



**en-japan Inc.**

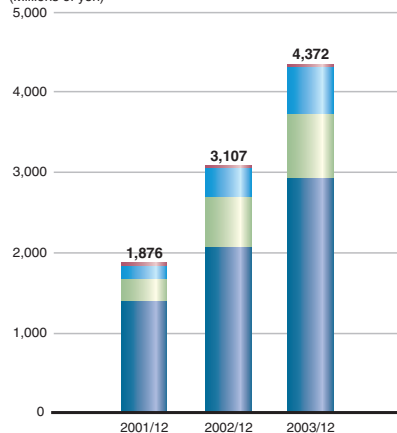
Business Report

For the fiscal year from January 1, 2003 to December 31, 2003

# [en]-japan Achieves Revenues and Earnings Increases for Three Consecutive

## Sales by Website

(Millions of yen)

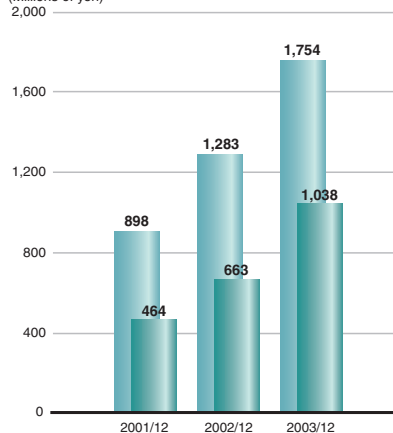


- [en] Job Information
- [en] Job Search Consultant
- [en] Jobs for Temporary Staff
- [en] Career Executive

Note: In May 2003, [en] Career Executive was consolidated into [en] Job Information.

## Recurring Profit and Net Income

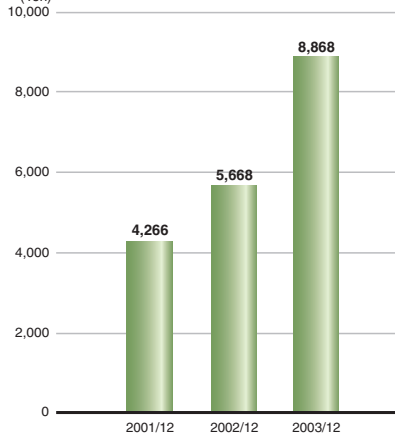
(Millions of yen)



- Recurring Profit
- Net Income

## Net Income Per Share

(Yen)



Note: The above figures have been retroactively adjusted for subsequent stock splits in accordance with the Accounting Standards for Net Income Per Share.

**Point 1** Staffing increased to record high level in preparation for future business expansion (73.8% increase year on year)

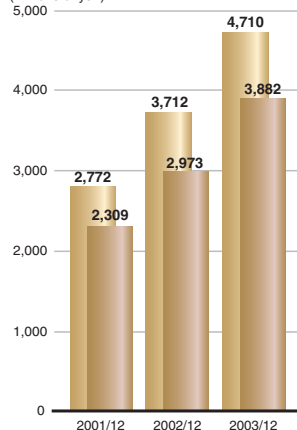
**Point 2** Brand strength and brand recognition increased by means of aggressive investment in advertising (56.6% increase year on year)

**Point 3** Redesign of the [en] Job Information website enhances functionality and increases information volume

# Years Since Its Establishment!

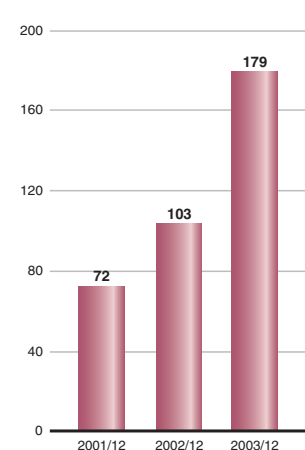
■ Total Assets and Shareholders' Equity

(Millions of yen)

