



Financial Results

For the Fiscal Year

Ending March 31, 2018 (FY2017)

eole Inc.

(TSE Mothers, Securities Code: 2334)

May 23, 2018

Unless otherwise specified, this English-language edition of the financial results of eole Inc. has been prepared solely for the convenience of non-Japanese speakers. Should there be any inconsistencies between the English and the Japanese editions, please note that the Japanese edition will always prevail.

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I | Corporate Profile

1. Corporate profile





Company Name	eole, Inc.		
Established	April 25, 2001	Stock Market	The Mothers section of the Tokyo Stock Exchange (Securities code: 2334)
		Head-quarters	9F KDX Takanawadai Building, 3-5-23 Takanawa Minato-ku Tokyo 108-0074, Japan
Capital	733 million yen ※As of February 28, 2018	TEL	+81-3-4455-7092
Number of Employees	84 ※As of April 1, 2018	FAX	+81-3-5793-3533
Board members	President: Naohito Yoshida Senior Director: Makoto Ogawa Director: Yoko Nakai Director: Takeshi Ichijo Corporate Auditor: Minoru Akimoto Auditor: Toru Oyama Auditor: Masahiro Tajima	Line of business	Sales, marketing and service of internet-based computers and smartphones, including Rakuraku Contact Network, a communication network service that supports group and social activities, Gakuba Arbeit and Rakuraku Arbeit. Internet advertising business Development and offer of pinpoint, a private Data Management Platform(DMP) Sales promotion
		Main Banks	Mizuho Bank, Ginzadori Branch Sumitomo Mitsui Banking Corporation, Shibuya-ekimae Branch

2. History

- 2001 ● Established eole Inc. in Roppongi, Minato-ku, Tokyo
(Capital Stock: 10 million yen)
Head Office moved to Nishihara, Shibuya-ku, Tokyo
- 2003 ● Head Office moved to Okusawa, Setagaya-ku, Tokyo
- 2005 ● **Launched Rakuraku Contact Network**
Increased capital stock to 126 million yen
- 2007 ● Number of Rakuraku Contact Network subscribers exceeds 1,000,000 persons
Increased capital stock to 209 million yen
- 2009 ● Increased capital stock to 301 million yen
- 2010 ● **Launched Gakuba Arbeit (formerly Daigakusei Arbeit.com)**
Increased capital stock to 329 million yen
Number of Rakuraku subscribers exceeds 4,000,000 persons
- 2013 ● Number of Rakuraku Contact Network subscribers exceeds 6,000,000 persons, while the number of groups exceeds 350,000 in total.
Launched 'Rakuraku Arbeit'
Head Office moved to Takanawa, Minato-ku, Tokyo
- 2014 ● Released smartphone app, **the Rakuraku Contact Network**
Started offer of private DMP^{*1}, pinpoint^{*2}
Started connecting eole Inc. DMP to Google DBM (Double-Click Bid Manager)
- 2015 ● Increased capital stock to 382 million yen
- 2016 ● Rakuraku Contact Network apps downloaded by more than one million users
- 2017 ● Signed capital and business alliance with Toppan Printing Co., Ltd.
Increased capital stock to 599 million yen
Listed on Tokyo Stock Exchange Mothers Section
Increased capital stock to 721 million yen
Increased capital stock to 723 million yen
- 2018 ● Increased capital stock to 725 million yen
Increased capital stock to 733 million yen
▼

*1,2 Refer to "Reference Information(1): Glossary" (Page 59).

3. Summary of business model

Business	Service	Overview	Revenue model
eole's own media		Rakuraku Contact Network A service which supports group and community activities, including extracurricular activities, club activities and parents and teachers association (PTA).	<ul style="list-style-type: none"> • Advertisements • SSP advertisements, etc. • A paid version of Rakuraku Contact Network is also available
		Gakuba Arbeit Website for part-time job recruitment information site exclusive to college and university students.	Posting fees
		Rakuraku Arbeit Portal site for part-time job seekers.	Result reward (PPA)
Programmatic ads	 *1	pinpoint DSP advertisement service in cooperation with pinpoint DMP, which possesses highly accurate data based on registration information in our services.	DSP advertisement service (programmatic ad) based on own private DMP, including a trading desk*4.
	Other programmatic ads*1, 2	"indeed" and other agency services for media advertisements/programmatic ad business	Programmatic ad services
Others	Others	Other main services include 1. Sales Promotion: Agency for field-based advertising of products on university campuses. 2. Other company job advertisements: Agency for job advertisements pertaining to other companies.	To be established individually

*1 "Other programmatic ads" included in "others" in FY2017 and "pinpoint" are now considered to be one service and thus categorized under "programmatic ads" in FY2018.

*2, 3, 4 Refer to "Reference Information(1): Glossary" (Page 59).

4. Summary of business model: Rakuraku Contact Network

It is the largest contact network supporting group and community activities in Japan.



Used by **380,000 groups** and **6,620,000 members** *1

Assists group activities and their leaders with a comprehensive range of convenient functions that include scheduling and attendance checking and surveys!



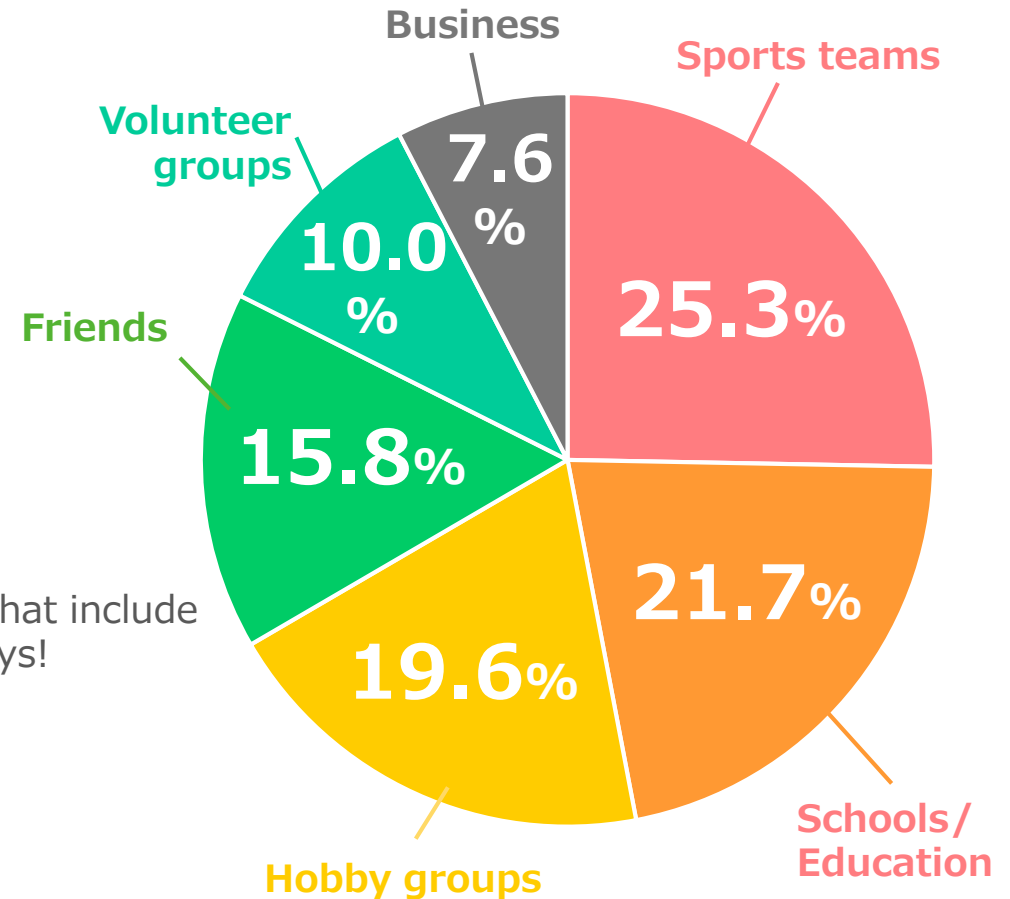
More than **25%** of all university and graduate school students depend on and use the Rakuraku Contact Network.*2

*1 As of March 31, 2018

*2 University and graduate students nationwide in Japan: 2,890,942 (Survey by the Ministry of Education, Culture, Sports, Science and Technology, 2017); Number of Rakuraku Contact Network registrants: about 900,000 (2017 Survey)

*3 As of January 31, 2018

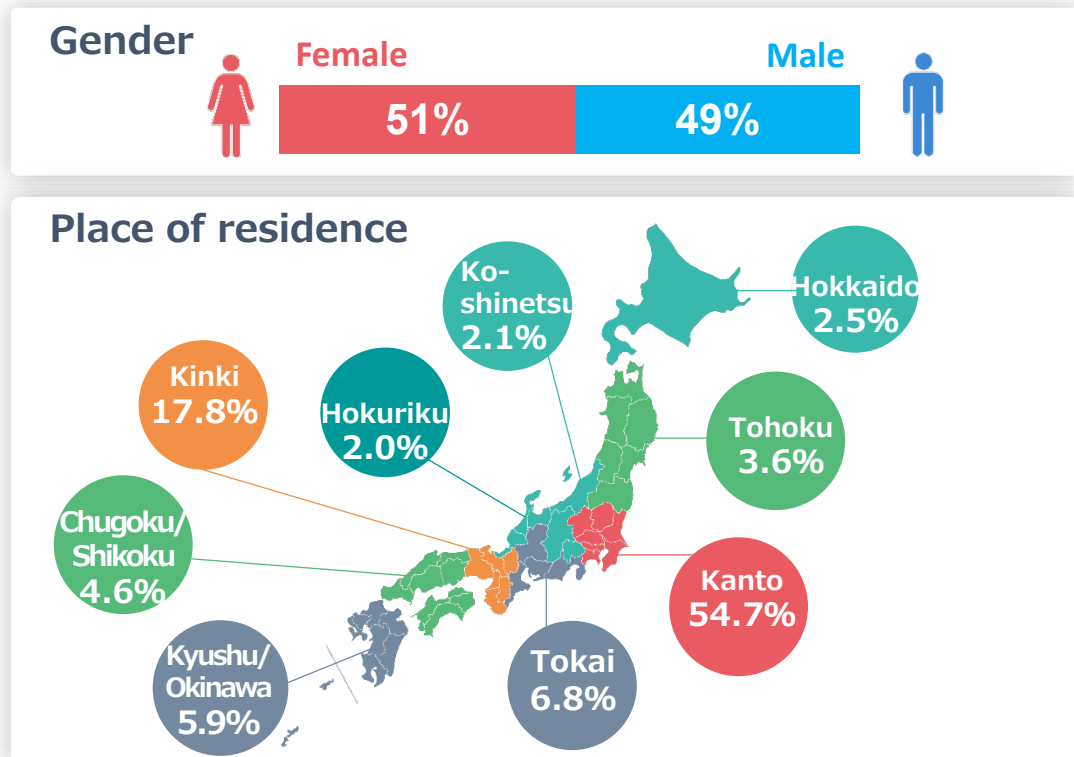
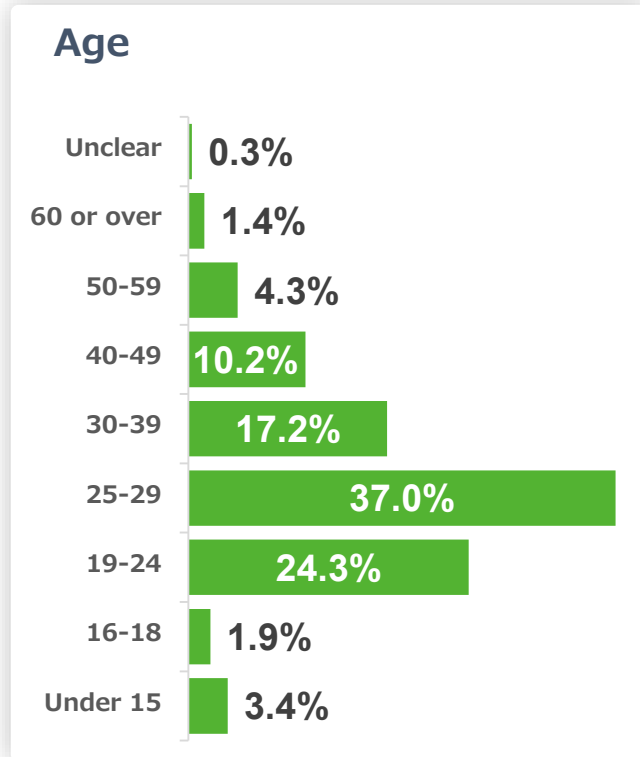
Profile of clubs and activities*3



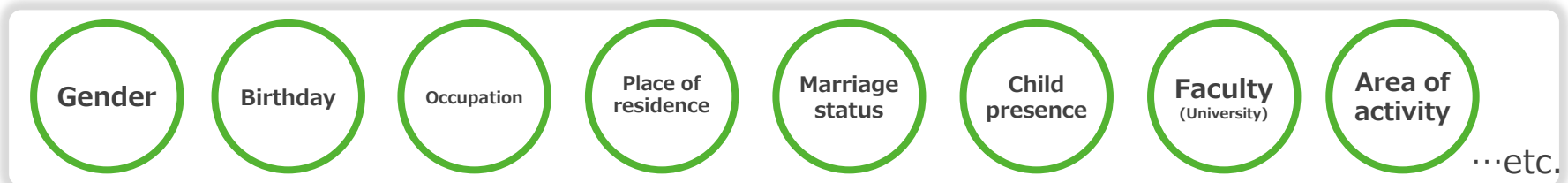
4. Summary of business model: Rakuraku Contact Network

eole Inc. is the owner of various segmented profile data.

