



First Section of the Tokyo Stock Exchange
Dec. 27, 2019

To All Concerned Parties

Company Name: en-japan inc. (Code: 4849)
Representative: Takatsugu Suzuki, President
Contact: Tomoki Tamai, Executive Officer
and Administration Division Director
(Tel: +81-3-3342-4506)

Announcement of Execution of Share Exchange Agreement to Brocante Inc. (Making It into a Wholly-owned Subsidiary)

en-japan inc. wishes to announce that we have decided to perform a share exchange to make Brocante inc. (head office: Shibuya-ku, Tokyo / CEO: Ryo Kasama) into our wholly-owned subsidiary. This share exchange will see en-japan inc. become the wholly-owning parent company in share exchange and Brocante inc. become the wholly-owned subsidiary in share exchange. Accordingly, our two companies have entered into a share exchange agreement.

en-japan inc. plans to perform this share exchange with the simplified share exchange procedures that do not require approval at a general meeting of shareholders under the provisions in Article 796, Paragraph 2 of the Companies Act.

Details are as follows:

1. Purpose of making Brocante into a wholly-owned subsidiary

en-japan inc. is expanding our business to support personnel recruitment and activities after joining companies with a focus on the management of job offer information sites, personnel introductions and education evaluations. Our mid-term management plan, for which the final fiscal year is the year ending March 31, 2022, states that we will strengthen M&As in the field of technology as a new growth strategy. Moreover, we are aiming to develop business for freelancing including the pasture freelance management tool as a new business sector.

Brocante inc., which will now become our wholly-owned subsidiary, operates the Freelance Start IT project site for freelance engineers and designers – one of the largest of its kind in Japan. It is possible to search the project information and make applications all at once with more than 90,000 freelance agents on this site. It is used by many freelance engineers, so it has steadily grown since the service started in 2018.

Business for freelancing focused on the IT sector is a market that is expected to continue growing in size in the future due to the diversification of work styles. Therefore, this is also a promising new business sector for en-japan inc.

Making Brocante inc. into our subsidiary will accelerate the speed of the growth of our business for freelancing. This will lead to improved profitability in this new business sector.

2. Outline of the share Exchange

(1) Schedule

Board of Directors resolution date (en-japan inc.)	December 27, 2019
Stock transfer contract signing date	December 27, 2019
Shareholders' meeting to approve share exchange agreement (Brocante Inc.)	January 10, 2020 (scheduled)
Scheduled date of the Share Exchange (effective date)	January 20, 2020 (scheduled)

(2) Method of the Share Exchange

This share exchange will see en-japan inc. become the wholly-owning parent company and Brocante inc. become the wholly-owned subsidiary. We will allot 123,710 treasury shares owned by en-japan inc. to Ryo Kasama and Kosuke Sone, the shareholders of Brocante inc., as compensation this this share exchange.

(3) Allotment in the Share Exchange

Company name	en-japan inc. (Wholly Owning Parent Company in Share Exchange)	Brocante inc. (Wholly Owned Subsidiary Company in Share Exchange)
Ratio of allotment in the Share Exchange	1	0.41
Number of shares to be delivered upon the Share Exchange	Common stock of en-japan: 123,710 shares	

(4) Treatment of share option and bonds with share options in relation to the Share Exchange

Not applicable, because Brocante, which will become a wholly owned subsidiary of en-japan, has not issued any share options or bonds with share options.

3. Basis for Calculation of the Allotment Concerning the Share Exchange

(1) Basis for Calculation of the Allotment Concerning the Share Exchange

en-japan inc. is listed on the First Section of the Tokyo Stock Exchange. Therefore, we calculated the share price of en-japan inc. based on the market price without asking for third party opinions. In concrete terms, we believe that the share price in the period as close as possible to the date on which we will enter into share exchange agreement reflects the price of our shares at the time of the share exchange agreement. Accordingly, we decided to adopt the closing price on the First Section of the Tokyo Stock Exchange of the common stock of en-japan inc. on December 26, 2019 – the business day prior to the date of the resolution by the Board of Directors. As a result of using that as the basis of the calculation, we calculated that the price per share in en-japan inc. is 4,850 yen.

On the other hand, Brocante inc. is an unlisted company. This means it is not possible to calculate the share exchange ratio based on the market share price of Brocante inc. Accordingly, we calculated the price of the shares of Brocante inc. based on the results of due diligence on the company's financial affairs and business by en-japan inc. and external experts. We then determined the share exchange ratio based on those calculation results.

(2) Matters Concerning Calculation

We decided to seek the expert opinion of Ogura Accounting Office as a specialized organization independent of en-japan inc. and Brocante inc. to ensure the fairness and validity of the calculation of Brocante inc.'s share price. We requested a calculation of the share price of Brocante inc. and a calculation of the share exchange ratio based on the market share price of en-japan inc. and the share price of Brocante inc. Ogura Accounting Office is not a party related to either en-japan inc. or Brocante inc. There are also no important interests that need to be noted.

Ogura Accounting Office adopted the discount cash flow method (hereinafter "DCF method") focused on cash flows that will be generated in the future under the assumption that Brocante inc.'s business will continue when calculating the share price of Brocante inc. – the basis of the share exchange ratio.