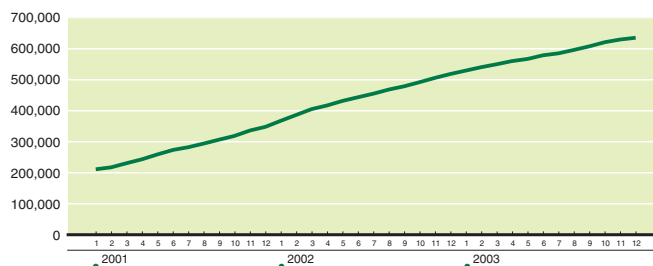


■ Total Assets ■ Shareholders' Equity

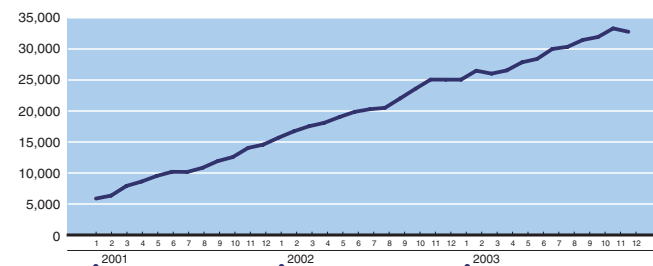
■ Number of Employees



■ Number of Registered Users



■ Number of Job Advertisements



## To Our Shareholders



The management of en-japan Inc. considers shareholder returns to be an important management task and at all times seeks to devise and implement optimal methods of providing shareholder returns. During fiscal 2003 the Company implemented two stock splits (free issues): a 2-for-1 split on August 20, 2003, followed by a 3-for-1 split on October 20. To express our appreciation to our shareholders for their support of en-japan's successful efforts to achieve higher than anticipated revenues and earnings once again in fiscal 2003, the Company paid a cash dividend of ¥2,500 per share. In light of the two stock splits implemented during the year, this dividend is effectively 1.5 times the ¥10,000 cash dividend of the previous fiscal year.

In addition to providing attractive shareholder returns, the Company plans to further enhance information disclosure and IR communications as another aspect of shareholder-oriented management. I request the continued long-term support of our shareholders for our endeavors in the coming years.

Michikatsu Ochi President

# Leveraging Recruitment Solutions Capabilities

## Q 1 Please describe the business environment and the Company's performance in fiscal 2003.

In the job advertising industry as a whole, the second half of 2003 saw a reversal of the downward trend in the number of job advertisements<sup>1</sup> that had continued through 2002 and a slight recovery in business conditions. Despite a recovery in the active job openings ratio<sup>2</sup>, however, the unemployment rate remains at a high level. This is proof that although some companies have completed staffing adjustments and begun hiring, there is tangible "employment mismatch" between corporate recruitment needs and jobseeker work requirements and skills.

For the job advertising industry fiscal 2003 brought increased use of the Internet, and we have seen a broad-based shifting to Internet recruitment for occupations for which recruitment was previously limited to print media.

In this business environment, sales for the Company's mainstay [en] Job Information website surged to ¥2,938 million (an increase of 42.0% year on year), an upward trend that continued from the previous year. Sales growth was also strong for the [en] Job Search Consultant website (¥807 million, increase of 26.8% year on year), a collective website for job placement agencies that boasts the industry's highest number of participating agencies, and for the [en] Jobs for Temporary Staff website (¥605 million, increase of 60.9%), a portal site that specializes in information on temporary staff services. As a result of this favorable sales performance, the Company posted higher income and earnings for the third consecutive year. (See Pages 1 and 2 for detailed information on business performance.)

<sup>1</sup> Source: Association of Job Information of Japan study

<sup>2</sup> The ratio of the number of job openings to the number of job applicants based on officially registered numbers of jobseekers at public employment security offices

## Q 2 To what do you attribute the upward trend in sales?

The use of our websites increases the recruiting success rate of posting companies, and we obtain high customer satisfaction as a result. I think it is the accumulation of this high satisfaction and trust from each individual company that is reflected in our sales growth.

Ever since en-japan was founded, we have thoroughly devoted ourselves to providing services for those who seek work. By providing the job information people really want honestly and in minute detail, we have earned a highly favorable reputation among jobseekers. Although we may have incurred the displeasure of some recruiting companies that seek only to convey their strong points, if a company truly wants to recruit appropriate personnel who will contribute after being hired, it is important to truthfully communicate both the positive aspects of the company and the rigors of the work. Even if a company is able to hire people by revealing only its good points, new recruits will soon leave if the reality differs from the presentation. Having thoroughly explained this to our clients, we create ad copy. This point clearly differentiates us from other companies, and I think it is the reason we enjoy the support of both users and clients.