Profile*



Main information for membership registration

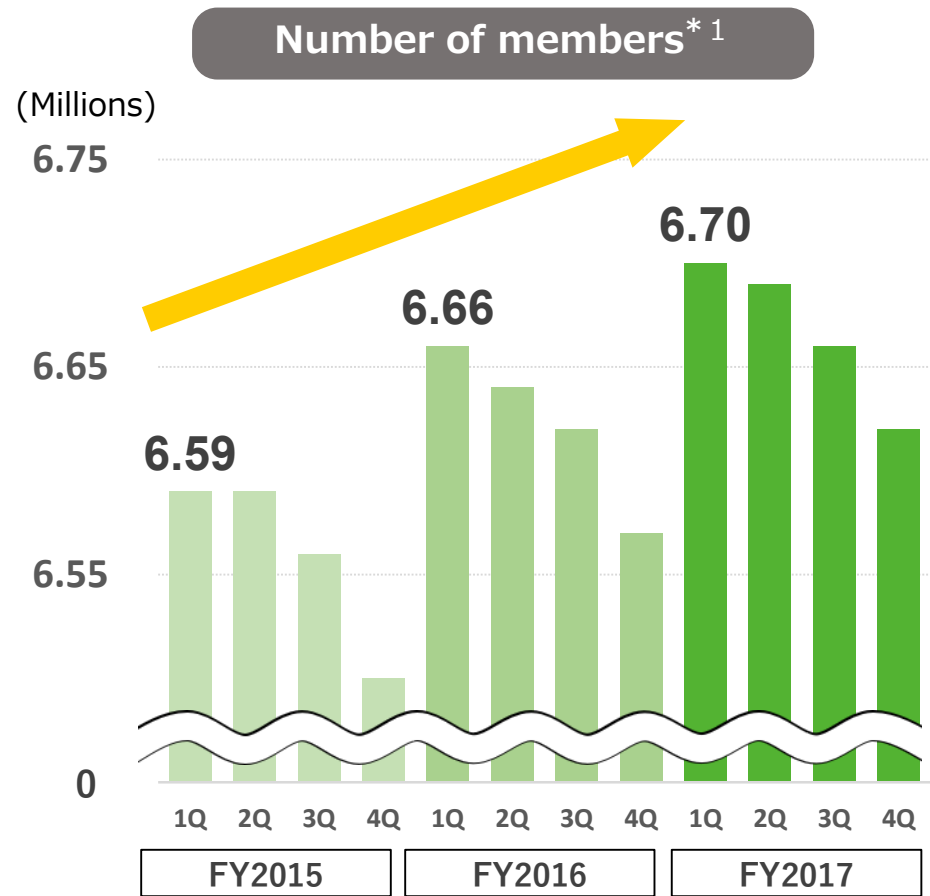


* As of January 31, 2018

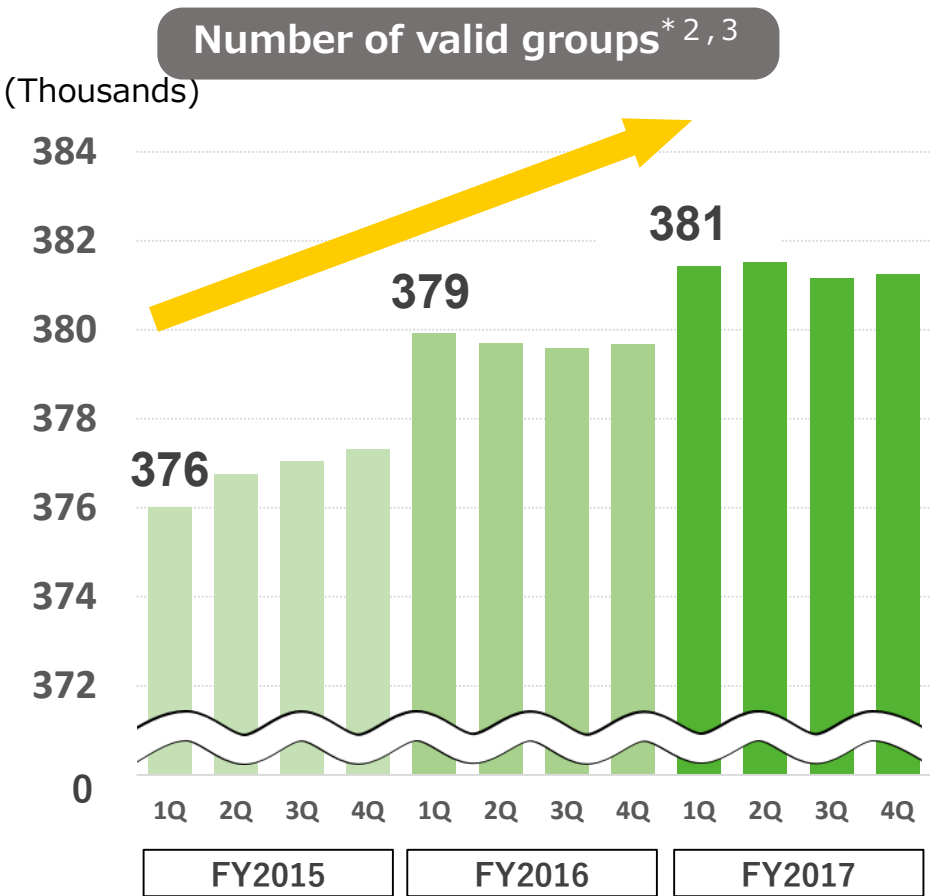
4. Summary of business model: Rakuraku Contact Network

Both the number of members and that of valid groups increasing year-on-year.

(There are seasonal trends in variations pertaining to the number of members and groups. The number of members and valid groups tend to increase from April to June due to the beginning of new semesters, while it tends to decrease from the end of December till the end of March, as a result of the finishing of semesters, etc.)



^{*1} The number of members is rounded down to one thousand.



^{*2} The number of valid groups is rounded down to one hundred.

^{*3} A valid group is considered to be a group with more than three members.

4. Summary of business model: Rakuraku Contact Network

Rakuraku Contact Network is basically available free of charge*. It earns revenue mainly in the form of advertising (SSP, target mail, tie-up advertising, etc.)

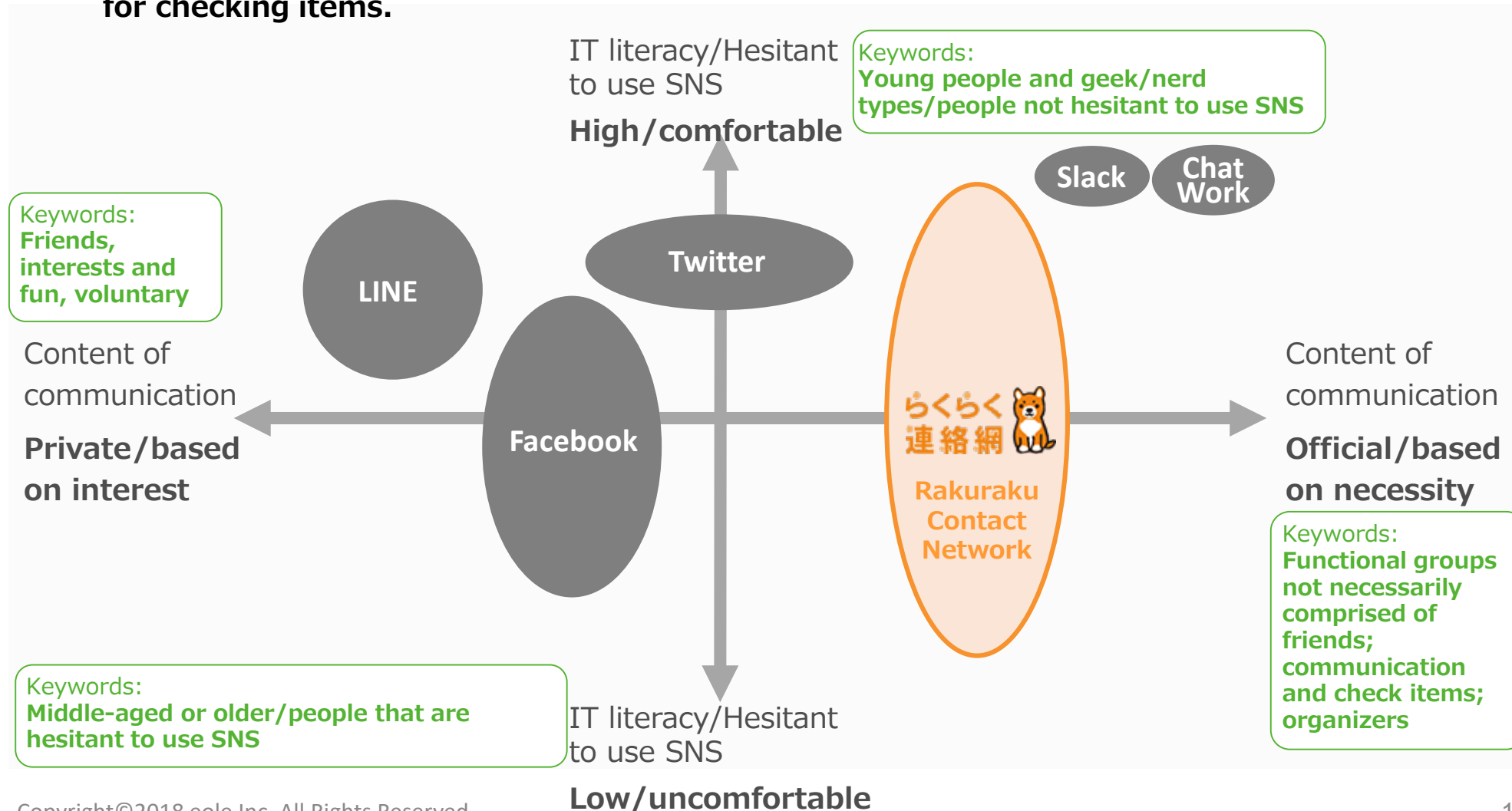


* There is also a paid version of Rakuraku Contact Network, which does not display advertisements.

4. Summary of business model: Rakuraku Contact Network

Positioning with other SNS services

Organizers and leaders in functional groups not necessarily comprised of friends use the Rakuraku Contact Network, as a tool for information sharing such as communications and for checking items.



4. Summary of business model: Gakuba Arbeit/Rakuraku Arbeit eole Inc.

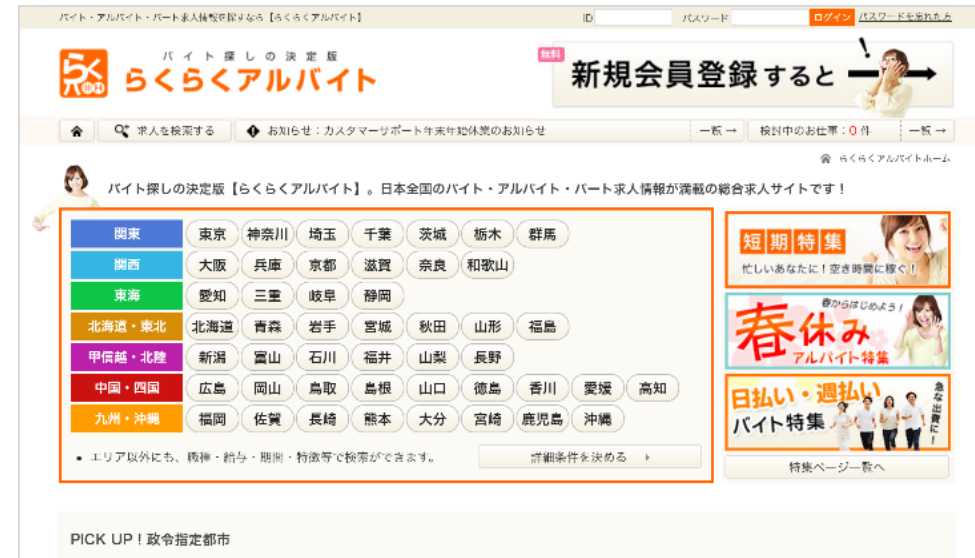
“Gakuba Arbeit is a part-time job recruitment information site specializing in college and university students.” Rakuraku Arbeit is a part-time job recruitment information portal site, enabling one-stop applications to be made.

Gakuba Arbeit



- A part-time job recruitment information site specializing in college and university students accessing from the Rakuraku Contact Network.
- Revenue model: Posting fee

Rakuraku Arbeit

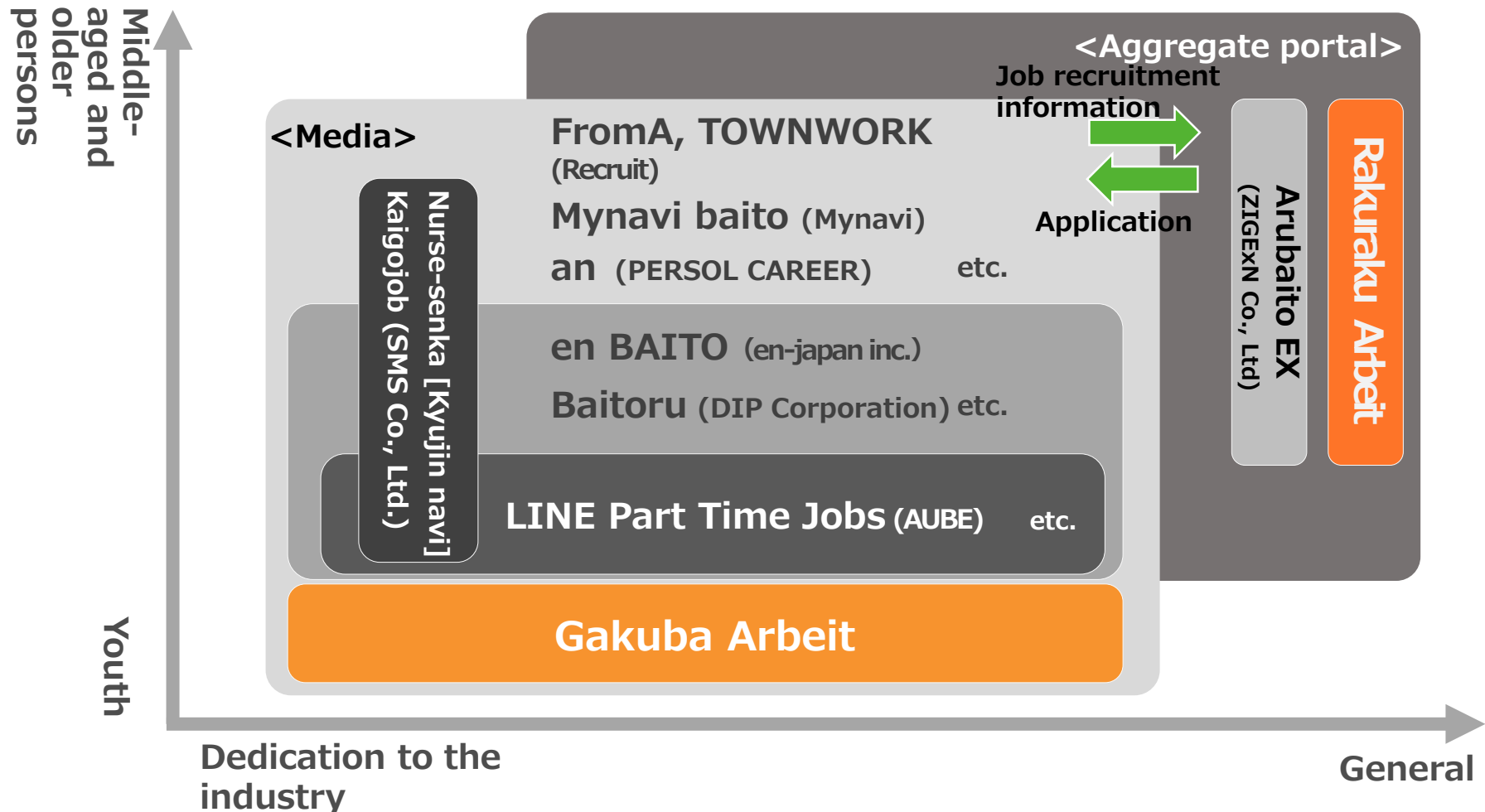


- A part-time job recruitment information portal site where a wide range of recruitment information from job information provider partner sites is published on a segment, enabling one-stop applications to be made.
- Revenue model: Result-reward type (PPA)

