

en-japan inc.



1st Quarter FY March 2017 Earnings Announcement [Japan GAAP] (Consolidated)

August 9, 2016

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 10, 2016		
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 2017 Cumulative First Quarter Operating Results (From April 1, 2016 to June 30, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 3/17 1st Qtrr	7,228	24.9	1,801	46.4	1,738	35.0	1,178	49.0
FYE 3/16 1st Qtrr	5,789	26.1	1,230	25.5	1,287	26.4	791	32.5

(Note) Comprehensive income FYE3/17 1st Qtrr 971 million yen (24.1%) FYE 3/16 1st Qtrr 782 million yen (48.2%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/17 1st Qtrr	25.91	25.85
FYE 3/16 1st Qtrr	17.58	17.58

(Note) Effective April 1, 2016, the Company executed a 2-for-1 split of its common share. Therefore EPS and fully diluted EPS are calculated on the assumption that the aforesaid stock split was executed at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/17 1st Qtrr	27,146	21,267	77.7
FYE 3/16	28,558	21,112	73.4

(Reference) Core capital FYE 3/17 1st Qtrr 21,094 million yen FYE 3/16 20,955 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 3/16	–	0.00	–	34.50	34.50
FYE 3/17	–				
FYE 3/17 (projected)		0.00	–	23.30	23.30

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

Effective April 1, 2016, the Company executed a 2-for-1 split of its common share.

3. FY Ending March 2017 Projected Consolidated Operating Results (April 1, 2016 - March 31, 2017)

(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		Profit Attributable to owners of parent		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	14,740	21.0	2,530	-12.0	2,530	-13.6	1,680	-8.9	36.92
Full year	32,100	22.8	5,700	11.4	5,680	12.5	3,720	35.0	81.76

(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) –
- (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: 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 pages 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 3/17 1st Qtr 49,716,000 shares FYE 3/16 49,716,000 shares
- b. Number of shares of treasury stock at the end of the period
 FYE 3/17 1st Qtr 4,215,672 shares FYE 3/16 4,215,640 shares
- c. Average number of shares issued during the period (Quarter Year-to-Date)
 FYE 3/17 1st Qtr 45,500,329 shares FYE 3/16 1st Qtr 45,004,600 shares

- (Notes) 1. Effective April 1, 2016, the Company executed a 2-for-1 split of its common share. Numbers of shares are calculated on the assumption that the aforesaid stock split was executed at the beginning of the previous fiscal year.
2. The increase in the number of treasury stocks at the end of this quarter resulted from the purchase of fractional shares.

* 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

Amid uncertainties over the outlook for the domestic economy, with concerns about the surge in the yen triggered by the UK's exit from the European Union and other factors, the business environment of the human resources market in the first quarter of the fiscal year ending March 31, 2017 saw the job-to-applicant ratio continue to rise for four straight months to 1.37 times in June 2016. The rise was largely due to a shortage of human resources in corporations. In particular, it centered on demand-driven businesses, stemming from structural problems.

Under these circumstances, the Company focused further on improving the quality of job recruitment texts on websites and the convenience of users. The site, en TENSHOKU, won the Job Advertisement Award (*1) for the third year in a row, and was also ranked first, together with en HAKEN, in a user satisfaction survey conducted by a third-party institution (*2). Supported by these achievements, the Company continued to strengthen its marketing and other activities to raise awareness of the Company, which favorably affected the number of applications received by the website, leading to the acquisition of new clients and an expansion of sales to existing clients.

In our job placement business, we continued to strengthen en-japan's "en agent" and its subsidiary, en World Japan K.K. The Company continued to strengthen measures to improve the productivity of "en agent", while en World Japan K.K. reinforced its structure and made efforts to expand sales to Japanese global companies along with other measures.

Meanwhile, our overseas subsidiaries made efforts to improve the productivity of existing services while working to reinforce services for Japanese companies in an effort to cultivate a new business field and made other efforts to expand the earnings platform for the future.

As a result, the Company recorded net sales of ¥7,228 million (up 24.9% on a year-on-year basis), operating income of ¥1,801 million (up 46.4% year on year), ordinary income of ¥1,738 million (up 35.0% year on year) and profit attributable to owners of parent of ¥1,178 million (up 49.0% year on year).

*1: Job Recruitment Website Division, sponsored by Association of Job Information of Japan

*2: "Career Change Information Site for Men" and "Temporary Staff Information Site for Women," 2016 Oricon Japan Customer Satisfaction (CS) Ranking

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

[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)

Net sales of [en] Career Change Info, the Company's core service site, increased year on year, which is attributed to the strong momentum of applications received by the website, contributing to a rise in repeat orders and new clients for recruitment advertisements.

