital efficiency.

##### 2. Class of shares to be acquired: Common stock

##### 3. Number of shares to be acquired: 500,000 shares (percentage to the total number of issued shares (excluding treasury shares): 1.1%)

##### 4. Total share acquisition price: 2,000 million yen

##### 5. Period of buying back own shares: From February 13, 2020 to April 30, 2020

##### 6. Method of acquisition: Market buying on the Tokyo Stock Exchange