

en-japan inc.



3rd Quarter FY March 2014 Earnings Announcement [Japan GAAP] (Consolidated)

February 7, 2014

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
	Vice President and		
Contact (Title)	Managing Director,	(Name)	Takashi Fujino
	Administration Office		Telephone +81-3-3342-4506
Scheduled date for submission of Quarterly Report	February 10, 2014		
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 Third Quarter Operating Results (From April 1, 2013 to December 31, 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 3rd Qtr	12,080	18.0	2,793	20.6	3,100	29.7	3,089	111.6
FYE 3/13 3rd Qtr	10,236	-	2,316	-	2,390	-	1,459	-

(Note) Comprehensive income FYE3/14 3rd Qtr 2,090 million yen (20.2%) FYE 3/13 3rd Qtr 1,738 million yen (-%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/14 3rd Qtr	139.21	-
FYE 3/13 3rd Qtr	65.86	65.83

(Note) 1. Year-on-year changes from the third quarter of FYE 3/12 until the third quarter of FYE 3/13 are not shown above because the third quarter of FYE 3/13 and the third 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 third quarter of FYE 3/14 are not shown above because there are no dilutive shares.

3. The Company implemented a 100-for-1 stock split effective on October 1, 2013. Therefore, EPS and fully diluted EPS are calculated assuming that the stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/14 3rd Qtr	20,895	16,845	80.1
FYE 3/13	18,463	15,278	82.7

(Reference) Core capital FYE 3/14 3rd Qtr 16,733 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	-	0.00	-		
FYE 3/14 (projected)				21.50	21.50

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

2. The Company implemented a 100-for-1 stock split effective on October 1, 2013 and made the share unit 100 shares. Therefore, dividend per share at the end of FYE3/14 (projected) shown in the table above takes into account the effects of the stock split. Dividend per share at the end of FYE3/13 shows the actual amount of dividend before the implementation of the stock split.

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

(Percentages indicate percentage changes from the prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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 full-year projected consolidated operating results take into account the effects of the 100-for-1 stock split implemented on October 1, 2013.

* 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) In addition to the above, seven overseas subsidiaries and one domestic subsidiary have been added to the scope of consolidation, 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

Note on adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements

(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 3rd Qtr 24,641,800 shares FYE 3/13 24,641,800 shares

b. Number of shares of treasury stock at the end of the period

FYE 3/14 3rd Qtr 2,450,000 shares FYE 3/13 2,450,000 shares

c. Average number of shares issued during the period (Quarter Year-to-Date)

FYE 3/14 3rd Qtr 22,191,800 shares FYE 3/13 3rd Qtr 22,164,100 shares

(Note) The Company implemented a 100-for-1 stock split effective on October 1, 2013 and made the share unit 100 shares. Number of shares issued at the end of the period (including treasury stock), number of shares of treasury stock at the end of period and average number of shares issued during the period (quarter year-to-date) are calculated assuming that the stock split was implemented at the beginning of the previous fiscal year.

* 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.

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

The Company added nine overseas affiliates and one domestic affiliate to the scope of consolidation from the quarter under review.

(1) Explanation of Operating Results

During the cumulative third quarter of the fiscal year ending March 31, 2014, the Japanese economy recovered as a whole thanks to the improvement in corporate earnings while the current government's economic policies took effect.

The employment environment continued to improve as firms' recruiting needs strengthened, and the jobs-to-applicant ratio recovered to 1.03 in December 2013 for the first time since September 2007.

Under such circumstances, the en-japan Group continued to reinforce the marketing of its mainstay website [en] Career Change Info to new customers and stepped up its efforts to enhance the quality of advertisements. In the job placement service [en] PARTNER, the Group continued to enhance its organization and personnel structure and implemented various measures to expand its service.

Furthermore, with the job market becoming more buoyant, the Group undertook an active advertisement campaign through offline promotion activities of posting advertisements in stations and trains to increase job seekers' awareness of en-japan.

The Group also renewed its [en] Career Change Consultant service in December 2013 to appeal to job seekers in the middle class or above.

With regards to overseas business, the Group acquired a Thai job placement agency called The Capstone Group Recruitment and Consulting (Thailand) Ltd. (hereinafter called "Capstone") in December 2013. Thailand has a larger economic scale compared to other ASEAN countries, and salary of corporate management-level employees in Thailand is higher than in other countries in the region. The job placement market there continues growing as well. Since Capstone has strengths especially in job placement for executives and highly paid professionals, the Group believes that Capstone can grow even further by combining its strengths with the en-japan Group's customer assets and know-how regarding Japanese and global firms.