4. Summary of business model: Gakuba Arbeit/Rakuraku Arbeit **eole Inc.**

Conceptual drawing of recruitment media market

Positioning of Gakuba Arbeit/Rakuraku Arbeit services

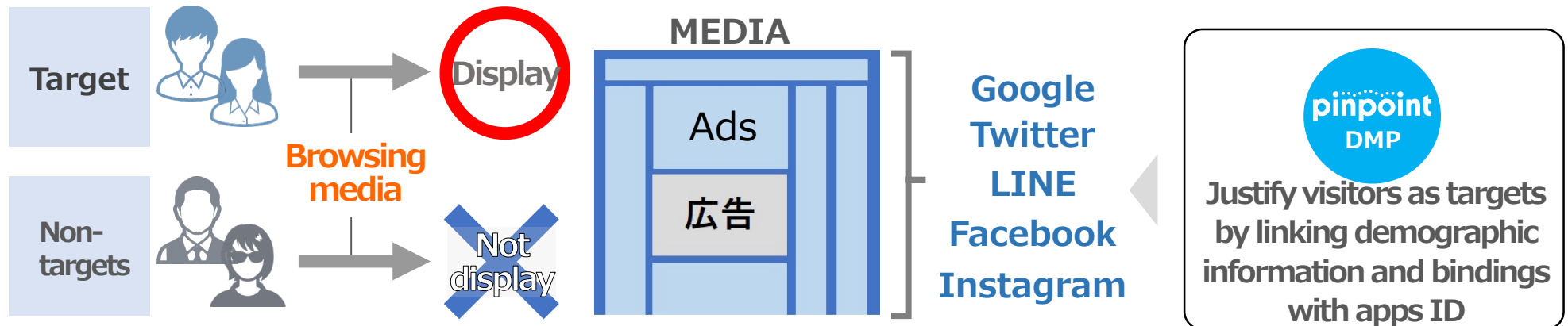


4. Summary of business model: pinpoint

pinpoint is a private DMP (Data Management Platform) based on user information available from the Rakuraku Contact Network and alliance partners.



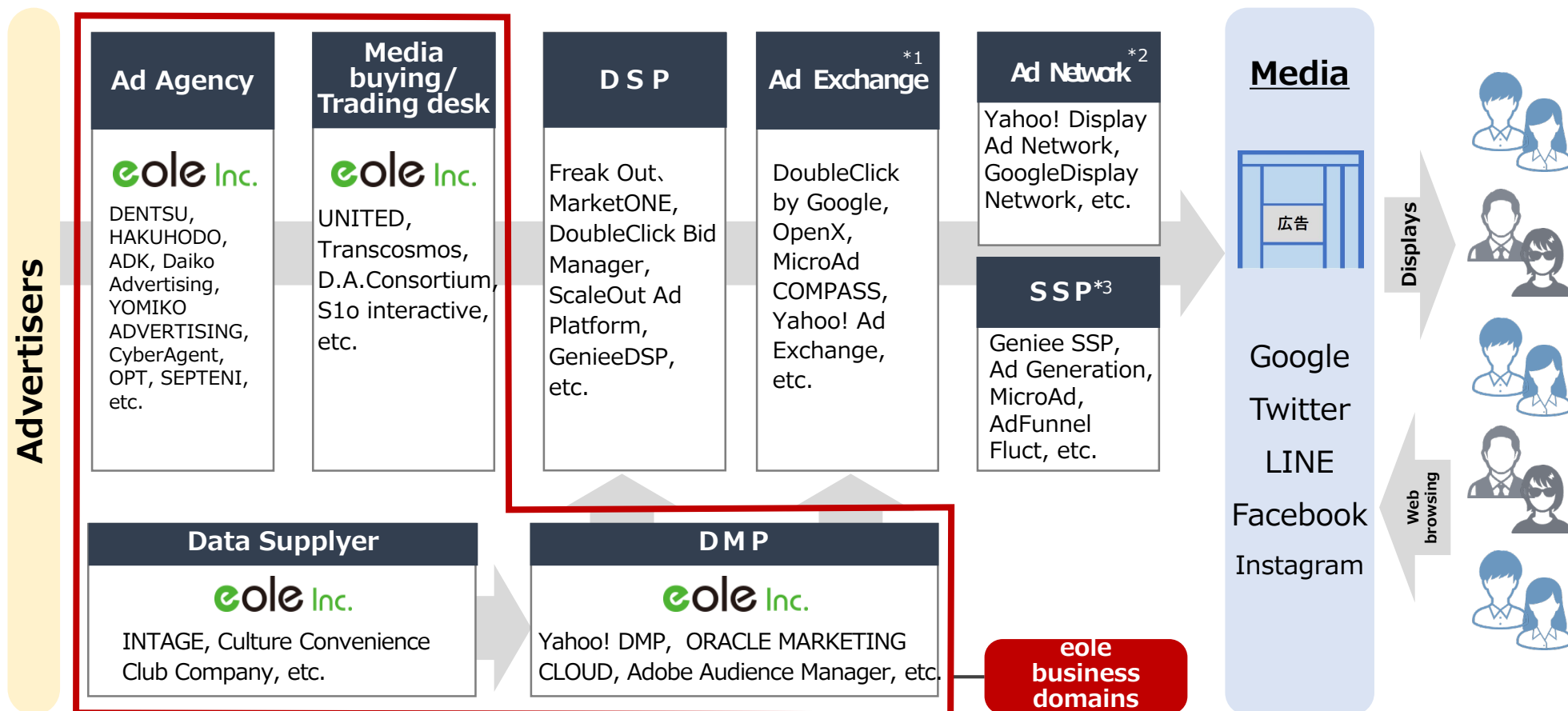
Example: To send job recruitment advertisements to students in the science and engineering majors living in the Kanto region and graduating next spring.



4. Summary of business model: pinpoint

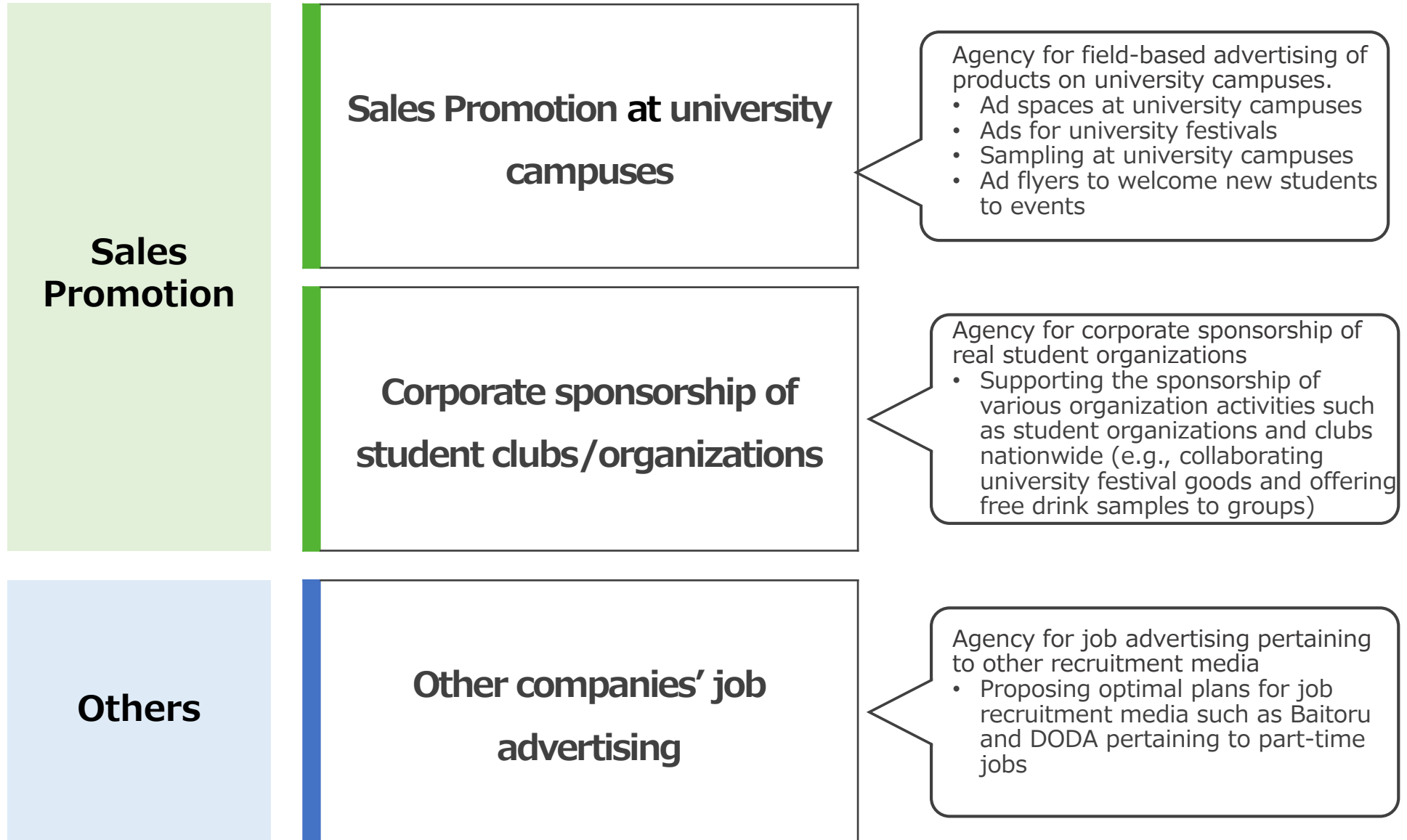
Positioning (Ad Technology)

Utilizing its unique data, eole earned from the ad services below.

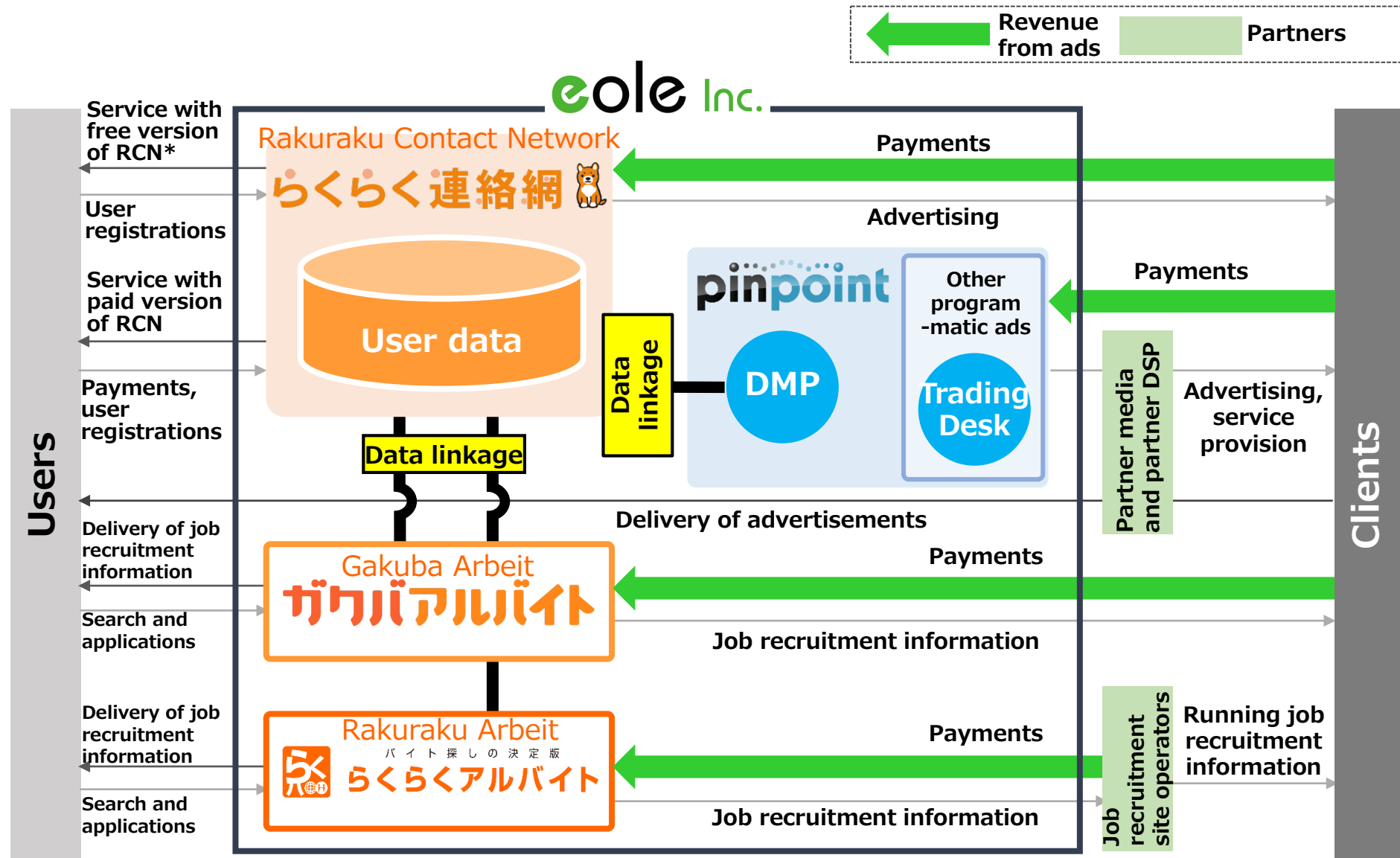


*1,2,3 Refer to "Reference Information(1): Glossary" (Page 59).

