

en-japan inc.



1st Quarter FY March 2015 Earnings Announcement [Japan GAAP] (Consolidated)

August 11, 2014

Company Name	en-japan inc.	Listing Exchanges	Tokyo Stock Exchange (Jasdaq Market)
Stock Code	4849	URL	http://corp.en-japan.com/
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Scheduled date for submission of Quarterly Report	August 12, 2014	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 2015 Cumulative First Quarter Operating Results (From April 1, 2014 to June 30, 2014)

(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 3/15 1st Qtr	4,590	25.7	980	37.5	1,018	12.9	597	-66.3
FYE 3/14 1st Qtr	3,651	10.7	713	—	901	—	1,771	—

(Note) Comprehensive income FYE3/15 1st Qtr 528 million yen (-28.8%) FYE 3/14 1st Qtr 741 million yen (—%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/15 1st Qtr	26.65	—
FYE 3/14 1st Qtr	79.82	—

(Note) 1. Figures for the first quarter of FYE 3/14 reflect the retroactive application of a change in the accounting policy. Therefore, the percent change from prior fiscal year is not presented.

2. Fully diluted EPS 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 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 3/15 1st Qtr	20,976	17,164	80.9
FYE 3/14	22,733	17,135	74.8

(Reference) Core capital FYE 3/15 1st Qtr 16,963 million yen FYE 3/14 17,010 million yen

(Note) Figures for the FYE 3/14 reflect a retroactive application of a change in the accounting policy.

2. Dividends

	Dividends per Share				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
FYE 3/14	—	0.00	—	24.50	24.50
FYE 3/15	—				
FYE 3/15 (projected)		0.00	—	28.50	28.50

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

3. FY Ending March 2015 Projected Consolidated Operating Results (April 1, 2014 - March 31, 2015)

(Percentage for the full year indicates the percentage change from the prior fiscal year, and percentage for the half year indicates the percentage change from the same period of the prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	9,080	21.3	1,660	2.7	1,680	-8.0	1,000	-56.9	44.63
Full year	19,200	14.6	3,950	14.8	3,970	5.9	2,240	-19.7	99.96

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

* 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) No

Newly included None (Name of company)

Exclusion None (Name of company)

(Note) New Era India Consultancy Pvt. Ltd. has been added to the scope of consolidation starting from the first quarter of FYE 3/15 following the stock acquisition, although this company is not a specified subsidiary.

(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: Yes

b. Changes in accounting policy other than "a." No

c. Changes in accounting estimates: No

d. Restatement due to correction: No

(Note) For details, refer to "2. Summary Information (Notes) (3) Changes in Accounting Policy, Changes in Accounting Estimates, or Restatement due to Correction" on page 3 of the Attachments

(4) Number of shares issued (common stock)

a. Number of shares issued at the end of the period (including treasury stock)

FYE 3/15 1st Qtr 24,858,000 shares FYE 3/14 24,858,000 shares

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

FYE 3/15 1st Qtr 2,450,000 shares FYE 3/14 2,450,000 shares

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

FYE 3/15 1st Qtr 22,408,000 shares FYE 3/14 1st Qtr 22,191,800 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 over the quarterly financial statements has not yet been completed.

* 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

(1) Explanation of Operating Results

(12) The business environment of the human resources market where the en-japan Group operates continues to show a strong improvement as can be seen from the jobs-to-applicant ratio reaching 1.10 for the first time in the past 22 years.

Under such circumstances, the Group strengthened the two job placement services comprising en World Japan K.K. targeted at global human resources and en agent (formerly known as [en] PARTNER), which uses the database of en-japan, in addition to its mainstay website [en] Career Change Info service.

Concerning overseas development, the Group converted an Indian job placement company New Era India Consultancy Pvt. Ltd. into a consolidated subsidiary. This marked the 7th country in which the Group operates centering on Asia.

As a result, the Company recorded net sales of ¥4,590 million (up 25.7% on a year-on-year basis), operating income of ¥980 million (up 37.5% on a year-on-year basis), ordinary income of ¥1,018 million (up 12.9% on a year-on-year basis). Net income declined to ¥597 million (down 66.3% on a year-on-year basis) since the Company recorded a gain on sales of investment securities of ¥1,998 million.

Operating results by segment are as follows (net sales include internal sales).