As a result, the Company recorded net sales of ¥12,080 million (up 18.0% on a year-on-year basis), operating income of ¥2,793 million (up 20.6% on a year-on-year basis), ordinary income of ¥3,100 million (up 29.7% on a year-on-year basis) and net income of ¥3,089 million (up 111.6% on a year-on-year basis) for the cumulative third quarter of the fiscal year ending March 31, 2014.

[1] Mid-Career Hiring Business

In [en] Career Change Info, the number of job listings increased year on year and, more companies used option services thanks to stronger needs for job advertising as a whole. In addition, in a job placement service [en] PARTNER, the number of people placed in new companies and net sales grew significantly from the previous quarter. As a result, [en] Career Change Info posted net sales that exceeded those in the same quarter of the previous fiscal year.

[en] Career Change Consultant posted net sales above those for the same quarter of the preceding fiscal year, due to an increase in job listings on the back of a recovering job placement market and expanded sales to job placement agencies.

At [en] Temporary Placement Info, orders received from temporary staffing companies grew as companies' needs to hire temporary staff continued to be strong, and the number of company listings increased as the Company reinforced its marketing efforts to acquire new corporate customers. As a result, net sales grew from the same period of the preceding fiscal year.

At [en] Nes Career Challenges that covers hiring needs of temporary staffing companies for young applicants with little experience, net sales exceeded the plan by the virtue of strong demand for sales positions.

At [en] Temp to Perm Info that covers temporary to permanent hiring needs by temporary staffing companies, net sales increased steadily reflecting rising needs for such service by middle-and-large-sized temporary staffing companies.

Net sales at En World Japan K.K. exceeded those for the same quarter of the previous fiscal year due to strong hiring demand among foreign client companies and more aggressive marketing activities that involved increased contact with customers.

From the fiscal year under review, operating results of overseas business have been added as the Company included overseas subsidiaries in the scope of consolidation.

As a result, net sales were ¥10,665 million (up 21.0% on a year-on-year basis), and operating income were ¥2,728 million (up 28.3% on a year-on-year basis) for the cumulative third quarter of the fiscal year ending March 31, 2014.

[2] New Graduate Hiring Business

With improvement in business sentiment, firms' new graduate hiring activities invigorated and large companies increased the number of persons hired. To respond to such situation, the Company engaged in aggressive promotion of [en] Job Info for Students 2015, targeted at students graduating in March 2015. As a result, the number of both members and entries as of the date of the site's launch on December 1, 2013 exceeded those of the previous year. Nonetheless, on the operation front, net sales declined from the preceding year as the Company was unable to receive orders as anticipated due to intensified competition.

As a result, net sales were ¥1,010 million (down 13.5% on a year-on-year basis), and operating loss was ¥21 million (operating income of ¥190 million in for same quarter of the previous fiscal year) for the cumulative third quarter of the fiscal year ending March 31, 2014.

[3] Education/Evaluation Business

In "en-College", the flat-rate training service, repeat rate improved as the Company shared best practices with existing corporate members and held events aimed at promoting its effect. In addition, the number of new corporate members grew as the Company made efforts to acquire new corporate members, and net sales exceeded those in the same quarter of the previous fiscal year.

In addition, business performance of a newly consolidated subsidiary, Cbase Corporation, was favorable, and net sales exceeded the plan.

As a result, net sales were ¥443 million (up 97.6% on a year-on-year basis), and operating income was ¥86 million (up 141.3% on a year-on-year basis) for the cumulative third quarter of the fiscal year ending March 31, 2014.

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the third quarter of the fiscal year ending in March 31, 2014 increased ¥2,431 million compared to the end of the previous fiscal year to ¥20,895 million. This mainly reflected an increase in current assets of ¥1,538 million due to an increase in cash and deposits, etc.; an increase in noncurrent assets of ¥2,693 million as a result of a rise in goodwill caused by the acquisition of a subsidiary involving a change in the scope of consolidation; and a decrease in investment securities of ¥1,905 million stemming from sales of owned shares.

Total liabilities at the end of the third quarter of the fiscal year under review were ¥4,049 million, an increase of ¥864 million compared to the end of the previous fiscal year. This was mainly due to an increase in income taxes payable of ¥1,085 million in current liabilities and a decrease in deferred tax liabilities of ¥432 million in noncurrent liabilities.