4. Summary of business model: Others (example)



5. Business model (Summary as of April 2018)



* Rakuraku Contact Network



II | Financial Overview for FY2017

1

Revenues increased over five consecutive fiscal years, achieving highest sales, operating and ordinary profit on record.

Sales at 1.55 billion yen (increased by 33.9% year-on-year), increasing revenue for five consecutive years. Sales, operating and ordinary profit hit record highs.

2

Robust sales of programmatic ads by other media – pinpoint, indeed, etc.

Sales of “pinpoint” increased by 44.5% compared to FY 2016. Sales of “Other programmatic ads” led by indeed, etc., which increased by 65.0%, in comparison to FY2016.

3

Operating profit fell below forecast.

Operating profit was 169 million yen or 31 million yen less compared to the forecast amount (200 million yen). This was mainly due to increased purchasing expenses, as a result of the business expansion with pinpoint and other programmatic ads.

4

Net profit declined due to a decrease in deferred tax assets and also a partial reduction of such assets.

Net profit was 91 million yen (down 28.7% from FY2016) due to a decrease in deferred tax assets and a partial reduction of said assets.

2. Overview of results

In FY2017, sales, operating and ordinary profit increased by 33.9%, 46.0% and 38.0%, respectively, in comparison to FY2016.

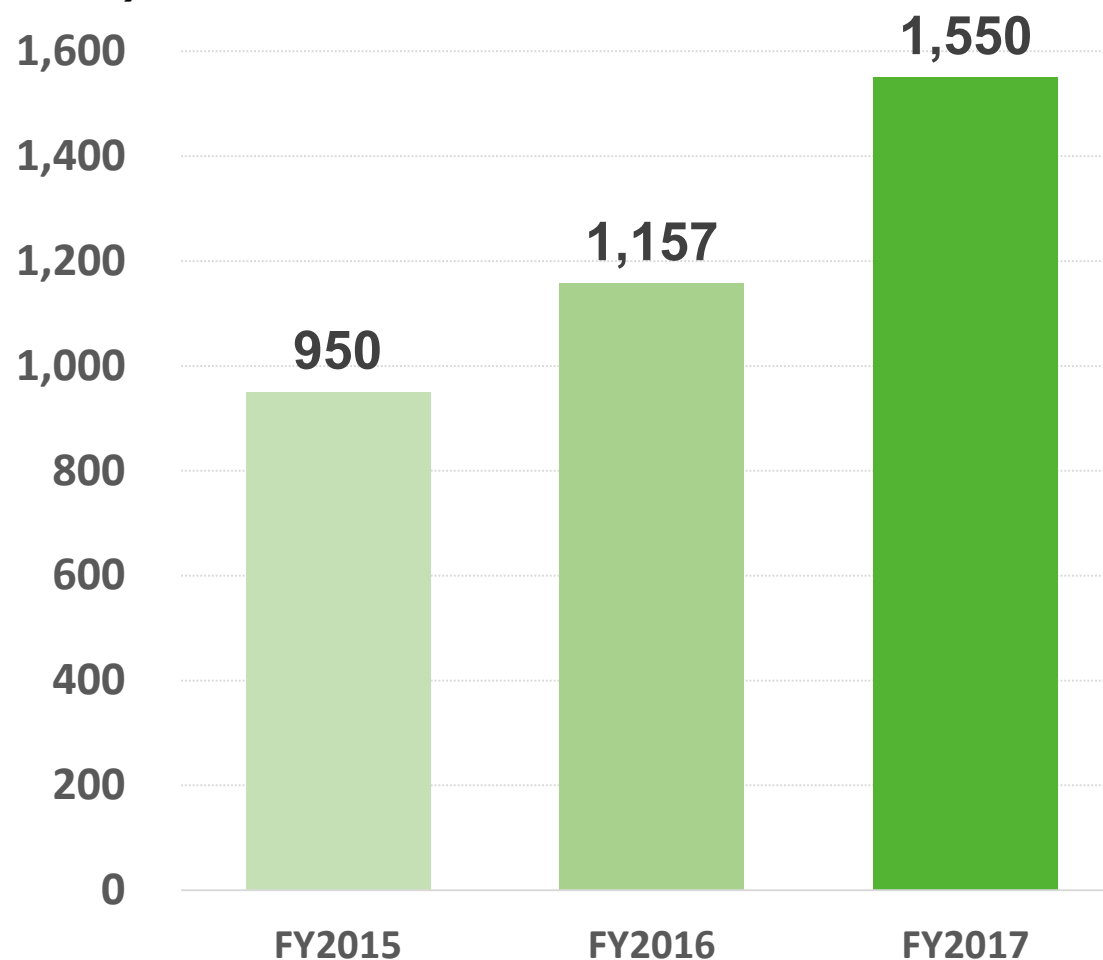
(Millions of yen)	FY2016 (Apr. 2016 - Mar. 2017)	FY2017 (Apr. 2017 - Mar. 2018)	Year on Year
Sales	1,157	1,550	+33.9%
Gross operating profit	616	773	+25.3%
Selling, general and administrative expenses	500	603	+20.5%
Operating profit	116	169	+46.0%
Ordinary profit	112	155	+38.0%
Net profit	127	91	- 28.7%

Note: All figures are rounded down to one million yen. The year-on-year rate is rounded down to an integer after making calculations in units of one yen. These cutoff methods are applied throughout this document.

3. Trends in business results: Sales

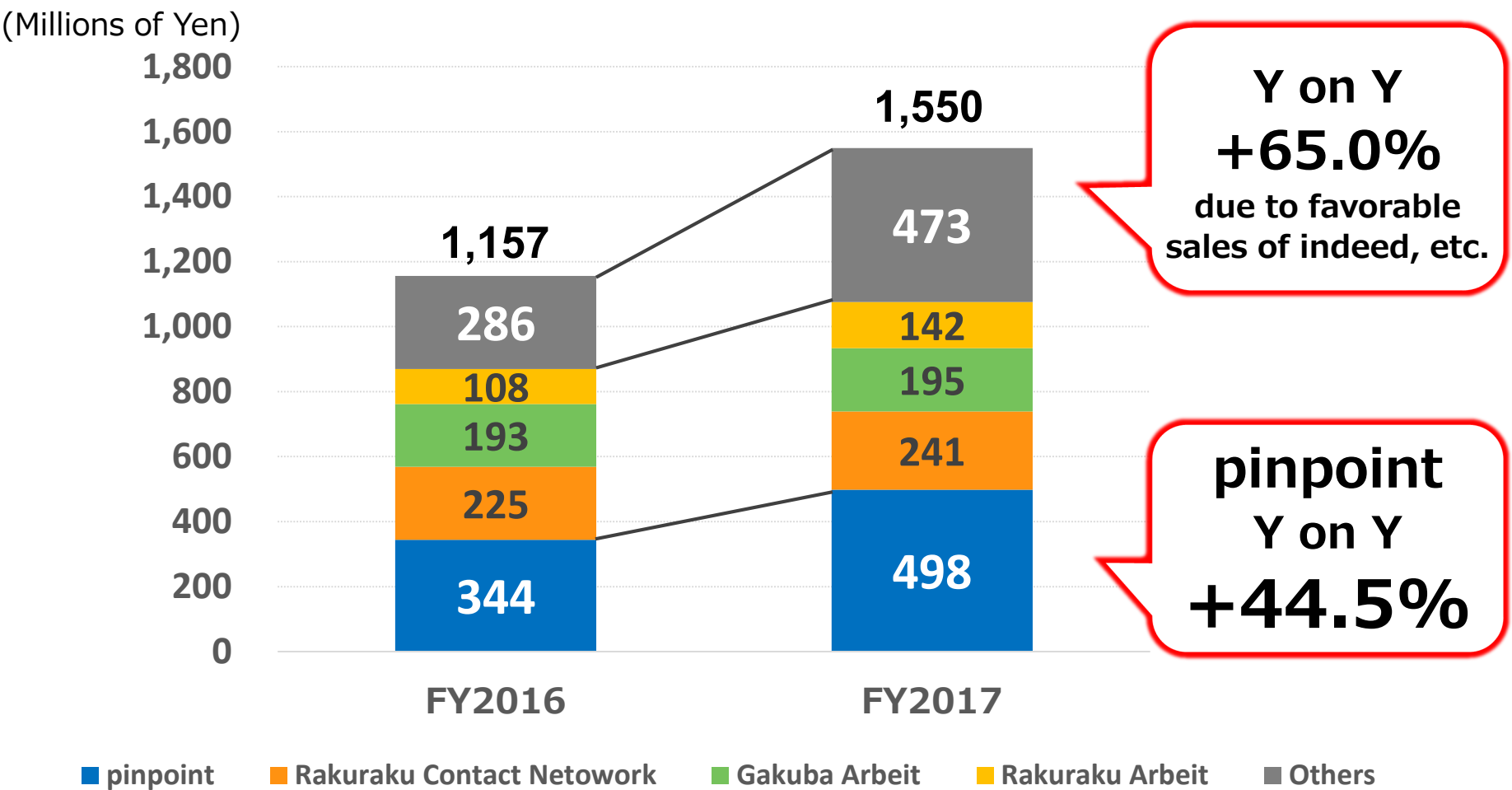
Sales in FY2017 increased by 33.9% from FY2016.

(Millions of Yen)



3. Trends in business results: Sales per service base

Sales increased across individual services on a year-on-year comparison.
In particular, “pinpoint” and “others” sales grew at a steady pace.

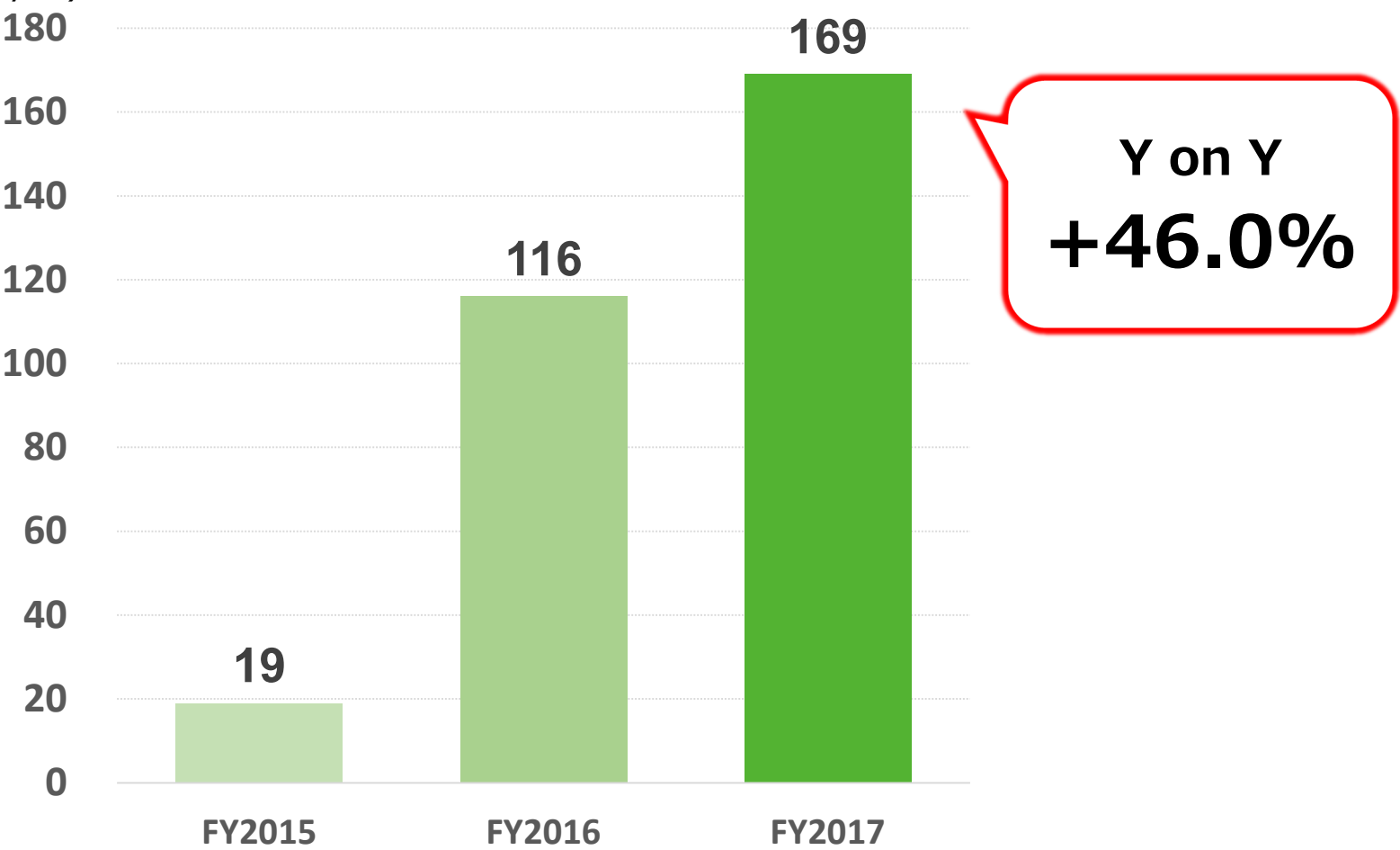


Note: Sales figure amounts are not equal to the sum of each service, as a result of rounding down to one million yen.

