

en-japan inc.



## 2nd Quarter FY March 2018 Earnings Announcement [Japan GAAP] (Consolidated)

November 8, 2017

Company Name	en-japan inc.	Listing Exchanges	Tokyo Stock Exchange (Jasdaq Market)
Stock Code	4849	URL	<a href="http://corp.en-japan.com/">http://corp.en-japan.com/</a>
Representative (Title)	President	(Name)	Takatsugu Suzuki
Contact (Title)	Executive Officer and Administration Division Director	(Name)	Tomoki Tamai
Scheduled Date for Submission of Quarterly Report	November 14, 2017	Telephone	+81-3-3342-4506
Scheduled Date to Begin Dividend Payments	–		
Preparation of Quarterly Summary Supplementary Explanatory Materials	Yes		
Quarterly Earnings Briefing	Yes (for institutional investors)		

(Figures rounded down to nearest million yen)

### 1. FY Ending March 2018 Cumulative Second Quarter Operating Results (From April 1, 2017 to September 30, 2017)

(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 3/18 2nd Qtrr	18,903	27.2	4,811	22.5	4,887	26.5	3,395	31.6
FYE 3/17 2nd Qtrr	14,860	22.0	3,928	36.6	3,863	32.0	2,579	39.8

(Note) Comprehensive income FYE 3/18 2nd Qtrr 3,281 million yen (62.0%) FYE 3/17 2nd Qtrr 2,025 million yen (7.6%)

	EPS	Fully Diluted EPS
	Yen	Yen
FYE 3/18 2nd Qtrr	74.62	74.39
FYE 3/17 2nd Qtrr	56.69	56.56

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio
	Million yen	Million yen	%
FYE 3/18 2nd Qtrr	35,164	25,624	72.4
FYE 3/17	32,900	23,642	71.5

(Reference) Core capital FYE 3/18 2nd Qtrr 25,473 million yen FYE 3/17 23,519 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 3/17	–	0.00	–	27.60	27.60
FYE 3/18	–	0.00			
FYE 3/18 (projected)			–	33.80	33.80

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

### 3. FY Ending March 2018 Projected Consolidated Operating Results (April 1, 2017 - March 31, 2018)

(Percentages indicate percentage change from 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
Full year	39,500	24.5	9,000	31.3	9,000	31.4	6,000	49.8
								131.86

(Note) Revisions to the Company's latest operating results projections: Yes

#### \* Notes

- (1) Changes in material 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 Yes
- (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." Yes
  - 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 4 of the Attachments

#### (4) Number of shares issued (common share)

- a. Number of shares issued at the end of the period (including treasury shares)  
 FYE 3/18 2nd Qtr 49,716,000 shares FYE 3/17 49,716,000 shares
- b. Number of shares of treasury shares at the end of the period  
 FYE 3/18 2nd Qtr 4,215,803 shares FYE 3/17 4,215,672 shares
- c. Average number of shares issued during the period (Quarter Year-to-Date)  
 FYE 3/18 2nd Qtr 45,500,239 shares FYE 3/17 2nd Qtr 45,500,329 shares

(Note) The increase in the number of treasury shares at the end of the period is as a result of purchasing shares less than one unit.

\* The quarterly earnings announcement is not within the scope of the quarterly review procedure.

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

- 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

During the first six months of the fiscal year ending March 31, 2018, the performance of both our job advertisement websites and job placement services was favorable. Consequently, net sales increased 27.2% year on year to ¥18,903 million, which exceeded the previous plan. On the expense side, although promotional expenses for attracting members and increasing the Company's recognition level increased in connection with the rise in net sales, other expenses were managed efficiently and total expenses generally transitioned as planned.

As a result, the Company's profits also exceeded the plan, with operating income totaling ¥4,811 million (up 22.5% year on year) and ordinary income recording ¥4,887 million (up 26.5% year on year). Profit attributable to owners of the parent came to ¥3,395 million (up 31.6% year on year).

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)

Sales of "en TENSOKU," the Company's core service site, continued to be driven upward by the favorable effects of advertising listings. This was mainly as a result of maintaining highly satisfying services with distinguished features and increasing the number of user members through implementing promotional activities. In addition, we worked to increase the efficiency of sales and marketing and reinforcing the structure for expanding sales. Consequently, net sales were considerably above the level of a year earlier.

Other job advertisement websites also recorded higher net sales than those in the same period of the previous fiscal year. This was attributable primarily to the favorable performance of "en HAKEN" and "en BAITO" that provide services for temporary staffing companies and of "MIDDLE NO TENSOKU" — en-japan's service for job placement agencies.