Total net assets were ¥16,845 million, up ¥1,567 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 2,524 million as a result of dividend payments, and a decrease in the valuation difference on available-for-sale securities of ¥1,035 million.

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

Concerning consolidated operating results projections for the fiscal year ending March 31, 2014, there is no change from the projections 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 ending March 31, 2014, 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 ending March 31, 2014, 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.

From the cumulative third quarter of the fiscal year under review, The Capstone Group Recruitment and Consulting (Thailand) Ltd., whose shares were newly acquired by the Company, and a newly established company, En Holdings (Thailand) Ltd., have been included in the scope of consolidation

(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)	Third Quarter of Current Fiscal Year (As of December 31, 2013)
Assets		
Current Assets		
Cash and deposits	10,349,167	10,819,984
Notes and accounts receivable-trade	1,340,466	1,984,652
Short-term investment securities	—	500,000
Other	626,237	542,527
Allowance for doubtful accounts	-19,577	-12,299
Total Current Assets	12,296,293	13,834,865
Noncurrent Assets		
Property, plant and equipment	497,337	594,358
Intangible assets		
Goodwill	1,301,141	3,541,272
Other	793,143	1,246,389
Total intangible assets	2,094,284	4,787,662
Investments and other assets		
Investment securities	2,289,226	383,963
Other	1,287,726	1,297,714
Allowance for doubtful accounts	-880	-2,686
Total investments and other assets	3,576,072	1,678,991
Total Noncurrent Assets	6,167,694	7,061,012
Total Assets	18,463,988	20,895,877
Liabilities		
Current Liabilities		
Accounts payable-trade	41,697	32,311
Income taxes payable	469,094	1,554,134
Provision for bonuses	501,889	430,016
Other	1,540,840	1,788,451
Total Current Liabilities	2,553,522	3,804,913
Noncurrent liabilities		
Long-term accounts payable-other	102,850	155,144
Lease liabilities	41,039	18,711
Long-term loans payable	—	3,198
Asset retirement obligations	55,497	67,968
Deferred tax liabilities	432,674	—
Total Noncurrent Liabilities	632,062	245,023
Total Liabilities	3,185,584	4,049,936
Net Assets		
Shareholders' Equity		
Capital stock	986,144	986,144
Capital surplus	1,452,708	1,452,708
Retained earnings	15,219,016	17,743,034
Treasury stock	-3,438,187	-3,438,187
Total Shareholders' Equity	14,219,682	16,743,700
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	1,042,266	6,421
Foreign currency translation adjustment	16,455	-16,372
Total Accumulated Other Comprehensive Income	1,058,722	-9,951
Minority Interests	—	112,191
Total Net Assets	15,278,404	16,845,940
Total Liabilities and Net Assets	18,463,988	20,895,877

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

Quarterly Consolidated Statements of Income

Cumulative Third Quarter

(Unit: Thousand yen)

	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2012 to December 31, 2012)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2013 to December 31, 2013)
Net sales	10,236,550	12,080,983
Cost of sales	1,425,153	1,365,658
Gross profit	8,811,397	10,715,324
Selling, general and administrative expenses	6,495,344	7,921,875
Operating income	2,316,052	2,793,449
Non-operating income		
Interest income	10,720	7,623
Dividends income	36,374	37,500
Equity in earnings of affiliates	35,095	54,754
Gain on investments in partnership	—	31,128
Foreign exchange gain	5,516	175,314
Miscellaneous income	6,629	9,292
Total non-operating income	94,337	315,613
Non-operating expenses		
Loss on investments in partnership	2,662	—
Office transfer expenses	14,170	—
Miscellaneous loss	3,344	8,380
Total non-operating expenses	20,177	8,380
Ordinary income	2,390,212	3,100,682
Extraordinary income		
Gain on sales of investment securities	12,973	2,030,865
Gain on sales of subsidiaries and affiliates' stocks	58,122	—
Total extraordinary income	71,095	2,030,865
Extraordinary loss		
Loss on retirement of noncurrent assets	1,593	10,563
Loss on valuation of investment securities	20,665	—
Total extraordinary loss	22,258	10,563
Income before income taxes and minority interests	2,439,049	5,120,984
Income taxes-current	813,851	2,037,822
Income taxes-deferred	165,415	-18,774
Total income taxes	979,266	2,019,047
Income before minority interests	1,459,782	3,101,937
Minority interests in income	—	12,616
Net income	1,459,782	3,089,320

