

en-japan inc.



1st Quarter FY March 2014 Earnings Announcement [Japan GAAP] (Consolidated)

August 12, 2013

Company Name	en-japan inc.	Listing Exchanges	Tokyo Stock Exchange (Jasdaq Market)
Stock Code	4849	URL	http://corp.en-japan.com/
Representative (Title)	President	(Name)	Takatsugu Suzuki
Contact (Title)	Vice President and Managing Director, Administration Office	(Name)	Takashi Fujino
Scheduled date for submission of Quarterly Report	August 13, 2013	Telephone	+81-3-3342-4506
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 2014 Cumulative First Quarter Operating Results (From April 1, 2013 to June 30, 2013)

(1) Consolidated Operating Results (cumulative) (percentages indicate percent change from prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 3/14 1st Qtr	3,651	10.7	713	-1.4	901	15.3	1,771	278.6
FYE 3/13 1st Qtr	3,297	–	723	–	782	–	467	–

(Note) Comprehensive income FYE3/14 1st Qtr 741 million yen (29.4%) FYE 3/13 1st Qtr 572 million yen (-%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/14 1st Qtr	7,982.28	–
FYE 3/13 1st Qtr	2,110.92	2,109.86

(Note) 1. Year-on-year changes from the first quarter of FYE 3/12 until the first quarter of FYE 3/13 are not shown above because the first quarter of FYE 3/13 and the first quarter of FYE 3/12 differ in terms of months subject to comparison, due to a change in the fiscal year-end in FYE 3/12.

2. Fully diluted EPS for the first quarter of FYE 3/14 are not shown above because there are no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/14 1st Qtr	19,124	15,544	80.9
FYE 3/13	18,463	15,278	82.7

(Reference) Core capital FYE 3/14 1st Qtr 15,467 million yen FYE 3/13 15,278 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 3/13	–	0.00	–	1,950.00	1,950.00
FYE 3/14	–				
FYE 3/14 (projected)		0.00	–	21.50	21.50

(Note) 1. Revisions to the Company's latest dividend forecast: None

2. The Company plans to implement a 100-for-1 stock split effective on October 1, 2013. Therefore, dividend per share at the end of FYE 3/14 (projected) shown in the table above takes into account the effects of the stock split. For details, please refer to "Explanation regarding appropriate use of operating results projections, other special notes."

3. FY Ending March 2014 Projected Consolidated Operating Results (April 1, 2013 - March 31, 2014)

(Percentages indicate percent change from the prior fiscal year for full-year results and percent change from the same quarter of the prior fiscal year for quarterly results)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	7,270	13.0	1,130	-11.8	1,190	-12.4	1,925	138.7	8,674.38
Full year	16,300	20.2	3,200	15.0	3,280	15.5	2,900	87.6	130.68

(Note) 1. Revisions to the Company's latest operating results projections: None

2. EPS for the projected consolidated operating results of FYE 3/14 (full year) take into account the effects of the 100-for-1 stock split. For details, please refer to "Explanation regarding appropriate use of operating results projections, other special notes."

* Notes

- (1) Changes in major subsidiaries during the cumulative quarter under review (Change in specific subsidiaries that will accompany a change in scope of consolidation) Yes
 Newly included 2 companies (Name of company) en-Asia holdings Limited
 Navigos Group, Ltd.

(Note) Five companies including Cbase Corporation were added to the scope of consolidation from the first quarter of the fiscal year under review, although these companies are not specified subsidiaries. For details, please refer to "Summary Information (Notes) (1) Changes in status of material subsidiaries during the cumulative quarter under review" on page 3 of the Attachments.