The Company decided to terminate operation of its job advertisement website in the new graduate recruitment business at the end of March 2015 and change its business model. For this reason, the Company has changed its operating segment to “Hiring Business” and “Education/Evaluation Business” starting from the first quarter of the fiscal year ending March 31, 2015. Figures for the previous fiscal year have been restated to reflect the segment change for comparative purposes.

[1] Hiring Business

The Hiring Business comprises management of job advertisement website, provision of job placement services, and operations at overseas subsidiaries, among others.

(Job advertisement website)

As a result of reinforcing sales of the Group’s mainstay website [en] Career Change Info to new customers, the number of job listings increased year on year. Other websites also performed well; as a result, all of the other websites achieved higher net sales compared to the same period of the previous fiscal year.

(Job placement service)

Due to strong hiring demand from multinational companies, the company’s subsidiary en Japan K.K. generated sound operating results. In addition, en agent, a new job placement service launched by en-japan in the previous fiscal year, performed mostly in line with the initial target.

(Overseas subsidiaries)

Net sales from overseas subsidiaries grew significantly year on year because full-year operating results of consolidated subsidiaries in Thailand and Vietnam have been included in the consolidated operating results starting from the beginning of the fiscal year under review.

As a result, net sales were ¥4,443 million (up 25.8% on a year-on-year basis), and operating income were ¥976 million (up 40.3% on a year-on-year basis) for the first quarter of the fiscal year ending March 31, 2015.

[2] Education/Evaluation Business

The Education/Evaluation Business comprises a flat-rate training service and provision of recruiting and personnel-related system, among others

(Flat-rate training service)

The Company renewed en-College in May to offer training programs that better match the needs of individual audiences. As a result of strengthening marketing activities aimed at new clients in tandem with service renewal, the number of client companies increased from the same period of the prior fiscal year.

(Recruiting and personnel-related system)

Net sales grew year on year as repeat orders of a consolidated subsidiary Cbase Corporation grew, and the Company reinforced marketing activities for new clients.

As a result, net sales were ¥158 million (up 25.4% on a year-on-year basis). Operating income amounted to ¥4 million (down 76.3%

on a year-on-year basis), which was mainly due to a rise in personnel expenses following an increase in the number of staff supporting the Company's business expansion.

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the first quarter of the fiscal year ending in March 31, 2015 decreased ¥1,757 million compared to the end of the previous fiscal year to ¥20,976 million.

Current assets decreased ¥2,705 million to ¥13,107 million. This was mainly due to a decrease of cash and deposits of ¥2,611 million following payment of income taxes payable. Noncurrent assets increased ¥948 million to ¥7,868 million. This was primarily attributable to an increase of goodwill of ¥402 million following an acquisition of a subsidiary's shares, which led to a change in the scope of consolidation.

Total liabilities at the end of the first quarter of the fiscal year under review were ¥3,811 million, a decrease of ¥1,786 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥1,808 million to ¥3,370 million. This mainly stemmed from a decrease of income taxes payable of ¥1,705 million. Noncurrent liabilities rose ¥22 million to ¥441 million. This was primarily due to an increase in long-term accounts payable-other of ¥26 million.

Total net assets were ¥17,164 million, up ¥28 million compared to the end of the previous fiscal year.

This was mainly attributable to an increase in retained earnings of ¥18 million yen as a result of registering net income of ¥597 million and paying out a dividend of ¥578 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, 2015, there is no change from the projections announced on May 12, 2014.

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, 2015, New Era India Consultancy Pvt. Ltd., in which the Company newly acquired shares, has been added to 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 has adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (PITF No. 30 issued by the Accounting Standards Board of Japan on December 25, 2013) starting from the first quarter of the fiscal year ending March 31, 2015. Accordingly, the Company recognizes dividends from the Company for shares held by the trust and miscellaneous expenses concerning the trust to liabilities on a net basis.

This change in accounting policy was applied retroactively; consequently, the consolidated financial statements for the first quarter of the previous fiscal year and for the full previous fiscal year present the results after retroactive application.

As a result, noncurrent liabilities at the end of the previous fiscal year increased ¥51,066 thousand, and retained earnings and treasury stock decreased ¥51,295 thousand and ¥228 thousand, respectively, compared to the amount before retroactive application.