3. Trends in business results: Operating profit

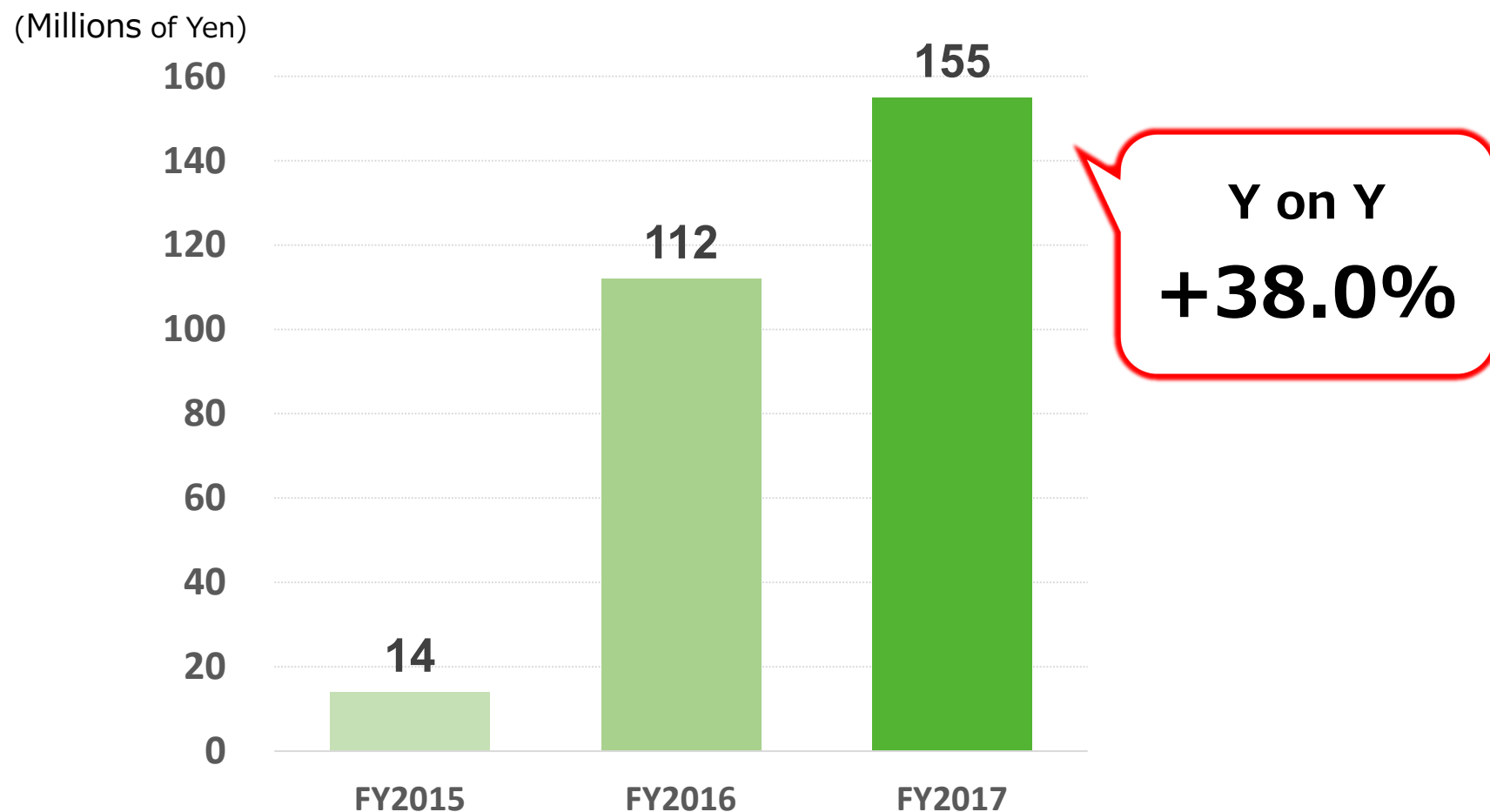
Operating profit in FY2017 increased by 46.0% compared to FY2016. Operating profit varies on the basis of different profit ratios per service in addition to sales value trends.

(Millions of yen)



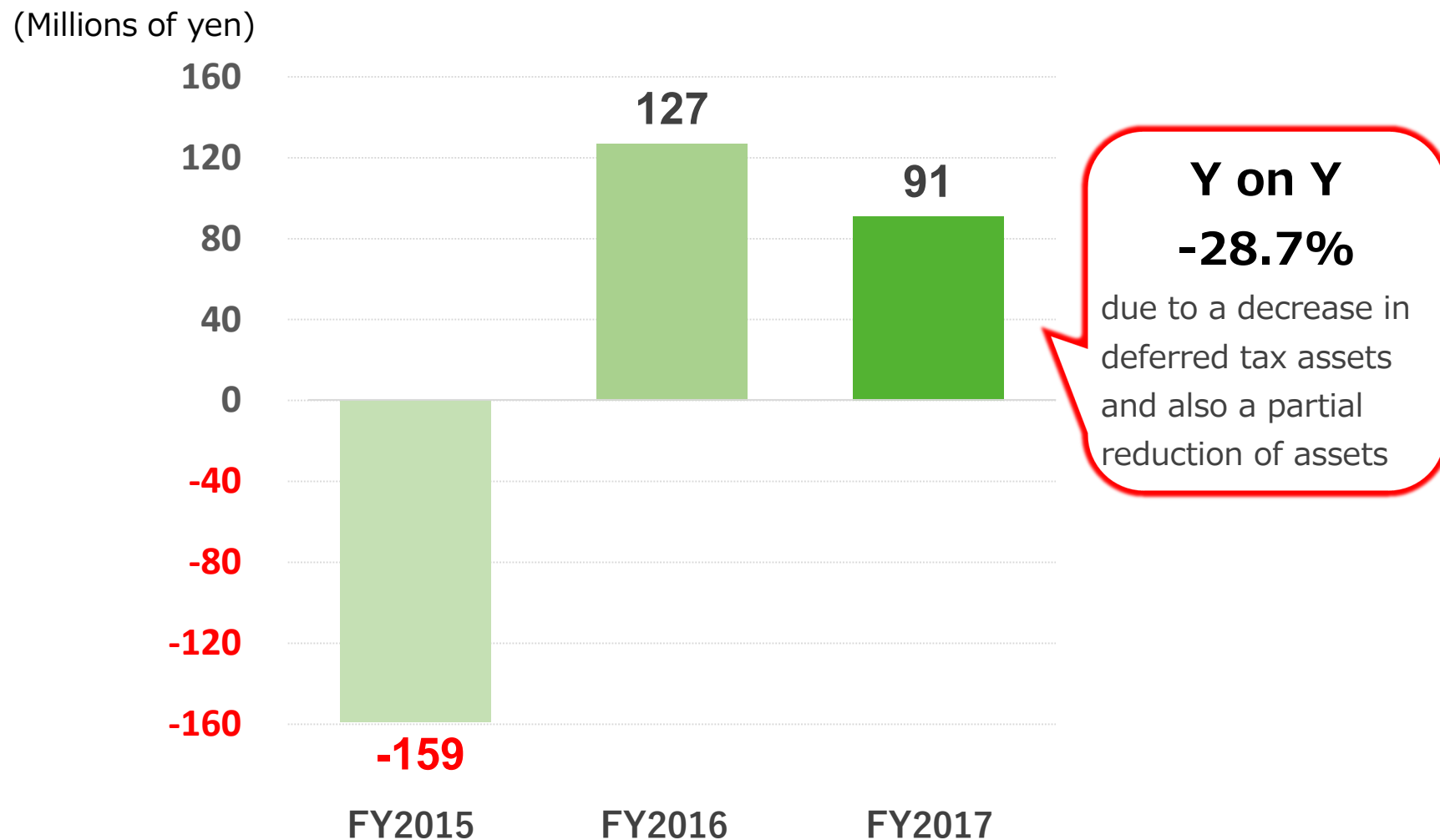
3. Trends in business results: Ordinary profit

Ordinary profit in FY2017 increased by 38.0% from FY 2016.



3. Trends in business results: Net profit

Net profit in FY2017 decreased by 28.7% from FY2016.



4. Comparison between FY2017 financial results and forecast: Sales

Each service in FY2017 increased revenue compared to FY2016. Sales (in total) increased by 33.9% compared to that of FY2016 and reached a record high, thereby meeting the performance forecast. However, there were variations among services.

(Millions of yen)	FY2016 Results	Forecasts as of Dec. 15, 2017	FY2017 Results	Y on Y	Ratio of actual results in FY2017 against forecasts as of Dec.15, 2017
Sales (in total)	1,157	1,541	1,550	+33.9%	+0.6%
Rakuraku Contact Network	225	255	241	+7.1%	-5.7%
pinpoint	344	491	498	+44.5%	+1.4%
Gakuba Arbeit	193	209	195	+1.2%	-6.5%
Rakuraku Arbeit	108	146	142	+31.7%	-2.8%
Others	286	438	473	+65.0%	+7.9%

Note: Sales figure amounts are not equal to the sum of each service, as a result of rounding down to one million yen. (These cutoff methods are applied throughout this document.)

4. Comparison between FY2017 financial results and forecast: Sales – Reasons for variations among services –

In the job advertising market where we possess certain advantages, inquiries in relation to programmatic ads increased more anticipated. In order to secure a future presence, we actively shifted priority to selling programmatic ads, while also striving to accumulate results.

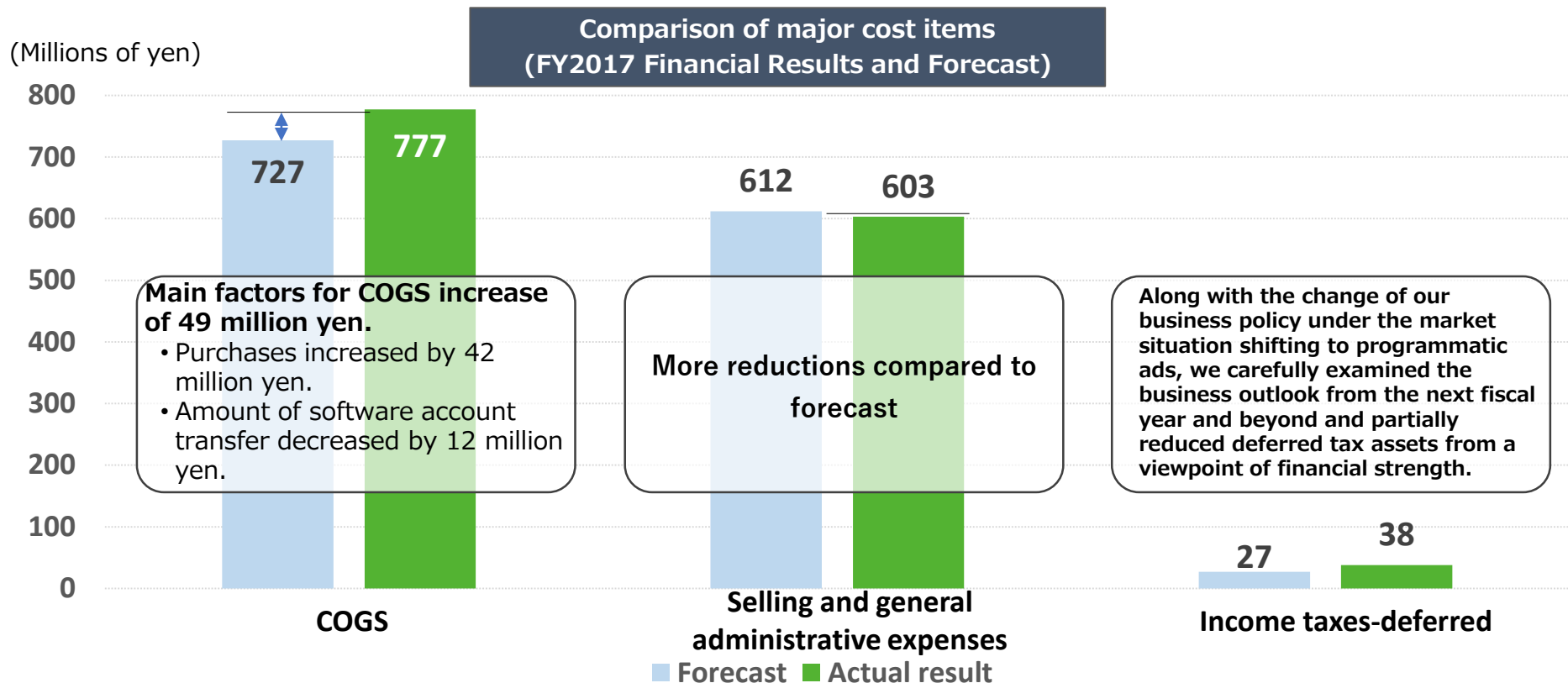
(Millions of yen)	Forecasts as of Dec. 15, 2017	FY2017 Results	Ratio of actual results in FY2017 against forecasts as of Dec.15, 2017	
Sales (in total)	1,541	1,550	+0.6%	
Rakuraku Contact Network	255	241	- 5.7%	
pinpoint	491	498	+1.4%	
Gakuba Arbeit	209	195	- 6.5%	Shift to actively selling programmatic ads
Rakuraku Arbeit	146	142	- 2.8%	
Others	438	473	+7.9%	

4. Comparison between FY2017 financial results and forecast: Major cost items

● Costs:

- (1) There was an overall change in the sales mix of services. “pinpoint” and “others” enjoyed favorable sales, while the sales of “Rakuraku Contact Network,” “Gakuba Arbeit” and “Rakuraku Arbeit,” with a relatively low sales cost ratio, were lower sales than expected.
- (2) Allocating a section of development resources to operating expenses, new service planning and the strengthening of the internal network led to a decrease in the amount of software account transfers. As a result, cost of goods sold (COGS) increased more than expected.

● Income taxes-deferred increased by incorporating said sales mix trends into forecasts.



4. Comparison between FY2017 financial results and forecast: Profit

Due to factors as previously described, sales met the forecast. However, operating profit, ordinary profit and net profit saw a reductions of 31 million yen, 23 million, yen and 34 million yen, respectively, when comparing forecast values as of Dec 15, 2017.