## Q 3 What measures have you taken to increase the Company's sales capabilities?

During fiscal 2003 we increased staffing levels to record highs, hiring mainly sales representatives and copywriters. Recruiting and retaining talented people is essential for expanding the Company's business. When companies seeking to recruit staff place job ads with us, the work of our sales representatives begins with a client interview concerning the circumstances of recruitment. Sales rep activities cover everything from planning and proposal to information gathering and photography. At times the sales reps identify recruitment issues clients are unaware of or assist by planning and proposing recruitment strategies. After job ads are posted, the reps verify the results and provide follow-up services. I think that this recruitment consulting capability that extends beyond

# to Achieve Further Business Expansion

the realm of mere selling is our greatest strength. To maintain that strength, we put a great deal of effort into staff development activities focused on new employee training and on-the-job training. Furthermore, by rigorously ensuring that employees share information on a daily basis we have constructed a framework whereby all employees can make use of HR recruiting expertise accumulated over many years.

By focusing efforts on advertising en-japan since the end of 2002, we have succeeded in steadily expanding the base of registered users each month; as of December 2003 the number of registered users exceeded 630,000. This is an extraordinarily large user base for a dedicated website. In fiscal 2003 we expanded the scope of media in which we advertise and implemented an advertising strategy that effectively mixed online advertising activities such as operating alliances with major portal sites and distribution of mail magazines and offline public transport and magazine advertising. At the same time as we have achieved unprecedented penetration for the [en] brand through stepped-up advertising, we have been able to reduce the impact of the external environment on business performance by diversifying advertising media.



## Why does the company place such importance on truthful and highly detailed job information?

That stems from en-japan's core management concept of *Ningen Seicho*® (Human Growth). Based on our conception of business as a stage for individual growth and becoming affluent both materially and spiritually as a consummate professional, we have defined *Ningen Seicho*. We regard work as not merely a way of earning a living, but as a learning experience. This is the original work ethic of the Japanese. If you're going to work anyway, it's better to work positively than unwillingly. This positive thinking gave rise to the concept of placing importance on work. Also, people experience various encounters in the workplace. Because it is such good fortune to experience that kind of workplace, we want people to value the connections 'en' they make at work. That's why to this day we continue to proclaim the message to jobseekers to "value work and approach job changes seriously" and the message to

recruiting companies to "value human resources and approach recruitment seriously."

We want to bring together people who value work and companies that can provide those people with an opportunity for *Ningen Seicho*: that is, we seek to bring about *Shoku-en*, advantageous occupational connections. The workplace is a venue for human growth. Our *raison d'être* is to realize favorable *Shoku-en*, occupational connections in line with this way of thinking. It is for that reason that we place such importance on the quality of job information. We communicate truthful and highly detailed job information that includes the positive and negative aspects of the recruiting company. We want jobseekers to apply for work after carefully reading the job information to gain a thorough understanding of the recruiting company.

We often hear from clients that the people recruited using our websites work hard and make a contribution after joining their companies. At that time, we experience profound satisfaction.

<sup>3</sup> "Ningen Seicho" is a registered trademark of en-japan Inc.



## What are your plans for future business development?

As the transition to Internet-based job advertising rapidly proceeds, growth of our mid-career job opportunity information service business is expected to accelerate. We will of course continue to pour effort into this business sector, and in future we intend to broadly apply the experience and expertise we have accumulated in this business as well as our recruitment solutions capabilities in the human resources business field. This will make it possible to provide a one-stop service that will encourage customers to turn to en-japan for all their human resources requirements. You see, our ultimate desire is to not only assist clients with recruitment, but also ensure that workers contribute to the utmost after they are hired.

2004 marks the fifth year in business for en-japan. I regard this as an important time for preparing for the Company's further business growth, and plan to actively consider new businesses as well.