3. Significant Events related to Going Concern Assumptions

The Company had no material items to report.

4. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Unit: Thousand yen)

	Previous Fiscal Year (As of March 31, 2014)	First Quarter of Current Fiscal Year (As of June 30, 2014)
Assets		
Current Assets		
Cash and deposits	12,169,219	9,558,050
Notes and accounts receivable-trade	1,832,513	1,898,222
Short-term investment securities	1,000,000	1,018,795
Other	826,022	654,117
Allowance for doubtful accounts	-14,247	-21,536
Total Current Assets	15,813,507	13,107,649
Noncurrent Assets		
Property, plant and equipment	451,556	468,301
Intangible assets		
Goodwill	3,328,770	3,731,528
Other	1,450,976	1,627,779
Total intangible assets	4,779,746	5,359,307
Investments and other assets		
Investment securities	463,257	477,278
Stocks of subsidiaries and affiliates	327,106	325,134
Other	901,848	1,241,636
Allowance for doubtful accounts	-3,268	-3,206
Total investments and other assets	1,688,944	2,040,842
Total Noncurrent Assets	6,920,247	7,868,452
Total Assets	22,733,755	20,976,102
Liabilities		
Current Liabilities		
Accounts payable-trade	65,039	64,158
Income taxes payable	1,890,233	185,211
Provision for bonuses	593,920	487,314
Other provision	196,692	159,243
Other	2,433,217	2,474,412
Total Current Liabilities	5,179,103	3,370,340
Noncurrent liabilities		
Long-term loans payable	3,198	19,736
Provision for stock benefits	151,915	141,771
Asset retirement obligations	75,957	76,205
Long-term accounts payable-other	51,066	77,378
Lease liabilities	14,033	9,355
Deferred tax liabilities	122,669	116,610
Total Noncurrent Liabilities	418,841	441,058
Total Liabilities	5,597,944	3,811,398
Net Assets		
Shareholders' Equity		
Capital stock	1,194,993	1,194,993
Capital surplus	1,661,558	1,661,558
Retained earnings	17,391,831	17,410,541
Treasury stock	-3,437,958	-3,437,958
Total Shareholders' Equity	16,810,424	16,829,134
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	12,480	1,611
Foreign currency translation adjustment	187,122	132,702
Total Accumulated Other Comprehensive Income	199,602	134,313
Minority Interests	125,782	201,255
Total Net Assets	17,135,810	17,164,703
Total Liabilities and Net Assets	22,733,755	20,976,102

(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, 2013 to June 30, 2013)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2014 to June 30, 2014)
Net sales	3,651,532	4,590,096
Cost of sales	432,347	465,281
Gross profit	3,219,185	4,124,814
Selling, general and administrative expenses	2,506,014	3,144,110
Operating income	713,171	980,704
Non-operating income		
Interest income	172	4,695
Dividends income	37,500	187
Equity in earnings of affiliates	21,154	38,076
Foreign exchange gain	131,970	-
Gain on investments in partnership	-	6,575
Miscellaneous income	2,784	8,237
Total non-operating income	193,581	57,772
Non-operating expenses		
Loss on investments in partnership	1,641	-
Foreign exchange losses	-	14,379
Loss on valuation of investment securities	-	2,020
Miscellaneous loss	3,484	3,830
Total non-operating expenses	5,125	20,230
Ordinary income	901,626	1,018,246
Extraordinary income		
Gain on sales of investment securities	1,998,097	7,199
Total extraordinary income	1,998,097	7,199
Extraordinary loss		
Loss on retirement of noncurrent assets	104	19,692
Total extraordinary loss	104	19,692
Income before income taxes and minority interests	2,899,620	1,005,754
Income taxes-current	1,084,742	197,529
Income taxes-deferred	49,884	213,446
Total income taxes	1,134,626	410,975
Income before minority interests	1,764,993	594,778
Minority interests in loss	-6,419	-2,326
Net income	1,771,412	597,105

Quarterly Consolidated Statements of Comprehensive Income

Cumulative First Quarter

(Unit: Thousand yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2013 to June 30, 2013)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2014 to June 30, 2014)
Income before minority interests	1,764,993	594,778
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,048,652	-10,868
Foreign currency translation adjustment	-715	-59,558
Share of other comprehensive income of associates accounted for by equity method	25,683	3,803
Total other comprehensive income	-1,023,684	-66,624
Comprehensive income	741,308	528,154
(Break down)		
Comprehensive income attributable to owners of the parent	747,727	531,816
Comprehensive income attributable to minority interests	-6,419	-3,661

(3) Notes regarding Quarterly Consolidated Financial Statements

(Notes relating to the Going Concern Assumption)

There are no pertinent items.