(Millions of yen)	FY2016 Results	Forecasts as of Dec. 15, 2017	FY2017 Results	Y on Y	Ratio of actual results in FY2017 against forecasts as of Dec.15, 2017
Sales	1,157	1,541	1,550	+33.9%	+0.6%
Cost of goods sold (COGS)	541	727	777	+43.6%	+6.8%
Selling and General administrative expenses	500	612	603	+20.5%	- 1.5%
Operating profit	116	200	169	+46.0%	-15.6%
Non-operating profit and loss	- 3	- 22	- 14	-	-
Ordinary profit	112	178	155	+38.0%	- 13.0%
Profit or loss before taxation	112	178	154	+37.8%	- 13.1%
Net profit	127	125	91	- 28.7%	- 27.7%

Dividends for FY2017	Non-dividends
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<Reasons>

- Not reached a level of surplus to allow for dividends
- As the company business scale is still relatively small, the priority is to expand business, establish a presence in the market at the earliest possible juncture and yield stable earnings.

<Future shareholder return policy>

(Dividends)

- We will consider implementing the distribution of dividends when we are able to judge that the business scale has expanded and achieving stable earnings, going forward.

(Shareholder benefits)

- We will continue considering shareholder benefits as a shareholder return measure.



III | Business Review for FY 2017

Listed on the TSE's Mothers Market on December 15, 2017.



Completely revamped Android version app of Rakuraku Contact Network

Following the revamping of an iOS version of the “Rakuraku Contact Network” app in March 2018, we upgraded the Android version, reflecting user requests while also aiming to achieve improved convenience and smoother communication for users engaged in group activities.



Easier to create messages across group members



Enhanced chat functions

In October 2017, Daigakusei Arbeit.com” was renamed as Gakuba Arbeit.

ガクバアルバイト
Gakuba Arbeit

大学生向けの短期バイト求人を探すなら【ガクバアルバイト】

会員登録 FAQ 求人広告掲載について

2018/4/5の大学生バイト求人新着情報 (2)

北海道・東北 関東 信越・北陸 東海 関西 中国・四国 九州・沖縄

春からはじめる
新バイト特集 授業やサークルとの両立OK*

キープ中のお仕事

ガクバアルバイト会員登録
現在、大学生会員登録74万人！大学生限定の短期バイト求人やインターンシップ情報が満載です！！
会員登録で特別メルマガや優待情報など完全無料！！

会員登録へ
会員の方はこちらからログインして下さい
ログインID :
パスワード :
次回から自動ログイン
ログイン
>>パスワードを忘れた方はコチラ

特集

人気検索で大学生バイト探し

短期から探す
1日単位 1週間以内 1ヶ月以内

職種から探す

インターンから探す

路線・駅から探す

こだわりから探す

エリアから探す

フリーワード検索

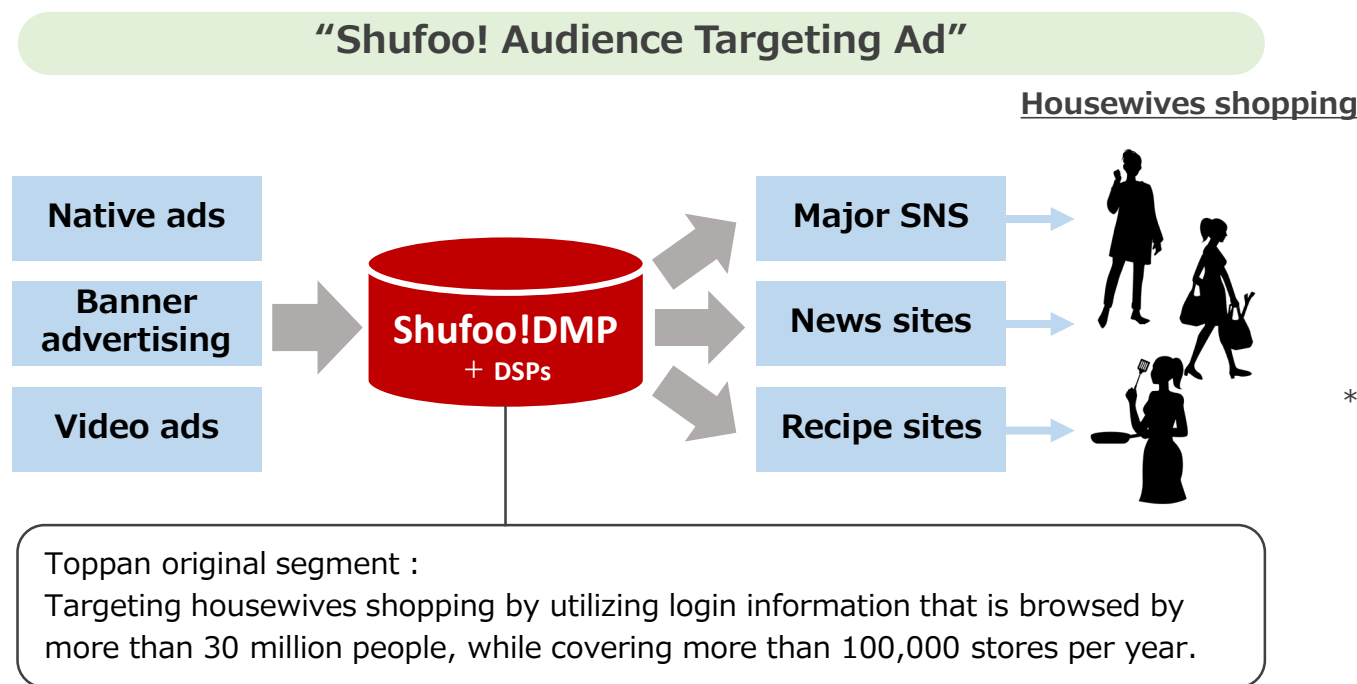
人気エリア

学生限定メリット	春休みバイト	英語を生かす	サークル・友達と一緒に	帰省・テスト休みOK
人気のメリット	日払い・週払い	高時給・高収入	ネイル・ピアスOK	オープニングスタッフ
勤務期間	登録制募集	週1日からOK	土・日のみOK	短期間

4. pinpoint

eole entered into a capital and business alliance with Toppan Printing Co., Ltd., which released “Shufoo! Audience Targeting Ad” that is linked with pinpoint, as part of said business alliance.

We linked up with Toppan Printing in July 2017, as a means to promote collaboration of web advertising utilizing big data in terms of Internet marketing. In October, Toppan Printing released an advertising service “Shufoo! Audience Targeting Ad,” which is connected with pinpoint.

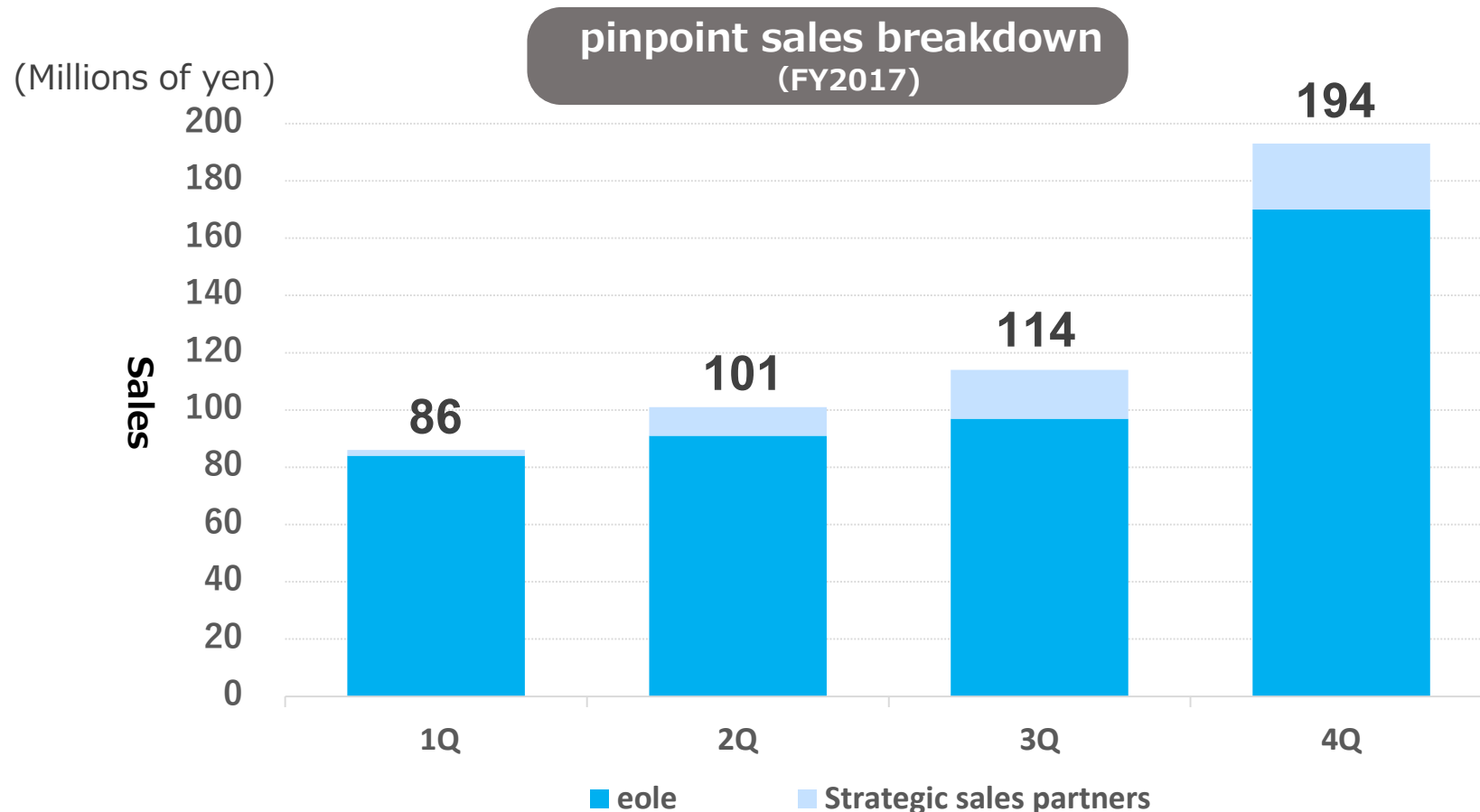


➡ This collaboration is being promoted as part of the “Strategic sales partners” category in our pinpoint service.

* “Shufoo!” is the largest electronic flyer service in Japan, mainly used by women in their 20s to 40s, which Toppan Printing launched in August 2001.

4. pinpoint

Sales of pinpoint have been steadily growing, while at the same time, sales by strategic sales partners have almost doubled every quarter, and are very much anticipated to further expand in the future.





IV | Business Initiatives for FY2018

1 Appointment to enhance “programmatic ads”

Vice President (Candidate)

Makoto Ogawa

(present Senior Director)



- Establishing a structure to increase the sales of “programmatic ads” by appointing Makoto Ogawa who has been managing the sales department for a number of years, while also leading eole “programmatic ads” along with the launch of pinpoint, as Vice President.
- This appointment (in addition to a right to represent) aims to increase the speed of decision-making in relation to “programmatic ads.”

Career

Established Alpha Branch, Inc. followed by Rough Dessin, Inc. while still at university. Inaugurated as a sales adviser at eole Inc. in January 2010. Appointed Director in June 2010. Currently having Business Support Management Division and Media Sales Division in charge.

Note: This appointment will be formally made at the Shareholders' Meeting scheduled for late June 2018 and resolved at the eole Board of Directors Meeting to be held thereafter.

2 Appointment to strengthen “Corporate Governance”

External Board Director (Candidate)

Suguru Tomizuka



- Strengthening corporate governance structure through inviting an external board member.

Career

Born in August 1965. In 1988, joined Recruit Co., Ltd (currently Recruit Holdings Co., Ltd). In 2008, inaugurated as Corporate Executive Officer. In 2009, inaugurated as President and Representative Director of each company, Yuko Yuko Corporation and World Media Agency. In 2012, inaugurated as Corporate Executive Officer of Recruit Holdings Co., Ltd., and inaugurated as President and Representative Director of Recruit Lifestyle Co., Ltd. Later on, served as President and Representative Director at Recruit Marketing Partners Co., Ltd., Recruit Administration Co., Ltd. (currently Recruit Co., Ltd.) and Recruit Office Support Co., Ltd. In April 2018, founded tommy inc., and serving as President.

Note: This appointment will be formally made at the Shareholders' Meeting scheduled for late June 2018 and resolved at the eole Board of Directors Meeting to be held thereafter..

FY2018 as a turning point for eole.

Firstly, securing market share early on by focusing on programmatic ads in the job advertising market.

1. Focus on programmatic ads centering on pinpoint DMP

<Reasons>

- Shift from purchasing ad spaces on websites to programmatic ads in the job advertising market is accelerating.
- Increasing competition due to the entry of the Internet ad agencies to the job advertising market.

2. Enhancement of sales support arrangement to strategic sales partners

<Reasons>

- To boost our market share of programmatic ads in the job advertising market for grad hiring.
- To build efficient sales promotion scheme, in addition to direct sales by eole.

3. Promotion of ad technology through alliances with third parties' data

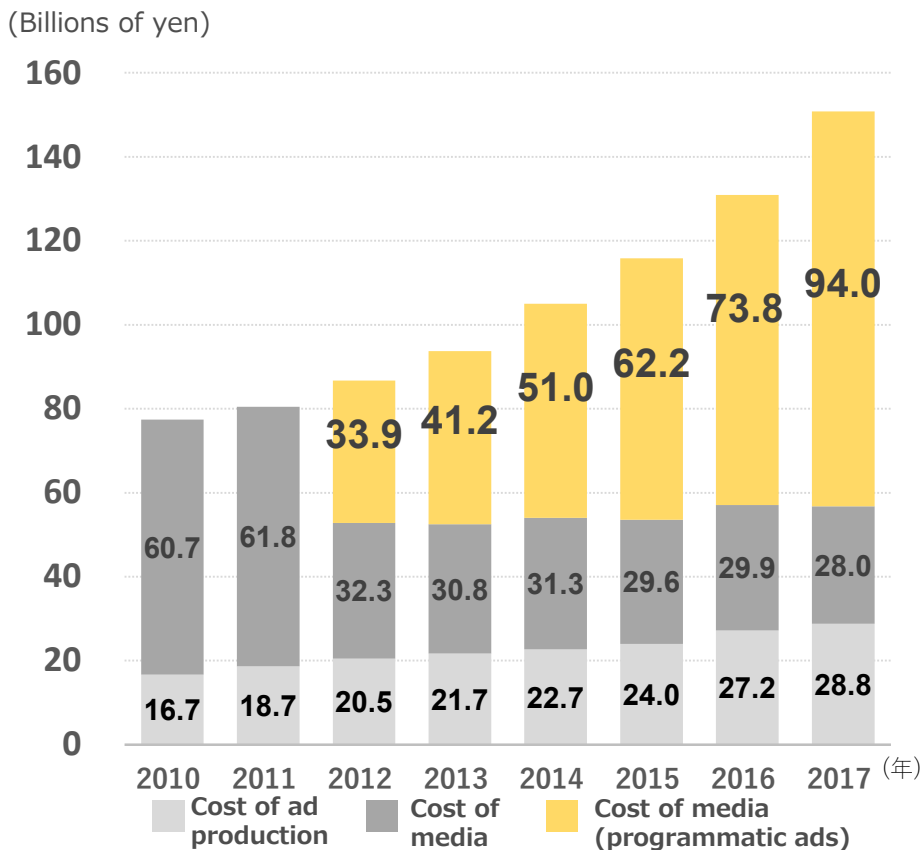
<Reason>

- Enrich our DMP to develop new clients through alliances with third parties' data.