(Job placement service)

The Company's job placement service, "en AGENTS," has been reinforcing the education system for sales representatives and consultants, which successfully led to active order receiving and an increased number of interviews. In addition, measures taken to expand the target segments using the Company's database of job seekers remain favorable. As a result, net sales of "en AGENTS" exceeded those in the same period of the previous year.

The Company's subsidiary, en world Japan K.K., managed to advance its steps to improve productivity more so than expected, supported by the positive effects of the structural reconstruction implemented in the previous period, and posted net sales above those in the same period of the previous year.

(Overseas subsidiaries)

Overseas subsidiaries recorded higher net sales than in the same period of the previous year, driven by the growth of our subsidiary in Vietnam, a country which we are particularly focusing on.

As a result of the above, net sales of this segment amounted to ¥18,423 million (up 28.0% year on year) and operating income was ¥4,850 million (up 23.0% year on year).

#### [2] Education/Evaluation Business

The Education/Evaluation Business comprises provision of various services that help workers in companies to demonstrate their strengths and personnel-related systems, among others.

(Services to help workers demonstrate strengths)

The Company worked to mainly reinforce collaboration with other business divisions and group subsidiaries and advance linkage between educational services and evaluation services. Consequently, net sales increased year on year.

As a result of the above, net sales of this segment amounted to ¥523 million (up 2.8% year on year) and operating income was ¥19 million (operating loss of ¥18 million a year earlier).

## (2) Explanation of Financial Position

### Analysis of Financial Position

Total assets at the end of the second quarter of the fiscal year ending in March 31, 2018 increased ¥2,263 million compared to the end of the previous fiscal year to ¥35,164 million.

Current assets increased ¥1,990 million to ¥26,816 million. This was mainly due to an increase in cash and deposits of ¥1,316 million and an increase in notes and accounts receivable - trade of ¥494 million. Non-current assets increased ¥272 million to ¥8,347 million. This was mainly due to an increase in investment securities of ¥274 million.

Total liabilities at the end of the second quarter of the fiscal year ending March 31, 2018 were ¥9,539 million, an increase of ¥281 million compared to the end of the previous fiscal year.

Current liabilities increased ¥220 million to ¥8,754 million. This mainly stemmed from a decrease in provision for bonuses of ¥156 million and an increase in advances received of ¥251 million. Non-current liabilities increased ¥60 million to ¥785 million. This was primarily due to an increase in provision for share benefits of ¥23 million.

Total net assets were ¥25,624 million, up ¥1,982 million from the end of the previous fiscal year.

This was mainly attributable to an increase in retained earnings of ¥2,073 million and a decrease in foreign currency translation adjustment of ¥83 million due primarily to the posting of profit attributable to owners of the parent.

### Analysis of Cash Flows

Cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2018 increased ¥1,316 million from the end of the previous fiscal year to ¥21,545 million.

Changes in the respective cash flows in the cumulative second quarter of the fiscal year ending March 31, 2018 and their factors are described as follows.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities in the cumulative second quarter of the fiscal year ending March 31, 2018 were ¥3,719 million (against ¥2,784 million in the same period of the previous fiscal year). This was primarily a result of posting profit before income taxes of ¥4,896 million, which was reduced by income taxes paid of ¥1,441 million.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities in the cumulative second quarter of the fiscal year ending March 31, 2018 were ¥1,054 million (against ¥1,086 million in the same period of the previous fiscal year). This was mainly due to purchase of intangible assets of ¥429 million.

#### (Cash Flows from Financing Activities)

Net cash used in financing activities in the cumulative second quarter of the fiscal year ending March 31, 2018 were ¥1,321 million (against ¥1,377 million in the same period of the previous fiscal year). This mainly consisted of cash dividend paid of ¥1,321 million.

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

In light of the recent operating results, the Company has revised its consolidated and non-consolidated operating results projections for the full year of the fiscal year ending March 31, 2018 announced on August 9, 2017.

For details, please refer to the “Notice Concerning Revision of Operating Results Projections (Consolidated and Non-Consolidated) for the Full Year of the Fiscal Year Ending March 31, 2018” released today.

## 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

(Calculation of tax expenses)

The Company calculates tax expenses by rationally estimating the effective tax rate after applying tax effect accounting on profit before income taxes on a consolidated basis for the fiscal year including the first six months of the period. It then multiplies the estimated effective tax rate by profit before income taxes for the quarter.

Note, however, that if calculating tax expenses using the estimated effective tax rate produces a result which significantly lacks reasonableness, the Company adopts the statutory tax rate.