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Third Quarter

(Unit: Thousand yen)

	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2012 to December 31, 2012)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2013 to December 31, 2013)
Income before minority interests	1,459,782	3,101,937
Other comprehensive income		
Valuation difference on available-for-sale securities	269,642	-1,035,844
Foreign currency translation adjustment	—	-1,554
Share of other comprehensive income of associates accounted for by equity method	9,076	25,521
Total other comprehensive income	278,719	-1,011,877
Comprehensive income	1,738,501	2,090,059
(Break down)		
Comprehensive income attributable to owners of the parent	1,738,501	2,077,442
Comprehensive income attributable to minority interests	—	12,616

(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 third quarter of the fiscal year under review (from April 1, 2013 to December 31, 2013)

There are no pertinent items.

(Segment Information)

[Segment Information]

I Cumulative third quarter of the previous fiscal year (April 1, 2012 to December 31, 2012)

1 Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reportable 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	8,811,082	1,167,903	224,270	10,203,256	33,293	10,236,550
Internal sales among segments, transfers	—	—	—	—	—	—
Total	8,811,082	1,167,903	224,270	10,203,256	33,293	10,236,550
Segment profit/loss (-)	2,127,099	190,138	35,657	2,352,894	-36,842	2,316,052

(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 third quarter of the fiscal year under review (from April 1, 2013 to December 31, 2013)

1 Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reportable 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	10,652,286	1,010,444	418,251	12,080,983	—	12,080,983
Internal sales among segments, transfers	13,119	—	24,801	37,920	-37,920	—
Total	10,665,406	1,010,444	443,053	12,118,904	-37,920	12,080,983
Segment profit/loss (-)	2,728,226	-21,268	86,041	2,792,999	450	2,793,449

(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)

In the cumulative third quarter of the fiscal year under review, there has been a significant change in the amount of goodwill in the “Mid-career Hiring Business” segment since the Company acquired shares of Navigos Group, Ltd. and The Capstone Group Recruitment and Consulting (Thailand) Ltd.

The amount of change in goodwill due to the said transactions was ¥1,969,161,000 for Navigos Group, Ltd. and ¥187,762,000 for The Capstone Group Recruitment and Consulting (Thailand) Ltd., but these amounts have been calculated tentatively since allocation of the acquisition cost has not been completed.

(Business combination, etc.)

Business combination due to acquisition

1. Summary of business acquisition

(1) Name and business of acquired company

Name of acquired company: The Capstone Group Recruitment and Consulting (Thailand) Ltd. (hereinafter called “Capstone”)

Business: Job placement, temporary staffing service

(2) Major reason for business combination

Capstone has been operating in Thailand since 2002 with the main focus on the job placement business. Since Capstone has members with excellent skills, its strength lies in its ability to introduce management-level employees and especially executives and highly paid professionals.

In step with the economic growth in Thailand, many Japan-based and global companies have been developing business there. As a combination of Capstone’s business and en-japan Group’s customer assets and know-how is expected to generate a synergy effect, we believe that this investment will further drive the significant growth of Capstone.

(3) Date of business combination

December 2, 2013

(4) Legal form of business combination

Acquisition of shares by cash

(5) Company name after the business combination

The Capstone Group Recruitment and Consulting (Thailand) Ltd.

(6) Voting right ratio acquired

Voting right after share acquisition: 73.99% (of which indirect ownership 73.98%)

(7) Major reason for determining company to acquire

Because it acquired the acquiree’s share in exchange for cash consideration.

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

Operating results of the acquired company are not included in the Company’s consolidated statements of income for the cumulative third quarter of the fiscal year under review.

3. Acquisition cost of acquired company and its breakdown

Compensation for acquisition	¥218,470,000
<u>Expenses directly required for acquisition (advisory fee, etc.)</u>	<u>¥10,604,000</u>
Acquisition cost	¥229,074,000

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

(1) Amount of goodwill generated

¥187,762,000

The amount of goodwill recognized as a result of the transaction is ¥187,762,000, but this amount has been calculated tentatively since allocation of the acquisition cost has not been completed.

(2) Reason for generation of goodwill

The Company has recognized the difference between net amounts of assets acquired and liabilities assumed and the acquisition cost as goodwill. This amount represents the future excess earnings power of Capstone expected by the Company, as Capstone has strengths

in the job placement business while Thailand's job placement market has strong growth potential.

(3) Method/period of amortization

Straight-line method over 10 years