2. Business initiatives for FY2018: Business environment analysis

Programmatic ads have become mainstream in the Internet advertising market. It is now widely considered that programmatic ads are entering the active job advertising market.

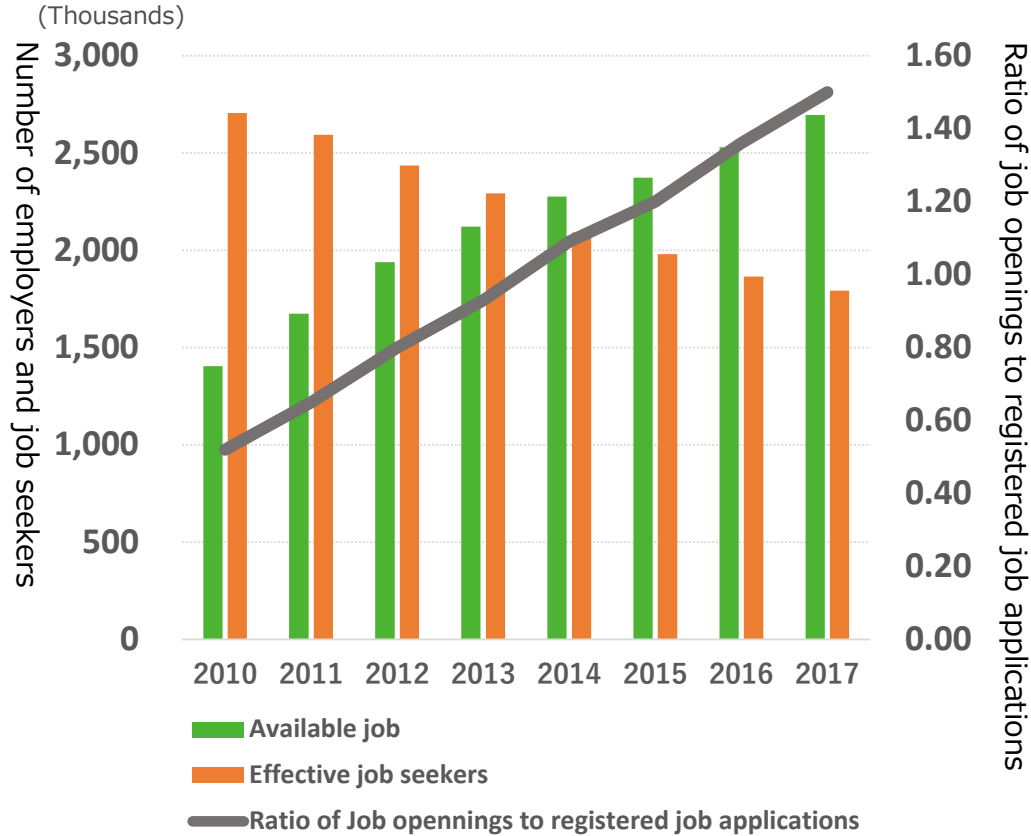
Trends in Internet advertising market



Note: As the cost of media and the cost of programmatic ads were not divided up to FY2011, it is only the total of cost of media, including programmatic ads, being displayed.

Source : "2017 Ad expenses in Japan, Dentsu Inc.

Trends in employers, job seekers and the ratio of job openings to registered job applications

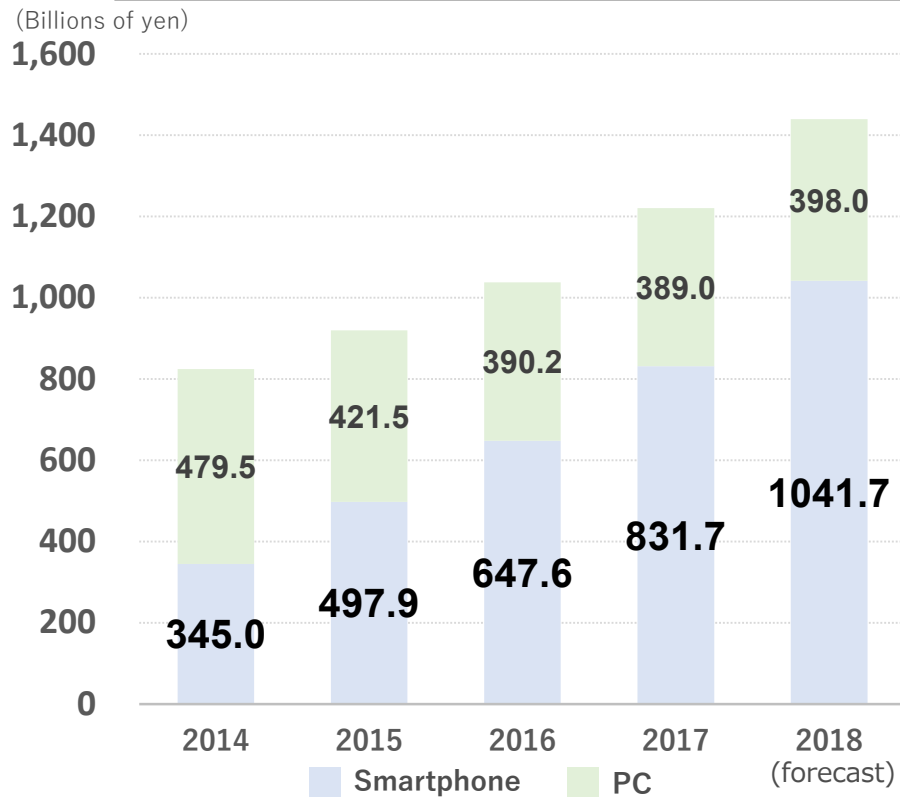


Source: "Situation of general employment placement," Ministry of Health, Labour and Welfare

2. Business initiatives for FY2018: Business environment analysis **eole Inc.**

Expenditure on smartphone media ads is expected to increase, going forward. Ad technology advertisements that utilize data is becoming increasingly important.

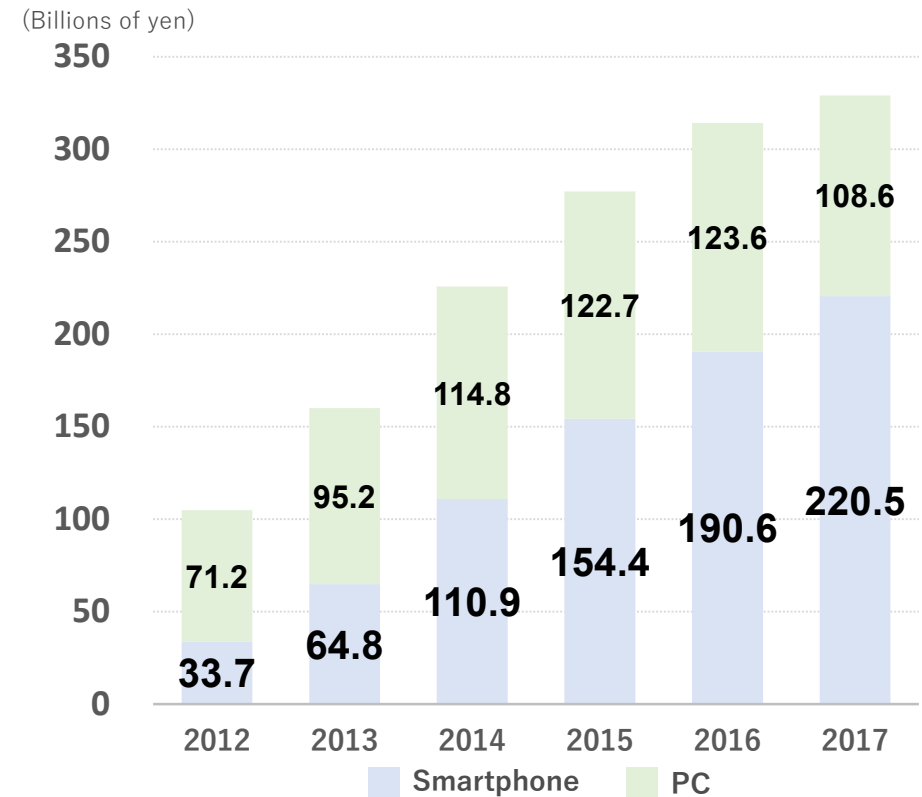
Expenditure on Internet ad media
Trends in ad expenditures (Forecast)
[Smartphone/PC]



Source: "2017 Advertising Expenditure in Japan – Detail analysis of Internet ad expenditures," (March 2018), D2C Inc., cyber communications inc., and Dentsu Inc.

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Trends in advertising technology*1



*1 Definition of advertising technology is "display advertising via Real Time Bidding*2," "pay-per-use(CPC*3 & CPM*4) advertising network," and "CPA(cost per action) advertising network."

*2,3,4 Refer to "Reference information(1): Glossary" (Page 59).

Source: adtech studio/Seed Planning, Inc.

2. Business initiatives for FY2018: Reasons for policy change

Reason 1

Having strength in job advertising with our own media.

Reason 2

Programmatic ads have a higher LTV (lifetime value) compared to eole media ads.

	Advertising by eole media	Programmatic ads
Gross margin	High	Low
Continuity	Short term (spot)	Long term (Regular)
Man-hours / LTV	Increase of sales & development man-hour/ Low LTV	Increase of operation man-hour/ High LTV

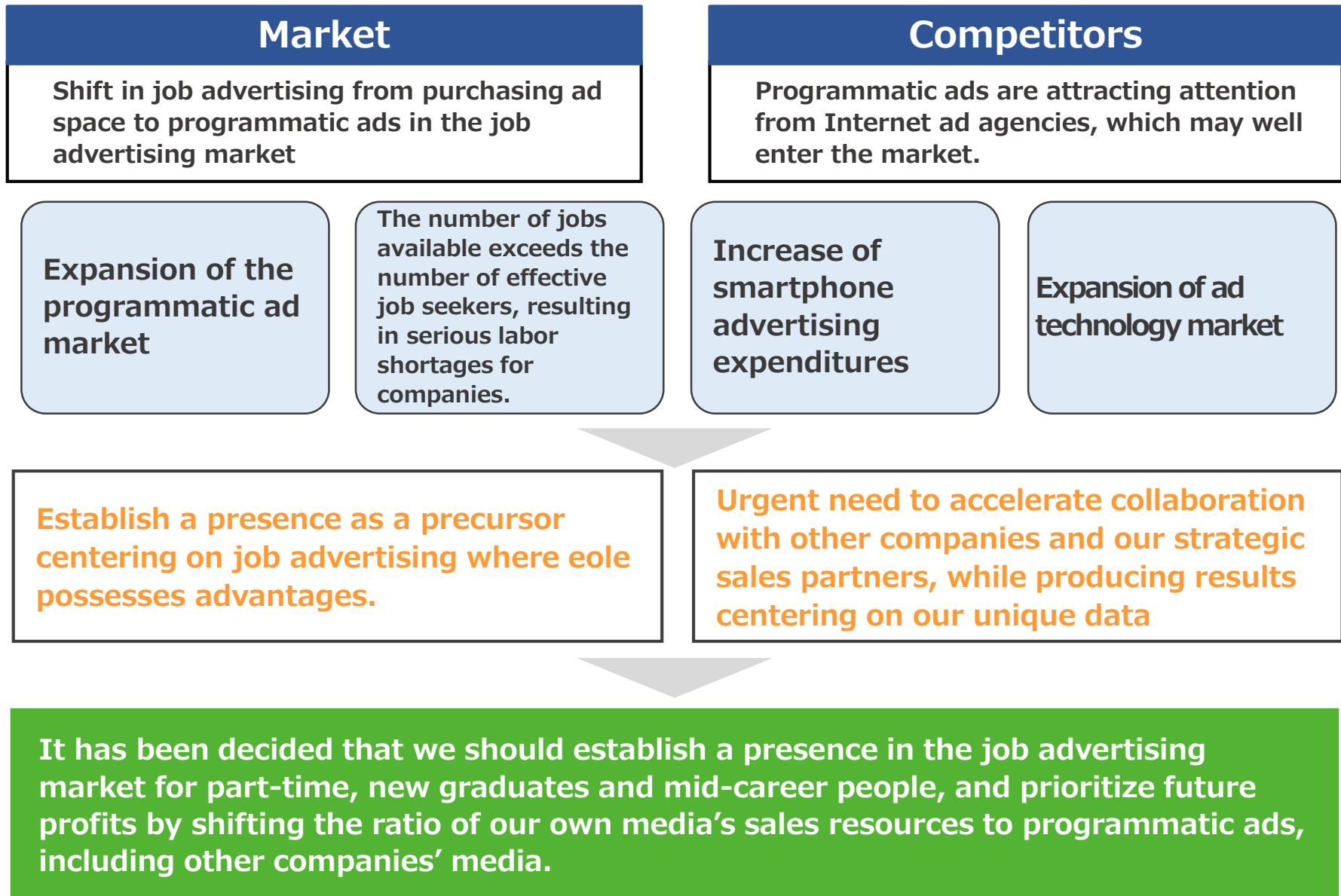
Reason 3

Due to serious labor shortages, the mainstream for the job advertising market is shifting from purchasing ad space to programmatic ads.

Reason 4

We will aim to produce results, establish a presence and secure our market share in the early stage of programmatic ad market. Although this change will lead to low profitability in the short term, focusing on programmatic ads in FY2018 will become more profitable for the future due to high continuity and LTV.

