

Future growth drivers are the contents marketing business and overseas IT human resource business

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【7371 Zenken Sector : Services】

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
June 2019	6,410	-	767	-	639	-	1,012	-	90.3	770.2	2.0
June 2020	5,827	9.1	754	-1.6	754	17.9	377	-62.7	33.7	801.3	2.0
June 2021 f	6,141	5.4	1,256	66.4	1,285	70.3	866	129.7	77.1	-	-

Note: Consolidated basis. Figures for the fiscal year ending June 2021 are the company's forecasts.
It conducted 1-to-100 stock split on May 23,2020. Per share indices are adjusted retroactively.

Developing by Setting the Contents Marketing Business as Core Business

Zenken was established with the purpose of operating language schools and publishing learning materials. However, since the company launched the IT business centering on SEO under the theme of fusing IT and language in 2000, the core business has shifted to support marketing by utilizing IT. Currently, the company mainly provides the contents marketing business that supports attracting customers through web marketing.

In addition, as the company has been engaged in business under the theme of language education for a long time, by utilizing its accumulated knowledge in both fields of IT and language education, the company is increasing its focus on the overseas IT human resource business that uses Indian IT human resources for Japanese companies.

The company's business segments are the IT segment, the language education segment and the real estate segment. Most of the profit is generated by the IT segment, which accounts for over 70% of net sales. In addition, the real estate segment, which leases buildings, is continuously generating profit, although there are some increases and decreases. On the other hand, the language education segment is not generating profit.

The IT segment accounted for 73.9% of net sales for the first three quarters of the fiscal year ending June 2021. It is categorized into the contents marketing business, the media business, the AI business, the overseas IT human resource business, and the main pillar is the contents marketing business, which accounts for around 80% of the IT segment net sales.

The language education segment accounted for 14.0% of net sales for the first three quarters of the fiscal year ending June 2021. In the language education segment, the company is engaged in (1) the language training business for corporations, (2) the English conversation school business, (3) the study abroad placement business as a sole agency representing US scholarship programs in Asia, and (4) the Japanese language education business in which it operates programs for foreigners that are not native Japanese speakers.

In the real estate segment, which accounted for 7.5% of net sales for the first three quarters of the fiscal year ending June 2021, the company leases two office buildings that it owns near Shinjuku Station in Tokyo.

Zenken (7371 TSE Mothers) ----- June 25,2021**Financial Statements**

Statement of income	Fiscal Year	June 2019		June 2020		Nine months to Mar. 2021	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		6,410	100.0	5,827	100.0	4,494	100.0
Cost of sales		2,233	34.8	2,249	38.6	1,795	40.0
Gross profit		4,177	65.2	3,577	61.4	2,698	60.0
Selling, general and administrative expenses		3,409	53.2	2,822	48.4	1,836	40.9
Operating profit		767	12.0	754	13.0	861	19.2
Non-operating income		19	-	13	-	35	-
Non-operating expenses		146	-	13	-	7	-
Ordinary profit		639	10.0	754	12.9	889	19.8
Profit before income taxes		992	15.5	638	11.0	860	19.2
Profit		1,012	15.8	377	6.5	606	13.5

Balance sheet	Fiscal Year	June 2019		June 2020		Mar.2021	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		2,776	24.5	2,903	25.1	3,498	29.0
Cash and deposits		2,128	18.8	2,233	19.3	2,652	22.0
Accounts receivable-trade		423	3.7	351	3.0	523	4.3
Inventories		80	0.7	77	0.7	61	0.5
Non-current assets		8,549	75.5	8,666	74.9	8,582	71.0
Property, plant and equipment		7,456	65.8	7,501	64.8	7,481	61.9
Intangible assets		725	6.4	683	5.9	671	5.6
Investments and other assets		367	3.2	481	4.2	430	3.6
Total assets		11,326	100.0	11,570	100.0	12,081	100.0
Current liabilities		1,340	11.8	1,261	10.9	1,330	11.0
Accounts payable-trade		—	-	—	-	—	-
Non-current liabilities		1,352	11.9	1,325	11.5	1,174	9.7
Net assets		8,633	76.2	8,982	77.6	9,576	79.3
Owners' equity		8,633	76.2	8,982	77.6	9,576	79.3

Statement of cash flows	Fiscal Year	June 2019	June 2020
		(mn yen)	(mn yen)
Cash flows from operating activities		857	702
Depreciation		134	139
Cash flows from investing activities		510	-450
Cash flows from financing activities		-2,750	-147
Dividends paid		—	-22
Net increase in cash and cash equivalents		-1,382	105
Cash and cash equivalents		2,128	2,233

Note: Consolidated basis.

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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