Other recruitment sites also recorded higher net sales than in the same period of the previous fiscal year. This was supported by an encouraging number of applications received, which resulted from factors that included upgrades to the site's usability and further strengthened marketing activities.

(Job placement service)

en-japan's job placement service "en agent" achieved the largest net sales for the first quarter of the fiscal year ending March 31, 2017, due to improved productivity, which was driven by continuing efforts to reinforce the system for training sales employees and consultants.

Supported by a growing number of job applicants entering corporations in the previous quarter, a subsidiary of the Company, en World Japan K.K., posted a year-on-year increase in net sales. However, given the need for a more robust structure to achieve future growth, the subsidiary undertook a structural reorganization and stepped up measures to leverage en-japan's resources.

(Overseas subsidiaries)

Overseas subsidiaries posted an increase in net sales year on year, mainly due to the steady performance of a large subsidiary in Vietnam.

As a result of the above, net sales of this segment amounted to ¥6,977 million (up 24.9% year on year) and operating income was ¥1,781 million (up 41.2% year on year).

[2] Education/Evaluation Business

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

The Company bolstered sales activities for online training courses released last year, in addition to promoting repeat orders and the acquisition of new clients. As a result, net sales marked an increase year on year.

(Personnel-related system)

Having transferred the recruitment management system business to the Company during the quarter, Chase Corporation, a subsidiary of the Company, logged higher net sales year on year, which is attributable to solid results from repeat orders and new orders for other services.

As a result of the above, net sales of this segment amounted to ¥273 million (up 25.4% year on year) and operating income was ¥17 million (operating loss of ¥31 million was posted a year earlier).

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year ending in March 31, 2017 decreased ¥1,411 million compared to the end of the previous fiscal year to ¥27,146 million.

Current assets decreased ¥1,437 million to ¥18,443 million. This was mainly due to a decrease in cash and deposits of ¥1,229 million and a decrease in notes and accounts receivable-trade of ¥120 million following payment of income taxes payable, etc. Noncurrent assets increased ¥25 million to ¥8,703 million.

Total liabilities at the end of the first quarter of the fiscal year ending March 31, 2017 were ¥5,879 million, a decrease of ¥1,566 million compared to the end of the previous fiscal year.

Current liabilities decreased ¥1,612 million to ¥5,160 million. This mainly stemmed from a decrease in income taxes payable of ¥824 million and a decrease in provision for bonuses of ¥448 million. Noncurrent liabilities increased ¥46 million to ¥718 million.

Total net assets were ¥21,267 million, up ¥154 million from the end of the previous fiscal year.

This was mainly attributable to an increase in retained earnings of ¥350 million and to a decrease in a foreign currency translation adjustment of ¥204 million.

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

Concerning consolidated operating results projections for the first half and the full year of fiscal year ending March 31, 2017, there is no change from the projections announced on May 12, 2016.

2. Summary Information (Notes)

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

The Company had no material items to report.

(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

(Changes in Accounting Policy)

In conjunction with a revision to the corporate tax law, the Company has adopted the “Practical Solution on Accounting for Changes in Depreciation Method Related to the 2016 Tax Law Changes” (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter, and changed the method for depreciating equipment and structures attached to buildings acquired on and after April 1, 2016 from the declining balance method to the straight-line method.

This change had only minor impacts on operating income, ordinary income, and income before income taxes on a consolidated basis for the first quarter of the fiscal year ending March 31, 2017.

(4) Additional Information

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26, March 28, 2016) from the first quarter of the fiscal year ending March 31, 2017.

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

(Unit: Thousand yen)