- (2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements No
- (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 stock)

- a. Number of shares issued at the end of the period (including treasury stock)
- | | | | |
|------------------|----------------|----------|----------------|
| FYE 3/14 1st Qtr | 246,418 shares | FYE 3/13 | 246,418 shares |
|------------------|----------------|----------|----------------|
- b. Number of shares of treasury stock at the end of the period
- | | | | |
|------------------|---------------|----------|---------------|
| FYE 3/14 1st Qtr | 24,500 shares | FYE 3/13 | 24,500 shares |
|------------------|---------------|----------|---------------|
- c. Average number of shares issued during the period (Quarter Year-to-Date)
- | | | | |
|------------------|----------------|------------------|----------------|
| FYE 3/14 1st Qtr | 221,918 shares | FYE 3/13 1st Qtr | 221,638 shares |
|------------------|----------------|------------------|----------------|

Notes regarding the number of shares issued

Notice regarding quarterly review procedures

- This quarterly earnings announcement is not within the scope of the quarterly review procedure under the Financial Instruments and Exchange Act. As of the time of disclosure of this quarterly earnings announcement, the quarterly review procedure over the quarterly consolidated financial statements is in process.

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

(Notes concerning forward-looking statements)

- 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.

(Projected operating results and dividend after stock split)

On May 24, 2013, the Company decided to implement a stock split (100-for-1 split for common stocks) and introduce the unit share system (number of unit shares: 100) effective on October 1, 2013.

Consolidated projected operating results and projected dividend for FYE 3/14 without the effects of the stock split are as follows.

1. Consolidated projected operating results for FYE 3/14

EPS

Year-end: ¥13,067.89

2. Projected dividend for FYE 3/14

Dividend per share

Year-end: ¥2,150.00

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

As announced in “Notice Regarding Changes in Scope of Consolidated Accounting” as of May 10, 2013, the Company added seven overseas affiliates and one domestic affiliate to the scope of consolidation from the quarter under review.

(1) Explanation of Operating Results

During the cumulative first quarter of the fiscal year ending March 31, 2014, business confidence improved due to economic policies including the government’s monetary relaxation.

The employment environment has been recovering gradually with a jobs-to-applicants ratio of 0.92 (up 0.02 point from the previous month) and overall unemployment rate of 3.9% (3% level for the first time in four years and eight months) in June 2013.

Under such circumstances, the en-japan Group reinforced measures to improve the close rate of contingent-fee-type job advertising and sales of new products on its mainstay website, [en] Career Change Info. The Group also expanded the product lineup with the full-scale launch of its job placement service, [en] PARTNER.

en world Japan K.K., a job placement agency targeting global companies in Japan, promoted enhancing the capabilities of new staff and conducted aggressive sales activities.

In its overseas business, in April 2013, the Company acquired “Navigos Group,” operator of the No. 1 recruiting website in Vietnam and provider of job placement services. Vietnam is politically and economically stable, and its personnel business market is expected to grow significantly, backed by a low average age and a population of about 90 million people. The Company aims to grow Navigos further by combining the Group’s expertise in job advertising and job placement with the advantages of “Navigos Group,” which has the largest share in Vietnam.

As a result, the Company recorded net sales of ¥3,651 million (up 10.7% on a year-on-year basis), operating income of ¥713 million (down 1.4% on a year-on-year basis), ordinary income of ¥901 million (up 15.3% on a year-on-year basis) and net income of ¥1,771 million (up 278.6% on a year-on-year basis) for the cumulative first quarter of the fiscal year ending March 31, 2014.

[1] Mid-Career Hiring Business

In [en] Career Change Info, the number of persons joining companies exceeded the plan as well as that in the same quarter of the previous fiscal year due to successful measures the Company implemented to improve the close rate of contingent-fee-type job advertising in the previous quarter. The number of persons joining companies for the new contingent-fee-type job advertising also grew steadily. The Company reinforced the organizational structure through the full-scale operation of [en] PARTNER, a job placement service positioned as the Company’s prioritized service in the contingent-fee-type product category, and increasing the number of sales personnel and consultants. As a result, [en] Career Change Info posted net sales that exceeded those in the same quarter of the previous fiscal year.

At [en] Temporary Placement Info, both the number of company listings and net sales increased year on year, mainly as a result of achieving favorable sales of new products for small temporary staffing companies.

[en] Career Change Consultant posted net sales above those for the same quarter of the previous fiscal year, due to a recovering job placement market and expanded sales to job placement agencies.

At [en] New Career Challenges, demand for sales and administrative positions targeting young applicants with limited experience was high. As a result, net sales exceeded the plan.