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

(Change in the method of calculation of tax expenses)

The Company conventionally calculated tax expenses of the Company and its consolidated subsidiaries based on a generally accepted method. However, the Company aims to further enhance the efficiency of quarterly financial closing operations of the Company and its consolidated subsidiaries. Therefore, effective the first quarter of the fiscal year under review, the Company changed the method of calculation to rationally estimate the effective tax rate after applying tax effect accounting on profit before income taxes of the fiscal year on a consolidated basis. It then multiplies the estimated effective tax rate by profit before income taxes for the quarter.

Since the impact of this change is minimal, no retrospective application has been made.

3. Quarterly Consolidated Financial Statements and Key Notes  
(1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	Previous Fiscal Year (As of March 31, 2017)	Second Quarter of Current Fiscal Year (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	18,228	19,545
Notes and accounts receivable - trade	3,567	4,062
Securities	2,000	2,000
Other	1,086	1,270
Allowance for doubtful accounts	-56	-61
Total current assets	24,826	26,816
Non-current assets		
Property, plant and equipment	640	621
Intangible assets		
Goodwill	2,630	2,397
Other	2,615	2,652
Total intangible assets	5,246	5,049
Investments and other assets		
Investment securities	508	783
Shares of subsidiaries and associates	269	295
Other	1,730	1,938
Allowance for doubtful accounts	-321	-340
Total investments and other assets	2,187	2,677
Total non-current assets	8,074	8,347
Total assets	32,900	35,164
Liabilities		
Current liabilities		
Accounts payable - trade	72	76
Income taxes payable	1,551	1,619
Provision for bonuses	1,111	954
Other provision	6	9
Advances received	1,818	2,069
Other	3,973	4,024
Total current liabilities	8,533	8,754
Non-current liabilities		
Provision for share benefits	225	249
Asset retirement obligations	247	248
Other	251	287
Total non-current liabilities	724	785
Total liabilities	9,258	9,539
Net assets		
Shareholders' equity		
Capital stock	1,194	1,194
Capital surplus	224	224
Retained earnings	24,538	26,611
Treasury shares	-2,880	-2,880
Total shareholders' equity	23,077	25,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-2	-37
Foreign currency translation adjustment	444	360
Total accumulated other comprehensive income	442	323
Subscription rights to shares	85	107
Non-controlling interests	37	43
Total net assets	23,642	25,624
Total liabilities and net assets	32,900	35,164

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

Quarterly Consolidated Statements of Income

Cumulative Second Quarter

		(Unit: Million yen)	
		Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2016 to September 30, 2016)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2017 to September 30, 2017)
Net sales		14,860	18,903
Cost of sales		1,406	1,738
Gross profit		13,454	17,165
Selling, general and administrative expenses		9,526	12,354
Operating income		3,928	4,811
Non-operating income			
Interest income	5	16	
Dividend income	0	0	
Share of profit of entities accounted for using equity method	25	54	
Other	11	10	
Total non-operating income	42	80	
Non-operating expenses			
Interest expenses	0	0	
Foreign exchange losses	101	4	
Other	5	—	
Total non-operating expenses	107	4	
Ordinary income		3,863	4,887
Extraordinary income			
Gain on sales of non-current assets	31	—	
Gain on sales of shares of subsidiaries and associates	—	9	
Total extraordinary income	31	9	
Extraordinary losses			
Profit before income taxes		3,894	4,896
Income taxes-current		1,178	1,496
Income taxes-deferred		116	—
Total income taxes		1,295	1,496
Profit		2,599	3,400
Profit attributable to non-controlling interests		19	5
Profit attributable to owners of parent		2,579	3,395

Quarterly Consolidated Statements of Comprehensive Income

Cumulative Second Quarter

(Unit: Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2016 to September 30, 2016)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2017 to September 30, 2017)
Profit	2,599	3,400
Other comprehensive income		
Valuation difference on available-for-sale securities	-8	-35
Foreign currency translation adjustment	-606	-76
Share of other comprehensive income of entities accounted for using equity method	41	-7
Total other comprehensive income	-573	-118
Comprehensive income	2,025	3,281
(Break down)		
Comprehensive income attributable to owners of parent	2,025	3,276
Comprehensive income attributable to non-controlling interests	-0	5