# Accumulating the Expertise to Communicate the Appeal

[en] Job Information, Comprehensive Job Information Website

<http://employment.en-japan.com/>

[en] Shakaijin-no-Tenshoku Joho™

## Website Redesigned in November 2003

- Improved site functionality and ease of search and retrieval
- Enhanced resume coaching and scouting functions
- A great increase in number of companies posting ads
- Quality assurance comments added to all job information
- IT skills diagnosis testing begun
- Vocational aptitude testing begun

The website's scouting function enables recruiting companies to directly scout jobseekers rather than simply wait for applications. Jobseekers can efficiently engage in job searches by anonymously publishing their resumes to invite scouting by prospective employers.

### User Profile

#### Mr. A: age 29, male, single

Although Mr. A sought a position in administration when he graduated from university, his first job was in sales. In his twenties he performed his duties with the objective of learning the job, mastering the art of self-sufficient selling encompassing estimates, purchasing, purchase ordering, and control. Just before turning thirty he resigned from his company and began job search activities necessary to fulfill his long-held desire to transfer to an administrative position. Struggling with a lack of information, he went to the employment office for three months without obtaining a single job interview. However, when he registered on the [en] Job Information website he found that he not only obtained job information, but interview opportunities increased as well. He has begun to receive scouting mail from HR representatives of prospective employers and is on the verge of finding a position.



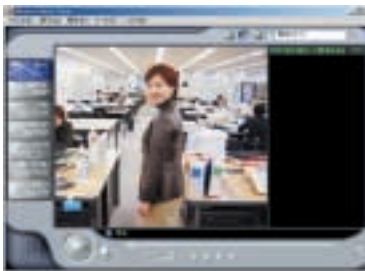
Career Match Search automatically matches the work background of jobseekers with the requirements of recruiting companies.

The Newly Arrived Job Clipping function distributes the latest job information twice weekly based on the user's desired job conditions.

▼ Straight-out, detailed job information with photographs is based on thorough research and interviews.



▲ In the Interviewer Impression website section, objective comments from interviewers increase the credibility of job information.



▲ Each job information item includes a fifteen-second streaming video clip that depicts the nature of the workplace at the recruiting company.





# of Prospective Employers and Captivate Jobseekers

[en] Job Search Consultant, Collective Website for Job Placement Agencies

<http://consultant.en-japan.com/>

## [en] Tenshoku Consultant®

- Industry-leading website in sales and number of clients: 208 job placement agencies post ads on the site (as of December 2003)
- Jobseekers can search job placement agencies by either agency characteristics or posted job openings
- Jobseekers anonymously publish their resumes and are scouted by job placement agencies
- Website features the popular Jobseeker Evaluation function for rating job placement agencies on a five-stage rating scale. Users refer to evaluations and comments from fellow jobseekers in searching to locate suitable placement agencies.
- Using the free-of-charge career assessment service, jobseekers can reference assessments of people with work backgrounds similar to their own.

### User Profile

Mr. B: age 34, male, married

Mr. B has five years experience in production management and quality control and four years experience in physical distribution and purchasing at a major precision equipment manufacturer. He is thoroughly familiar with international trade and manufacturing, and has enthusiastically engaged in operational improvements. Judging from his age and work experience, he would have no trouble finding a job in which he could use his prior experience. However, he seeks a position where he can work closer to customers and engage in consulting or marketing. He wants to use the [en] Job Search Consultant website to seek out an HR consultant ideally suited to his requirements to discuss his current market value and future job search activities.



[en] Jobs for Temporary Staff, Collective Website for Temporary Staff Agencies

<http://haken.en-japan.com/>

## [en] Haken-no-Oshigoto Joho®

- Dedicated temporary staffing website with the second-highest sales in the industry (as of December 2003)
- Posted information is instantaneously updated
- Job information is delivered daily so users can obtain the latest information without delay
- The My Page function displays only job information that matches the user's specified desired job conditions such as work location, type of work, hourly pay, and working hours.
- Search results are displayed in order of the degree to which the job description corresponds to the user's requirements.

### User Profile

Ms. C: age 30, female, married

After gaining five years' experience at a leading cosmetics manufacturer, Ms. C resigned from the company to marry. She subsequently worked for two years in sales support as a temporary staff. Recently she has devoted herself to her hobby of flamenco. Although she enjoys work, she also values having time to pursue personal interests. For this reason she desires temporary work that enables her to select the work location and hours and doesn't require overtime. On the [en] Jobs for Temporary Staff website she can efficiently search for work that meets her desired working conditions.