[en] Temp to Perm Info posted net sales as planned due to the smooth transfer from trial listings after the site opened in December 2012 to paid listings.

Net sales at en world Japan K.K. exceeded those for the same quarter of the previous fiscal year, due to strong hiring needs among client companies, especially in consumer goods, medical care, and IT, and the effectiveness of the skills developed by staff members employed during the previous fiscal year.

The Company added seven overseas affiliates to the scope of consolidation. The Company is committed to increasing the profitability of the overseas group companies and to aggressive global expansion mainly by M&A.

As a result, net sales were ¥3,341 million (up 12.7% on a year-on-year basis), and operating income were ¥867 million (up 3.5% on a year-on-year basis) for the cumulative first quarter of the fiscal year ending March 31, 2014.

[2] New Graduate Hiring Business

[en] Job Info for Students, a site that lists employment information specializing in “strong mid-sized companies, SME, and venture

companies,” further promoted acquiring new members backed by the revitalization of the new graduate hiring market. In addition, in preparation for the opening of [en] Job Info for Students 2015 in December, the Company reinforced sales of products that provide support to employees who join companies through the Company’s site for three years so that they can settle in smoothly and play an active role. The Company also expanded the product lineup by launching [en] Meet my work with "TAIKAN," a service that eliminates entry sheet and aptitude tests, and starts selection from trial employment.

As a result, net sales were ¥190 million (down 14.5% on a year-on-year basis), and operating loss was ¥171 million (operating loss of ¥93 million in for same quarter of the previous fiscal year) for the cumulative first quarter of the fiscal year ending March 31, 2014.

[3] Education/Evaluation Business

The number of corporate members of the flat-rate training service en-College increased, due to new orders and improved repeat business rate resulting from aggressive sales activities and measures to continue contracts from the previous fiscal year prior to April when contract renewals were concentrated.

The Company added one domestic affiliate to the scope of consolidation at the beginning of the fiscal year under review.

As a result, net sales were ¥126 million (up 55.4% on a year-on-year basis), and operating income was ¥16 million (down 17.1% on a year-on-year basis) for the cumulative first quarter of the fiscal year ending March 31, 2014.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year ending in March 31, 2014 increased ¥660 million compared to the end of the previous fiscal year to ¥19,124 million. This mainly reflected an increase in goodwill of ¥2,230 million and in cash and deposits of ¥470 million, as a result of the change in the scope of consolidation from the first quarter of the fiscal year under review, and also a decrease in investment securities of ¥2,006 million due to sales of owned shares.

Total liabilities at the end of the first quarter of the fiscal year under review were ¥3,579 million, an increase of ¥394 million compared to the end of the previous fiscal year. This was mainly due to an increase in income taxes payable of ¥573 million, an increase in other current liabilities of ¥399 million and a decrease in deferred tax liabilities of ¥432 million.

Total net assets were ¥15,544 million, up ¥266 million compared to the end of the previous fiscal year. The growth in net assets was mainly the result of recording net income for the quarter under review, an increase in retained earnings of ¥1,205 million as a result of dividend payments, and a decrease in the valuation difference on available-for-sale securities of ¥1,048 million.

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

There is no change to the operating results projections for the half year and the full year for the fiscal year ending March 31, 2014, which were announced on May 16, 2013.

2. Summary Information (Notes)

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

Starting from the first quarter of the fiscal year under review, Navigos Group, Ltd., in which the Company acquired shares, and en-Asia holdings Limited, whose significance increased, were added to the scope of consolidation.

Starting from the first quarter of the fiscal year under review, Navigos Group Joint Stock Company, in which the Company acquired shares, Cbase Corporation, en world Singapore Pte. Ltd., en world Hong Kong Limited, Calibrate Recruitment Pty Ltd., and en world Korea Co., Ltd., whose significance all increased, were added to the scope of consolidation, although these companies are not specified subsidiaries.

(2) Adoption of Special Accounting Treatment used in Preparation of the Quarterly Consolidated Financial Statements

The Company had no material items to report.