Ogura Accounting Office calculated the future cash flow forecast for Brocante inc. based on the business plan for five fiscal years (fiscal year ending September 30, 2020 to the fiscal year ending September 30, 2024) formulated by Brocante inc. However, this business plan formulated by Brocante inc. assumed that its growth rate will be maintained in the fiscal years from the fiscal year ending September 30, 2021 under the presumption that its main services for freelancing in the fiscal year ending September 30, 2020 will grow steadily as its number of customers increases. Therefore, en-japan inc. conservatively reviewed the section concerning costs due to upfront investments for the fiscal years from the fiscal year ending September 30, 2021 in Brocante inc.'s business plan. Ogura Accounting Office then calculated the share price of Brocante inc. using the business plan of Brocante inc. that had been reviewed by en-japan inc.

Furthermore, Brocante inc. calculated this business plan by taking into account the effect expected to occur with the execution of this share exchange. Accordingly, it includes a fiscal year for which it expects its profits to significantly increase compared to the previous fiscal year.

Specifically, Brocante inc. expects its profits to significantly increase compared to the previous fiscal year (fiscal year ended September 30, 2019) due to the steady growth of its main services for freelancing in the fiscal year ending September 30, 2020. Accordingly, since Brocante inc. assumes its growth rate will be maintained for the fiscal year ending September 30, 2021, it expects a significant increase in profits compared to the previous fiscal year (fiscal year ending September 30, 2020).

Ogura Accounting Office calculated the price of the shares of Brocante inc. using the DCF method based on the above assumptions. It then calculated the share exchange ratio according to the ratio of those calculation results and the share price of en-japan inc.

According to Ogura Accounting Office, the price per share of Brocante inc., the price per common stock of en-japan inc. and the reasonable range of the share exchange ratio of Brocante inc. per common stock in en-japan inc. are as below.

Price per share of en-japan inc.	JPY 4,372 ~ JPY 5,240
Price per share of Brocante inc.	JPY 1,730 ~ JPY 2,114
Reasonable range of the share exchange ratio	Common stock of en-japan inc. 1 share : Common stock of Brocante inc. 0.33 ~ 0.48 shares

The Board of Directors of en-japan inc. examined this share exchange ratio based on the above calculation results. We then held negotiations with Brocante inc. over this. As a result, the share exchange ratio derived from those negotiations falls with a reasonable range according to Ogura Accounting Office. Therefore, we decided to allot 0.41 shares of en-japan inc. per share of Brocante inc. along with the share exchange ratio.

4. Overview of the company to be made into a subsidiary

(As of September 30, 2019)

(1) Company name	en-japan inc.	Brocante inc.
(2) Name and post of representative	Michikatsu Ochi, Chairman Takatsugu Suzuki, President	Ryo Kasama, Representative Director
(3) Address	Shinjuku I-land Tower, 6-5-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo	25-6 Motoyoyogicho, Shibuya-ku, Tokyo
(4) Date of established	January 2000	October 2017
(5) Main business	Online recruitment services, Permanent recruitment service, etc.	Operation of "Freelance Start", a project search site for freelancers
(6) Paid-in capital	JPY 1,194million	JPY 3million
(7) number of shares issued	49,716,000 shares	300,000 shares
(8) accounting period	March	September
(9) Major shareholders and ownership ratio	Michikatsu Ochi 9.61% M.O. Soken Ltd. 6.92% en Human Capital 6.70% Education Association Inc. The Master Trust 4.85% Bank of Japan, Ltd. (Trust account) En-Kikaku Ltd. 4.79%	Ryo Kasama 90.0% Kosuke Sone 10.0%
(10) Relationship between companies concerned	Capital relationship Personnel relationship Business relationship Status of related parties	Not applicable

*The situation concerning the major shareholders indicates the shareholding ratio based on the number of shares for which treasury shares have been subtracted from the number of shares issued.

5. Operating results and financial condition of en-japan inc. and Brocante inc. over the last three years
(Unit: million yen)

Fiscal year	en-japan inc. (consolidated)			Brocante inc.		
	FYE Mar 31, 2017	FYE Mar 31, 2018	FYE Mar 31, 2019	FYE Sep 30, 2017	FYE Sep 30, 2018	FYE Sep 30, 2019
Net assets	23,642	28,626	35,466		3	9
Total assets	32,900	40,600	49,852		12	23
Net assets per share (yen)	516.91	625.52	762.51		11.30	30.67
Sales	31,719	40,710	48,733		15	73
Operating income	6,856	9,626	11,661		0	7
Ordinary income	6,848	9,731	11,834		0	7

Net income	4,005	6,366	8,144		0	5
Net income per share (yen)	88.03	139.93	178.97		1.3	19.36

Notes

*Brocante inc. was established in October 2017, so we have only given its results for the last two fiscal years.

6. Status after the Share Exchange

en-japan inc., which will become the wholly-owning parent company in share exchange of Brocante inc., does not expect there will be any changes to the name, address, representatives, business areas, capital or accounting periods due to this share exchange. In addition, we plan to provide incentives according to performance to the officers of Brocante inc. We will discuss the details of this later.

7. Future prospects

We plan to make Brocante inc. into our consolidated subsidiary with the Acquisition of Shares. However, Brocante inc.'s latest financial results are for the fiscal year ended September 30, 2019 (October 1 to September 30, 2019). Therefore, we have plan to make March 31, 2020 as the acquisition date in regards to the incorporation into our consolidated results by making Brocante inc. into our subsidiary will occur. We expect that the Acquisition of Shares will have a minimal impact on our consolidated results in our current consolidated fiscal year (fiscal year ending March 31, 2021). Nevertheless, we will make a prompt announcement if matters arise that require notification in the future.

End