	Previous Fiscal Year (As of March 31, 2016)	First Quarter of Current Fiscal Year (As of June 30, 2016)
Assets		
Current Assets		
Cash and deposits	13,953,273	12,723,520
Notes and accounts receivable-trade	3,069,625	2,948,736
Securities	2,000,000	2,000,000
Other	891,526	807,343
Allowance for doubtful accounts	-34,204	-36,520
Total Current Assets	19,880,220	18,443,080
Non-current Assets		
Property, plant and equipment	699,356	644,180
Intangible assets		
Goodwill	3,671,565	3,509,211
Other	2,365,687	2,528,997
Total intangible assets	6,037,252	6,038,209
Investments and other assets		
Investment securities	362,893	343,329
Shares of subsidiaries and associates	253,590	246,100
Other	1,473,449	1,579,471
Allowance for doubtful accounts	-148,112	-147,458
Total investments and other assets	1,941,820	2,021,441
Total Non-current Assets	8,678,430	8,703,831
Total Assets	28,558,651	27,146,912
Liabilities		
Current Liabilities		
Accounts payable-trade	58,656	57,398
Income taxes payable	1,290,402	465,681
Provision for bonuses	1,024,767	576,733
Other provision	10,000	10,717
Advances received	1,207,035	1,436,075
Other	3,182,872	2,614,267
Total Current Liabilities	6,773,735	5,160,873
Non-current Liabilities		
Provision for share benefits	188,009	196,406
Asset retirement obligations	230,628	231,086
Other	253,334	290,892
Total Non-current Liabilities	671,971	718,385
Total Liabilities	7,445,706	5,879,259
Net Assets		
Shareholders' Equity		
Capital stock	1,194,993	1,194,993
Capital surplus	673,767	673,767
Retained earnings	21,359,666	21,710,001
Treasury stock	-2,880,410	-2,880,465
Total Shareholders' Equity	20,348,017	20,698,296
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	-1,369	-8,978
Foreign currency translation adjustment	609,129	404,857
Total Accumulated Other Comprehensive Income	607,759	395,879
Subscription rights to shares	36,361	48,481
Non-controlling interests	120,806	124,995
Total Net Assets	21,112,944	21,267,652
Total Liabilities and Net Assets	28,558,651	27,146,912

(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, 2015 to June 30, 2015)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2016 to June 30, 2016)
Net sales	5,789,645	7,228,726
Cost of sales	547,361	676,813
Gross profit	5,242,283	6,551,913
Selling, general and administrative expenses	4,011,691	4,750,213
Operating income	1,230,592	1,801,699
Non-operating income		
Interest income	18,084	2,823
Dividends income	187	187
Share of profit of entities accounted for using equity method	17,879	11,923
Other	22,701	8,235
Total non-operating income	58,853	23,169
Non-operating expenses		
Interest expenses	691	749
Foreign exchange losses	-	79,973
Other	1,462	5,865
Total non-operating expenses	2,154	86,588
Ordinary income	1,287,290	1,738,281
Extraordinary income		
Gain on sales of non-current assets	-	31,971
Total extraordinary income	-	31,971
Extraordinary losses		
Income before income taxes	1,287,290	1,770,253
Income taxes-current	364,448	379,494
Income taxes-deferred	112,071	199,825
Total income taxes	476,520	579,319
Profit	810,770	1,190,933
Profit attributable to non-controlling interests	19,587	11,976
Profit attributable to owners of parent	791,182	1,178,956

Quarterly Consolidated Statements of Comprehensive Income

Cumulative First Quarter

(Unit: Thousand yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2015 to June 30, 2015)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2016 to June 30, 2016)
Profit	810,770	1,190,933
Other comprehensive income		
Valuation difference on available-for-sale securities	-6,645	-7,608
Foreign currency translation adjustment	-35,118	-231,473
Share of other comprehensive income of entities accounted for using equity method	13,516	19,414
Total other comprehensive income	-28,246	-219,667
Comprehensive income	782,524	971,266
(Break down)		
Comprehensive income attributable to owners of parent	761,301	967,076
Comprehensive income attributable to non-controlling interests	21,222	4,189

(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, 2015 to June 30, 2015)

1 Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reportable segments			Adjustments (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	5,582,591	207,054	5,789,645	—	5,789,645
Internal sales among segments, transfers	4,047	11,113	15,160	-15,160	—
Total	5,586,638	218,167	5,804,806	-15,160	5,789,645
Segment profit (loss)	1,262,271	-31,829	1,230,442	150	1,230,592

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

2. Segment profit (loss) 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, 2016 to June 30, 2016)

1 Information on sales and profit/loss by reporting segment

(Unit: Thousand yen)

	Reportable segments			Adjustments (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Hiring Business	Education/ Evaluation Business	Total		
Net sales					
Sales to outside customers	6,974,841	253,885	7,228,726	—	7,228,726
Internal sales among segments, transfers	2,782	19,749	22,531	-22,531	—
Total	6,977,623	273,635	7,251,258	-22,531	7,228,726
Segment profit	1,781,970	17,726	1,799,696	2,003	1,801,699

(Notes) 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)

There are no pertinent items.

3. Matters related to changes in the reporting segment

As stated in “Changes in Accounting Policy,” in conjunction with a revision to the corporate tax law, the Company changed the method for depreciating equipment and structures attached to buildings acquired on and after April 1, 2016 from the declining balance method to the straight-line method. The same depreciation method is applied in business segment reporting.

This change had only a minor impact on segment profits on a consolidated basis for the first quarter of the fiscal year under review.