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

The Company had no material items to report.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Thousand yen)

	Previous Fiscal Year (As of March 31, 2013)	First Quarter of Current Fiscal Year (As of June 30, 2013)
Assets		
Current Assets		
Cash and deposits	10,349,167	10,820,140
Notes and accounts receivable-trade	1,340,466	1,486,603
Other	626,237	441,507
Allowance for doubtful accounts	-19,577	-18,949
Total Current Assets	12,296,293	12,729,303
Noncurrent Assets		
Property, plant and equipment	497,337	502,022
Intangible assets		
Goodwill	1,301,141	3,531,902
Other	793,143	974,098
Total intangible assets	2,094,284	4,506,001
Investments and other assets		
Investment securities	2,289,226	282,443
Other	1,287,726	1,105,465
Allowance for doubtful accounts	-880	-1,147
Total investments and other assets	3,576,072	1,386,762
Total Noncurrent Assets	6,167,694	6,394,786
Total Assets	18,463,988	19,124,089
Liabilities		
Current Liabilities		
Accounts payable-trade	41,697	22,910
Income taxes payable	469,094	1,042,104
Provision for bonuses	501,889	378,843
Other	1,540,840	1,939,989
Total Current Liabilities	2,553,522	3,383,848
Noncurrent liabilities		
Long-term accounts payable-other	102,850	109,814
Lease liabilities	41,039	30,300
Asset retirement obligations	55,497	55,686
Deferred tax liabilities	432,674	—
Total Noncurrent Liabilities	632,062	195,802
Total Liabilities	3,185,584	3,579,650
Net Assets		
Shareholders' Equity		
Capital stock	986,144	986,144
Capital surplus	1,452,708	1,452,708
Retained earnings	15,219,016	16,424,638
Treasury stock	-3,438,187	-3,438,187
Total Shareholders' Equity	14,219,682	15,425,304
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	1,042,266	-6,386
Foreign currency translation adjustment	16,455	48,307
Total Accumulated Other Comprehensive Income	1,058,722	41,920
Minority Interests	—	77,213
Total Net Assets	15,278,404	15,544,438
Total Liabilities and Net Assets	18,463,988	19,124,089

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

Quarterly Consolidated Statements of Income

Cumulative First Quarter

(Unit: Thousand yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2012 to June 30, 2012)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2013 to June 30, 2013)
Net sales	3,297,271	3,651,532
Cost of sales	472,810	432,347
Gross profit	2,824,461	3,219,185
Selling, general and administrative expenses	2,100,924	2,506,014
Operating income	723,536	713,171
Non-operating income		
Interest income	4,478	172
Dividends income	32,500	37,500
Equity in earnings of affiliates	20,510	21,154
Foreign exchange gain	—	131,970
Gain on investments in partnership	1,046	—
Miscellaneous income	2,574	2,784
Total non-operating income	61,109	193,581
Non-operating expenses		
Loss on investments in partnership	—	1,641
Miscellaneous loss	2,458	3,484
Total non-operating expenses	2,458	5,125
Ordinary income	782,186	901,626
Extraordinary income		
Gain on sales of investment securities	—	1,998,097
Total extraordinary income	—	1,998,097
Extraordinary loss		
Loss on retirement of noncurrent assets	229	104
Total extraordinary loss	229	104
Income before income taxes and minority interests	781,956	2,899,620
Income taxes-current	169,827	1,084,742
Income taxes-deferred	144,268	49,884
Total income taxes	314,096	1,134,626
Income before minority interests	467,860	1,764,993
Minority interests in income	—	-6,419
Net income	467,860	1,771,412

Quarterly Consolidated Statements of Comprehensive Income

Cumulative First Quarter

(Unit: Thousand yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2012 to June 30, 2012)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2013 to June 30, 2013)
Income before minority interests	467,860	1,764,993
Other comprehensive income		
Valuation difference on available-for-sale securities	89,343	-1,048,652
Foreign currency translation adjustment	—	-715
Share of other comprehensive income of associates accounted for by equity method	15,654	25,683
Total other comprehensive income	104,997	-1,023,684
Comprehensive income	572,857	741,308
(Break down)		
Comprehensive income attributable to owners of the parent	572,857	747,727
Comprehensive income attributable to minority interests	—	-6,419

(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)

Cumulative first quarter of the fiscal year under review (from April 1, 2013 to June 30, 2013)

There are no pertinent items.