(Notes on Significant Changes to Shareholders' Equity)

There are no pertinent items.

(Segment Information)

[Segment Information]

I Cumulative first quarter of the previous fiscal year (April 1, 2013 to June 30, 2013)

1 Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reportable segments			Adjustments (Notes)	Amount recorded in quarterly consolidated statements of income
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	3,531,072	120,460	3,651,532	—	3,651,532
Internal sales among segments, transfers	600	6,093	6,693	-6,693	—
Total	3,531,672	126,553	3,658,225	-6,693	3,651,532
Segment profit	696,282	16,888	713,171	—	713,171

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

2. Segment profit is adjusted from the operating income booked in the consolidated financial statements.

II Cumulative first quarter of the fiscal year under review (from April 1, 2014 to June 30, 2014)

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
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	4,440,079	150,016	4,590,096	—	4,590,096
Internal sales among segments, transfers	3,428—	8,641	12,070	-12,070	—
Total	4,443,508	158,657	4,602,166	-12,070	4,590,096
Segment profit	976,543	4,010	980,554	150	980,704

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

2. Segment profit is adjusted from the operating income booked in the consolidated financial statements.

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

(Significant change in amount of goodwill)

Because the Company acquired shares of New Era India Consultancy Pvt. Ltd. in the first quarter of the fiscal year under review, there has been a significant change to the amount of goodwill in the “Hiring Business” segment. The amount of goodwill booked as a result of the acquisition is ¥528,007 thousand, but this amount is based on a provisional calculation because allocation of the acquisition cost has not yet been completed.

3. Matters related to changes in the reporting segment

The Company decided to terminate operation of its job advertisement website in the new graduate recruitment business at the end of March 2015 and change its business model. For this reason, the Company has changed its operating segment to “Hiring Business” and “Education/Evaluation Business” starting from the first quarter of the fiscal year ending March 31, 2015.

Figures presented in the segment information for the first quarter of the fiscal year ended March 31, 2014 reflect the classification change following the change in the segment

(Business combination, etc.)

Business combination due to acquisition

(1) Summary of business acquisition

[1] Name and business of acquired company

Name of acquired company: New Era India Consultancy Pvt. Ltd. (hereinafter called “New Era”)

Business: Job placement

[2] Major reason for business combination

New Era, which will become a subsidiary, has an excellent reputation in the Indian market and demonstrates strengths in job placement services particularly in the IT field, servicing a number of global companies as clients. Headquartered in New Delhi, the firm has operating sites in major cities around the country and plans to further expand its business in India going forward.

In expectation that this equity participation will bring synergies with the en Group’s client base and expertise, we will focus on expanding transactions, particularly with Japanese companies to achieve further growth of New Era.

[3] Date of business combination

June 10, 2014

[4] Legal form of business combination

Acquisition of shares by cash

[5] Company name after the business combination

New Era India Consultancy Pvt. Ltd.

[6] Voting right ratio acquired

60.0%

[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

Because the Company set June 30, 2014 as the date when the acquisition is deemed to have taken place, New Era’s operating results are not included in the Company’s consolidated financial statements for the first quarter of the fiscal year ending March 31, 2015.

(3) Acquisition cost of acquired company and its breakdown

Compensation for acquisition	¥617,550,000
<u>Expenses directly required for acquisition (advisory fee, etc.)</u>	<u>¥29,160,000</u>
Acquisition cost	¥646,710,000

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

[1] Amount of goodwill generated

¥528,007,000

The amount of goodwill recognized as a result of the transaction is ¥528,007,000, 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 recognizes the difference between new amounts of assets and liabilities assumed and acquisition cost as goodwill. This represents the future additional earnings power of New Era expected by the Company because New Era has strengths in job placement of IT-related personnel in India.

[3] Method/period of amortization

Straight-line method over 10 years