# Earnings Surge as Higher Sales Compensate for Increased Selling, General

## Balance Sheets

Years ended December 31	2003	2002
(Thousands of yen)		
<b>Assets</b>		
Current Assets	3,889,866	3,119,574
Cash and time deposits	3,310,300	2,562,642
Trade notes receivable	3,632	3,201
Accounts receivable	523,264	467,759
Prepaid expenses	15,302	19,237
Deferred tax assets	42,115	31,464
Other current assets	2,383	42,395
Allowance for doubtful accounts	(7,133)	(7,126)
<b>1 Fixed Assets</b>	<b>820,618</b>	<b>592,900</b>
Tangible fixed assets	210,656	107,762
Structures	34,014	36,687
Fixtures and fittings	176,642	71,074
Intangible fixed assets	69,846	41,864
Trademark rights	2,051	1,983
Software	67,535	39,622
Telephone subscription rights	259	259
Investments and other assets	540,115	443,272
<b>2 Investments in securities</b>	<b>76,800</b>	<b>—</b>
Lease deposits	69,692	60,038
Long-term deposits	150,000	150,000
Insurance reserve fund	242,549	218,004
Deferred tax assets	1,072	15,230
<b>Total Assets</b>	<b>4,710,485</b>	<b>3,712,474</b>

Years ended December 31	2003	2002
(Thousands of yen)		
<b>Liabilities</b>		
Current Liabilities	828,143	739,342
Accounts payable-Trade	2,907	6,530
Accounts payable-Other	322,316	268,624
Accrued expenses	65,381	30,216
Accrued income taxes	342,065	372,685
Accrued consumption taxes	53,825	39,014
Advance received	26,880	11,875
Deposit received	14,056	10,206
Other current liabilities	710	190
<b>Total Liabilities</b>	<b>828,143</b>	<b>739,342</b>
<b>3 Shareholders' Equity</b>		
Common Stock	770,729	747,500
Capital Surplus	988,729	965,500
Capital reserve	988,729	965,500
Retained Earnings	2,103,907	1,260,132
Unappropriated retained earnings	2,103,907	1,260,132
Unrealized Gains on Investments in Securities	18,976	—
<b>Total Shareholders' Equity</b>	<b>3,882,341</b>	<b>2,973,132</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,710,485</b>	<b>3,712,474</b>

Note: The presentation of items under Shareholders' Equity has been partially revised in accordance with the Ministerial Ordinance to Partially Revise the Commercial Code Enforcement Regulations (Ministry of Justice Ordinance No. 68 of September 22, 2003).

### 1 Fixed Assets

Fixed assets increased owing to items including the acquisition of servers and software in connection with the redesign of the [en] Job Information website.

### 2 Investments in Securities

Investments in securities concern the capital and operating alliance with System Technology-i Co., Ltd. (See Topics on Page 9 for details.)

### 3 Shareholders' Equity

Financial stability further increased as shareholders' equity increased by ¥909 million (30.6%) from the previous year. The equity ratio was 82.4%.



# and Administrative Expenses. The Effective Dividend Increases

## Statements of Income

Years ended December 31	2003	2002
Operating Revenues	4,372,559	3,107,491
Net sales	4,372,559	3,107,491
Operating Expenses	2,622,728	1,802,089
Cost of sales	204,668	54,520
4 Selling, general and administrative expenses	2,418,059	1,747,568
Operating Profit	1,749,830	1,305,402
Non-operating Income	6,583	2,425
Interest received	1,179	1,171
Commission received	4,021	—
Warranty received	697	—
Other revenues	684	1,254
Non-operating Expenses	2,120	24,534
New share issuing expense	2,120	3,646
Loss on retirement of fixed assets	—	500
Other losses	—	20,387
5 Recurring Profit	1,754,294	1,283,294
Extraordinary Loss	10,348	—
Loss on retirement of fixed assets	10,348	—
Income Before Income Taxes	1,743,945	1,283,294
Income taxes-current	714,687	641,023
Income taxes-deferred	(9,516)	(20,984)
Net Income	1,038,775	663,255
Retained earnings carried forward	1,065,132	596,876
Unappropriated retained earnings	2,103,907	1,260,132

### 4 Selling, General and Administrative Expenses

In line with business expansion, SG&A expenses increased 38.4% year on year: personnel costs increased 46.3%, and advertising costs increased 56.6%.