(Segment Information)

[Segment Information]

I Cumulative first quarter of the previous fiscal year (April 1, 2012 to June 30, 2012)

1 Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reporting segments				Others (Notes)	Amount recorded in quarterly consolidated statements of income
	Mid-Career Hiring Business	New Graduate Hiring Business	Education/ Evaluation Business	Total		
Net sales						
Sales to outside customers	2,964,645	222,624	81,431	3,268,700	28,570	3,297,271
Internal sales among segments, transfers	—	—	—	—	—	—
Total	2,964,645	222,624	81,431	3,268,700	28,570	3,297,271
Segment profit/loss (-)	838,346	-93,625	20,380	765,101	-41,565	723,536

(Note) "Other" includes the [en] Wedding and FINE businesses that are not included in the three reporting segments.

2 Information concerning impairment loss or goodwill on fixed assets by segment

There are no pertinent items.

II Cumulative first quarter of the fiscal year under review (from April 1, 2013 to June 30, 2013)

1 Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reporting segments				Adjustments (Note)	Amount recorded in quarterly consolidated statements of income
	Mid-Career Hiring Business	New Graduate Hiring Business	Education/ Evaluation Business	Total		
Net sales						
Sales to outside customers	3,340,771	190,301	120,460	3,651,532	—	3,651,532
Internal sales among segments, transfers	600	—	6,093	6,693	-6,693	—
Total	3,341,371	190,301	126,553	3,658,225	-6,693	3,651,532
Segment profit/loss (-)	867,375	-171,092	16,888	713,171	—	713,171

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

2 Information concerning impairment loss or goodwill on fixed assets by segment

(Significant change in amount of goodwill)

Since the Company acquired shares of Navigos Group, Ltd. in the cumulative first quarter of the fiscal year under review, there occurred a significant change in the amount of goodwill of the “Mid-Career Hiring Business” segment.

The amount of goodwill recorded for this event was ¥2,043,415,000, which was calculated provisionally because allocation of the acquisition cost had not been completed.

(Business Combination, etc.)

Business combination due to acquisition

1. Summary of business combination

(1) Name and business of acquired company

Name of acquired company: Navigos Group, Ltd.

Business: Operation of recruiting websites, provision of career change service by job placement

(2) Major reason for business combination

Navigos Group operates “VietnamWorks,” the biggest recruiting website in Vietnam and provides “Navigos Search,” the largest job placement service in the country. The Company believes Navigos will grow significantly as the market expands.

Because overseas expansion mainly in the Asia Pacific region is one of the Company’s important objectives, the Company acquired shares of Navigos Group, Ltd.

(3) Date of business combination

April 26, 2013

(4) Legal form of business combination

Acquisition of shares with cash

(5) Company name after business combination

Navigos Group, Ltd.

(6) Voting right ratio acquired

89.8%

(7) Major reason for determining company to acquire

The Company acquired its shares in exchange for cash.

2. Period of acquired company's operating results included in the quarterly consolidated statements of income for the consolidated accounting period

Operating results of acquired company were not included in the cumulative first quarter of the fiscal year under review.

3. Acquisition cost of acquired company and its breakdown

Compensation for acquisition	¥2,061,527,000
Expenses directly required for acquisition (Advisory fee, etc.)	¥65,999,000
Acquisition cost	¥2,127,526,000

4. Amount of goodwill generated, reason for its generation, and method/period of amortization

(1) Amount of goodwill generated

¥2,043,415,000

The amount of goodwill recorded for this event was ¥2,043,415,000, which was calculated provisionally because allocation of the acquisition cost had not been completed.

(2) Reason for generation of goodwill

Any difference between net amount allocated to assets taken over and liabilities assumed and acquisition cost is recorded as goodwill. Goodwill in this case is future excess earning power expected due to the growth of Navigos Group, which has the largest share of the personnel business market in Vietnam, a market that is expected to expand.

(3) Method/Period of amortization

Straight-line method over 15 years