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2016 to September 30, 2016)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	3,894	4,896
Depreciation	454	466
Amortization of goodwill	210	182
Increase (decrease) in allowance for doubtful account	13	24
Increase (decrease) in provision for bonuses	-232	-157
Increase (decrease) in other provision	2	2
Interest and dividend income	-5	-16
Foreign exchange losses (gains)	79	4
Share of (profit) loss of entities accounted for using equity method	-25	-54
Loss (gain) on sales of shares of subsidiaries and associates	—	-9
Loss (gain) on sales of property, plant and equipment	-31	—
Decrease (increase) in notes and accounts receivable - trade	-174	-503
Increase (decrease) in notes and accounts payable - trade	-4	4
Increase (decrease) in accounts payable - other	-537	99
Increase (decrease) in advances received	198	262
Other, net	128	-93
Subtotal	3,971	5,109
Interest and dividend income received	5	51
Income taxes paid	-1,230	-1,441
Income taxes refund	37	0
Net cash provided by (used in) operating activities	2,784	3,719
Cash flows from investing activities		
Purchase of property, plant and equipment	-106	-78
Purchase of intangible assets	-733	-429
Purchase of investment securities	-50	-344
Proceeds from sales and redemption of investment securities	3	20
Payment for lease and guarantee deposits	-20	-61
Proceeds from collection of lease and guarantee deposits	6	0
Purchase of insurance funds	-6	-6
Payments of loans receivable	-180	-172
Collection of loans receivable	0	—
Other proceeds	—	16
Net cash provided by (used in) investing activities	-1,086	-1,054

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2016 to September 30, 2016)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2017 to September 30, 2017)
Cash flows from financing activities		
Purchase of treasury shares	-0	-0
Cash dividends paid	-825	-1,321
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-543	—
Repayment of lease obligations	-8	—
Net cash provided by (used in) financing activities	-1,377	-1,321
Effect of exchange rate change on cash and cash equivalents	-212	-25
Net increase (decrease) in cash and cash equivalents	107	1,316
Cash and cash equivalents at beginning of period	15,953	20,228
Cash and cash equivalents at end of period	16,060	21,545

#### (4) 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 second quarter of the previous fiscal year (April 1, 2016 to September 30, 2016)

Information on sales and profit/loss by reporting segment

(Unit: Million 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	14,386	473	14,860	—	14,860
Internal sales among segments, transfers	4	34	39	-39	—
Total	14,390	508	14,899	-39	14,860
Segment profit (loss)	3,943	-18	3,925	3	3,928

(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 second quarter of the fiscal year under review (from April 1, 2017 to September 30, 2017)

Information on sales and profit/loss by reporting segment

(Unit: Million 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	18,422	480	18,903	—	18,903
Internal sales among segments, transfers	0	42	42	-42	—
Total	18,423	523	18,946	-42	18,903
Segment profit	4,850	19	4,870	-59	4,811

(Notes) 1. Adjustments to segment profit (loss) are eliminations of intersegment transactions and company-wide expenses that are not allocated to each reporting segment.

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

(Material Subsequent Events)

Business combination by acquisition

The Company resolved at its meeting of the Board of Directors on August 21, 2017 to acquire all shares of Zeku, Ltd. (“Zeku”) and make the company into a fully-owned subsidiary and concluded a share transfer agreement with Zeku on the same date. The Company acquired all shares of Zeku effective October 30, 2017.

(1) Overview of the business combination

(i) Name and business of the acquired company

Company name: Zeku, Ltd.

Business activities: Recruitment-related systems solution business, Web-based recruiting business, etc.

(ii) Primary reason for the business combination

Zeku provides management systems, etc. for increasing the efficiency of hiring activities of companies. Its products are used by a wide range of customers including large firms and small-to-medium-size firms in diverse industries and they contribute to increasing the productivity of the hiring operations of firms.

Meanwhile, the Company engages in the business of helping firms to hire and have staff members take on active roles after entering firms. We provide a number of firms with services relating to hiring, education and evaluation of human resources.

By making Zeku a fully-owned subsidiary, en-japan aims to achieve synergistic effects between the services of Zeku and those of en-japan and utilize those effects to increase the corporate value of the entire en-japan Group.

(iii) Date of the business combination: October 30, 2017

(iv) Legal form on the date of the business combination: Acquisition of shares

(v) Name following the business combination: No change

(vi) Ratio of voting rights acquired: 100%

(vii) Primary basis for determining the acquired company: en-japan acquired shares of the company in exchange for cash

(2) Breakdown of cost for the acquisition of the acquired company and type of consideration

Consideration for the acquisition: ¥1,076 million in cash

(3) Major acquisition-related expenses and amount

Advisory fees, etc. ¥5 million (estimated amount)

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

Not determined at the present time

(5) Assets received and liabilities undertaken on the date of the business combination, their amounts and major breakdown items

Not determined at the present time