### 5 Recurring Profit

Solid growth in sales compensated for the increase in selling, general and administrative expenses. The ratio of recurring profit to sales was 40.1%.

## Statement of Cash Flows

Years ended December 31	2003	2002
Cash Flows from Operating Activities	1,160,167	662,736
Cash Flows from Investing Activities	(264,599)	(428,464)
Cash Flows from Financing Activities	(147,909)	—
Net increase (decrease) in cash and cash equivalents	747,658	234,271
Cash and cash equivalents at beginning of year	2,562,642	2,328,370
Cash and cash equivalents at year-end	3,310,300	2,562,642

## Statement of Appropriation of Retained Earnings (FY2003)

Years ended December 31	2003
Unappropriated retained earnings	2,103,907,205
Appropriations for retained earnings	
Cash dividends	295,287,500
(¥2,500 per share)	
Retained earnings carried forward	1,808,619,705

# T O P I C S

## 2 0 0 3

### Number One Ranking in Recognition and Site Visits in a Comparative Survey of Job Information Websites!

In September 2003 [en] Job Information obtained the number one ranking in recognition and number of visits in the Online Job Information Site Survey 2003, a comparative survey of job information websites conducted by Net and Security Research Institute Co., Ltd. The Company has achieved penetration for the [en] brand and built a rock-solid position in the online recruiting sector.

### Implementing an Effective Advertising Strategy and Spreading the Word about en-japan

As a measure to counter the consolidation of Yahoo Japan Corporation and Recruit Co., Ltd. Internet job information businesses, since December 2002 the Company has implemented a strategy to strengthen the en-japan brand on the assumption of dissolution of the business alliance with Yahoo. During fiscal 2003 en-japan increased advertising expenditures by 56.6% year on year. In online advertising (banner ads and mail), the Company stepped up promotion on portal sites other than Yahoo! Japan. At the same time, we engaged in offline promotion in the form of transport advertising (in-vehicle ads) in Tokyo, Osaka, and Nagoya. As a result of effectively mixing online and offline advertising strategies, we achieved outstanding results in brand recognition and website visits.

Because applications via Yahoo! Japan account for only 10% at present, the Company does not expect the alliance of competitors to have a major impact on future business results.

### Court Decision Recognizes the Copyright to Online Job Information

In October 2003 the copyright to online job information gathered, photographed, and prepared independently by en-japan was publicly recognized and affirmed. This marked the first judicial precedent in Japan recognizing copyright on Internet-based job information. At a time when the transition to Internet-based recruitment advertising is rapidly progressing, the ability to simply copy job information was a risk factor threatening the Company's business. However, the court decision recognizing copyright on recruitment advertising involving the Company's creative effort secures our advantage in the marketplace and increases our competitiveness.

### Enhancing Shareholder Returns through Stock Splits and Increased Dividends

With the aim of returning profit to the shareholders and increasing liquidity in the stock, on August 20 the Company implemented a 2-for-1 stock split and on October 20 implemented a 3-for-1 stock split (free issues).

As an expression of appreciation to our shareholders for supporting our successful efforts to once again achieve higher than anticipated revenues and earnings, the Company implemented a cash dividend of ¥2,500 per share for fiscal 2003. As a result of the two stock splits, this dividend is effectively 1.5 times that of the ¥10,000 cash dividend of the previous fiscal year.

### Capital and Operating Alliance with System Technology-i

In September 2003 the Company entered into a capital and operating tie-up with System Technology-i Co., Ltd. covering IT engineer skills analysis and skills development support.

Through this alliance, by providing identical skills diagnosis services to both IT engineers and companies, en-japan is able to ascertain the needs of IT engineers and increase website user membership. Also, companies can objectively evaluate the skills of IT engineers and recruit personnel closely suited to their requirements.

The Company subscribed to 400 new shares in a third-party allocation of shares implemented by System Technology-i, acquiring 5.9% of STI shares issued and outstanding.



## Corporate Data

Company name:	en-japan Inc.
Establishment:	January 14, 2000
Headquarters:	Shinjuku I-land Tower 6-5-1, Nishi-shinjuku, Shinjuku-ku, Tokyo
Capital:	¥770.72 million
Number of employees:	179
Business:	<ol style="list-style-type: none"> <li>1. Planning, development and provision of Internet-based recruitment and job search information services and operations and management of the systems</li> <li>2. Consultation regarding recruitment and job search</li> </ol>

## Directors and Auditors

President:	Michikatsu Ochi
Director:	Takeshi Kawamoto
Director:	Takatsugu Suzuki
Corporate Auditor:	Masamichi Kanri
Corporate Auditor:	Hidetoshi Ogawa
Corporate Auditor:	Hideo Kuraoka

## Offices

Osaka:	3-4-30 Miyahara, Yodogawa-ku, Osaka
Nagoya:	3-26-10 Tsutsui, Higashi-ku, Nagoya
Yokohama:	2-10-33 Kitasaiwai, Nishi-ku, Yokohama

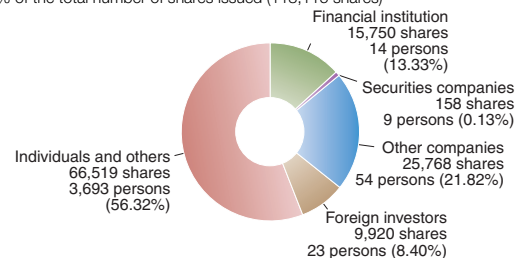
## Stock Information

■ Number of Shares Authorized:	468,000 shares
■ Issued:	118,115 shares
■ Number of shareholders:	3,793
■ Major Shareholders	

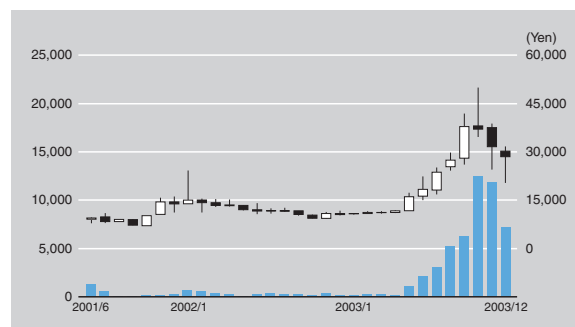
Company	Number of shares held	Ratio of shares held (%)
Michikatsu Ochi	33,876	28.68
MO Soken Co., Ltd.	10,800	9.14
en Kikaku Co., Ltd.	10,800	9.14
Japan Trustee Services Bank, Ltd. (trust account)	9,184	7.77
Kozo Ochi	7,470	6.32
Akiyuki Ochi	5,670	4.80
Nihon Brain Center Co., Ltd.	3,456	2.92
Goldman Sachs International	3,335	2.82
Ireland Special Jasdric Lending Account	1,960	1.65
The Master Trust Bank of Japan, Ltd. (trust account)	1,700	1.43

## ■ Breakdown of shareholders

% of the total number of shares issued (118,115 shares)



## ■ Stock Price (Adjusted) and Traded Volume



## ■ Information for Shareholders

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Fiscal year-end:	December 31
Annual general meeting of shareholders:	March
Record date:	December 31 of each year
Transfer agent:	UFJ Trust Bank, Ltd. 1-4-3 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent administrative office:	Corporate Agency Dept., UFJ Trust Bank, Ltd. 1-4-3 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent administrative office:	Corporate Agency Dept., UFJ Trust Bank, Ltd. 7-10-11 Higashisuna, Koto-ku, Tokyo
Distribution agent:	UFJ Trust Bank, Ltd. (all branches nationwide)
Public announcements:	Nihon Keizai Shimbun

Information on balance sheets and statements of income are available at the following website.  
<http://www.en-japan.com/company/ir/index.html>

## en-japan Inc.

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- Website: <http://www.en-japan.com/company/>