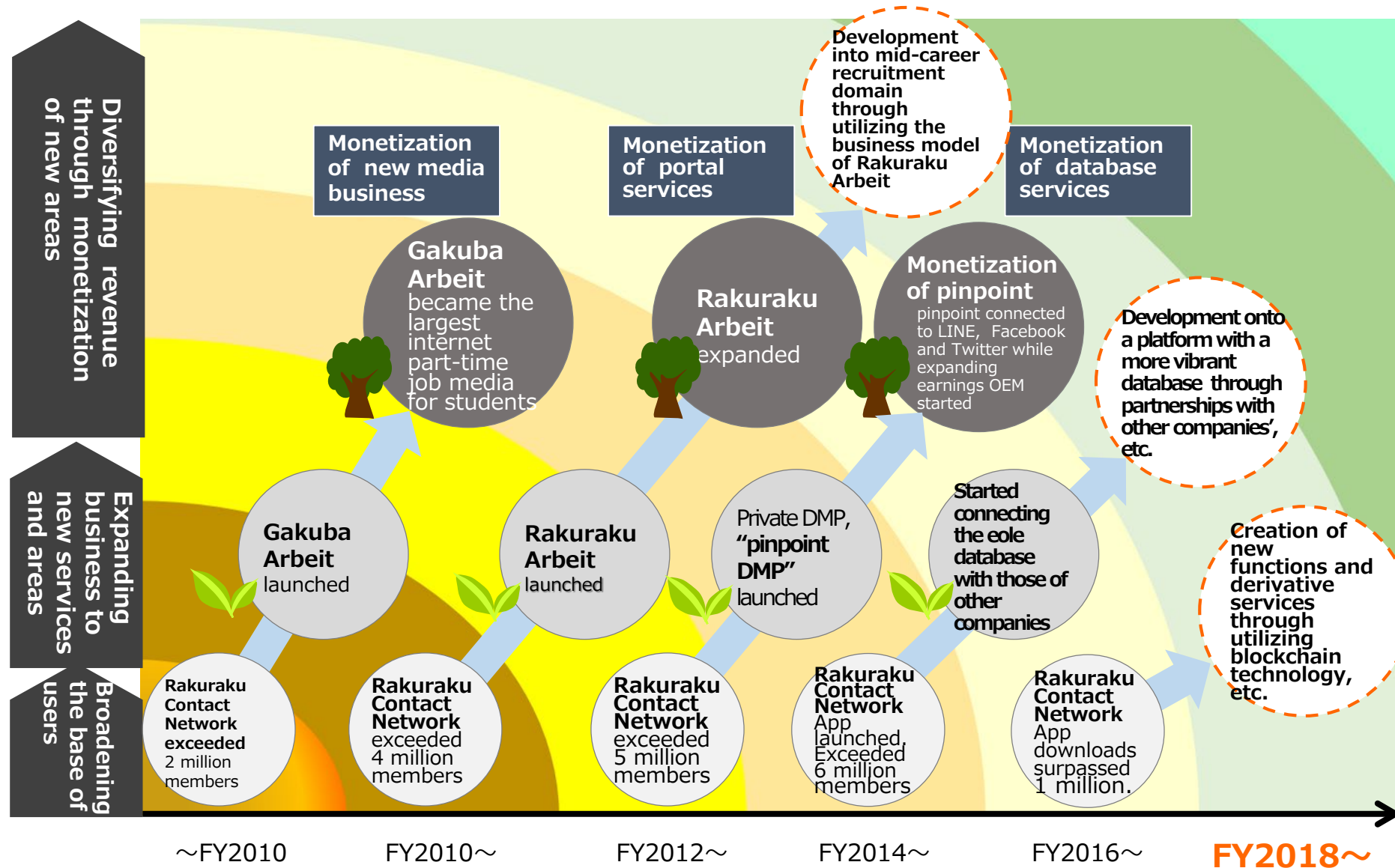
2. Business initiatives for FY2018: Summary





v | Business Initiatives for FY2018

1. Concept of business growth



2. Sales and development strategies

Phase of growth		Phase of investment
Sales Strategy	1. Focus on programmatic ads centering on pinpoint => Shift from purchasing ad spaces on website to programmatic ads in the job advertising market/ Increasing competition due to the entry of the general Internet ad agencies to the job advertising market	
	2. Enhancement of sales support arrangement to strategic sales partners => To boost our market share of programmatic ads in the job advertising market for grad hiring To build efficient sales scheme, in addition to direct sale by eole	
	3. Building new strategy to channel portal business into profits => Trials that build new methods to attract customers Development of mid-career recruitment domain	
	4. Seeking new alliance partners for Rakuraku Contact Network functions	
	5. Others	
Development Strategy	1. Further improved usability of Rakuraku Contact Network and securing flexibility for service alliance and expansion	
	2. Increase of future profits by optimizing search engine of Rakuraku Arbeit	
	3. Launch of new portal website development for mid-career recruitment as a new pillar for earnings	

1 Establishment of Business Promotion Office

Established in April 2018. The Business Promotion Office takes on the role of promoting priority services, in addition to supporting strategic sales partners for programmatic ads in order to further accelerate eole growth. It also involves functions such as new business creation, recruitment, training, education of personnel and initiatives to reduce man-hours for sales and operations.

2 Nine new graduates joined eole in April 2018

Despite a "supplier-centric market" for new graduates, there were no new graduates turned down their acceptance to eole, while the new graduates' turnover ratio within three years is 0% as of the beginning of FY2018. We are improving personnel involved in ad technology by increasing sales forces in the field.

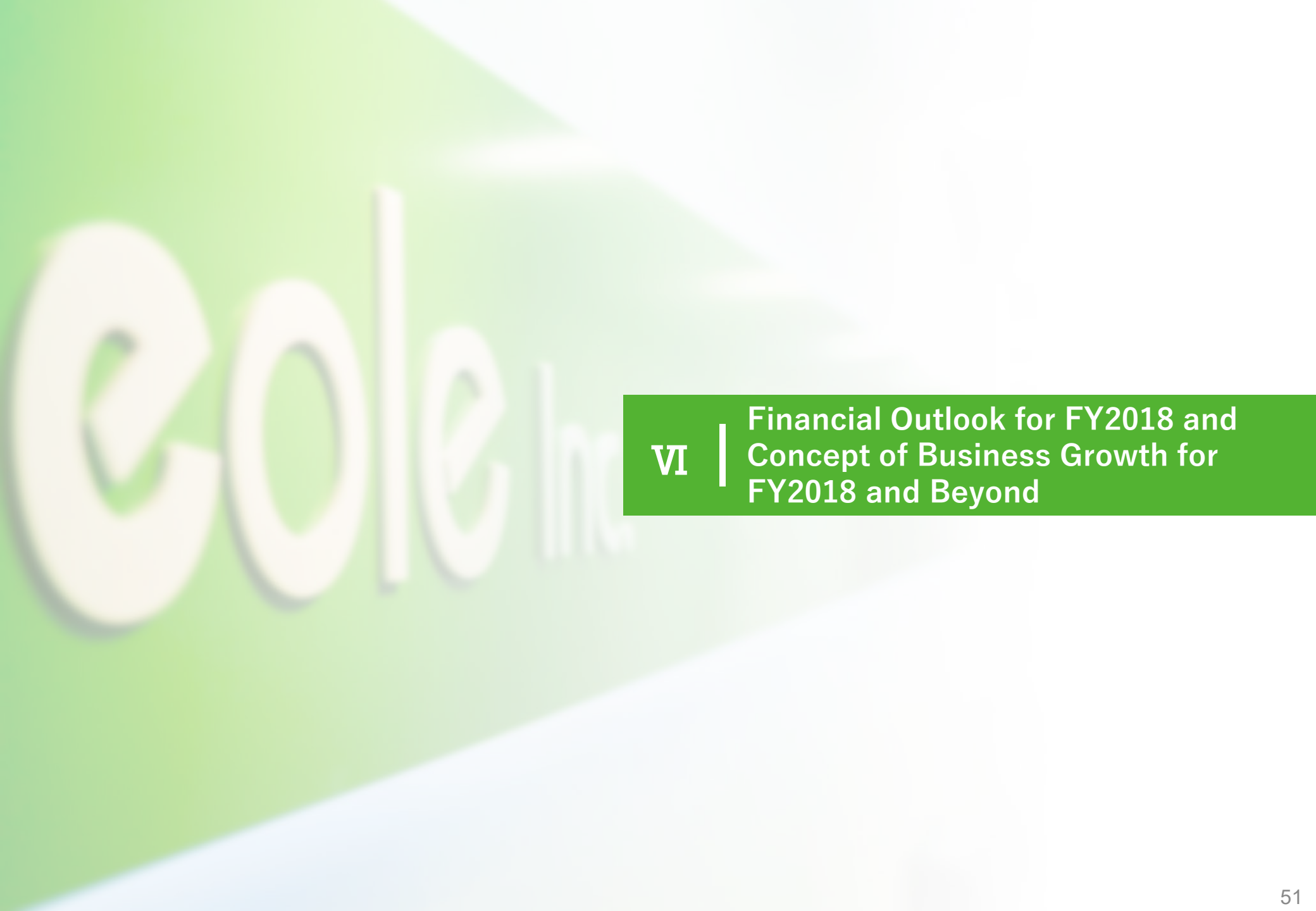
* Total number of new graduates in FY2018 will be ten, including one new graduate employee who will join the company in the fall.

In cooperation with CurrencyPort Limited, a Blockchain Security Conference took place on June 6, 2018.



Began the "Ole Project," which supports solving "Local" and "Social" issues by utilizing our business domains.





VI | Financial Outlook for FY2018 and Concept of Business Growth for FY2018 and Beyond

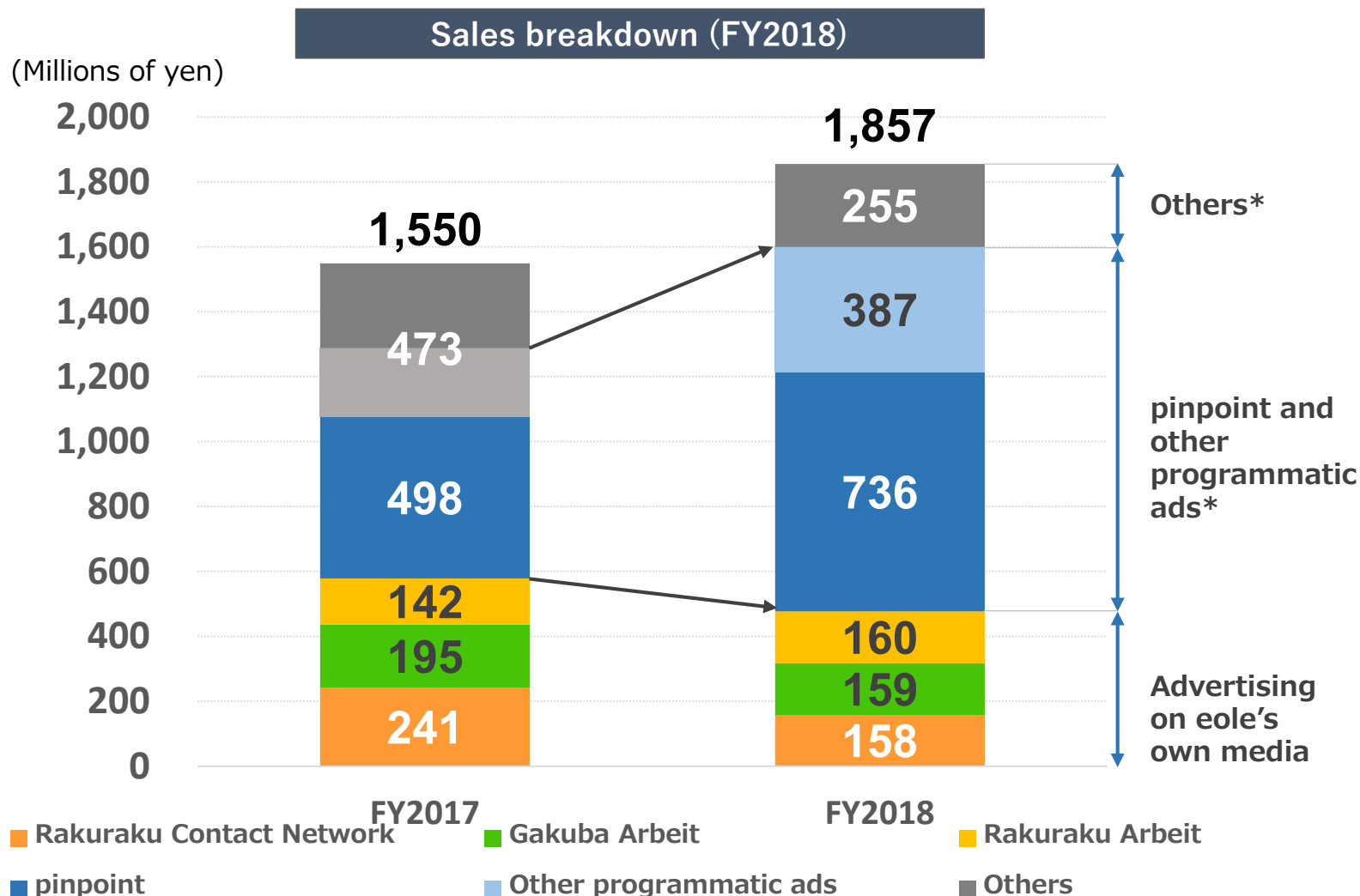
1. FY2018 financial forecast

In FY2018, priorities for sales strategies have been shifted to programmatic ads, in direct response to an increasing share of programmatic ads in the advertising market. As a result, sales are expected to increase by 19.8%, while profit decreases with operation profit to decline 86.9% and ordinary profit by 86.8%.

(Millions of yen)	FY2016 Results	FY2017 Results	FY2018 Forecasts	Y on Y
Sales	1,157	1,550	1,857	+ 19.8%
Cost of goods sold (COGS)	541	777	1,085	+ 39.7%
Selling, general and administrative expenses	500	603	749	+ 24.2%
Operating profit	116	169	22	- 86.9%
Ordinary profit	112	155	20	- 86.8%
Net profit	127	91	11	- 87.2%

1. FY2018 financial forecast: Sales breakdown

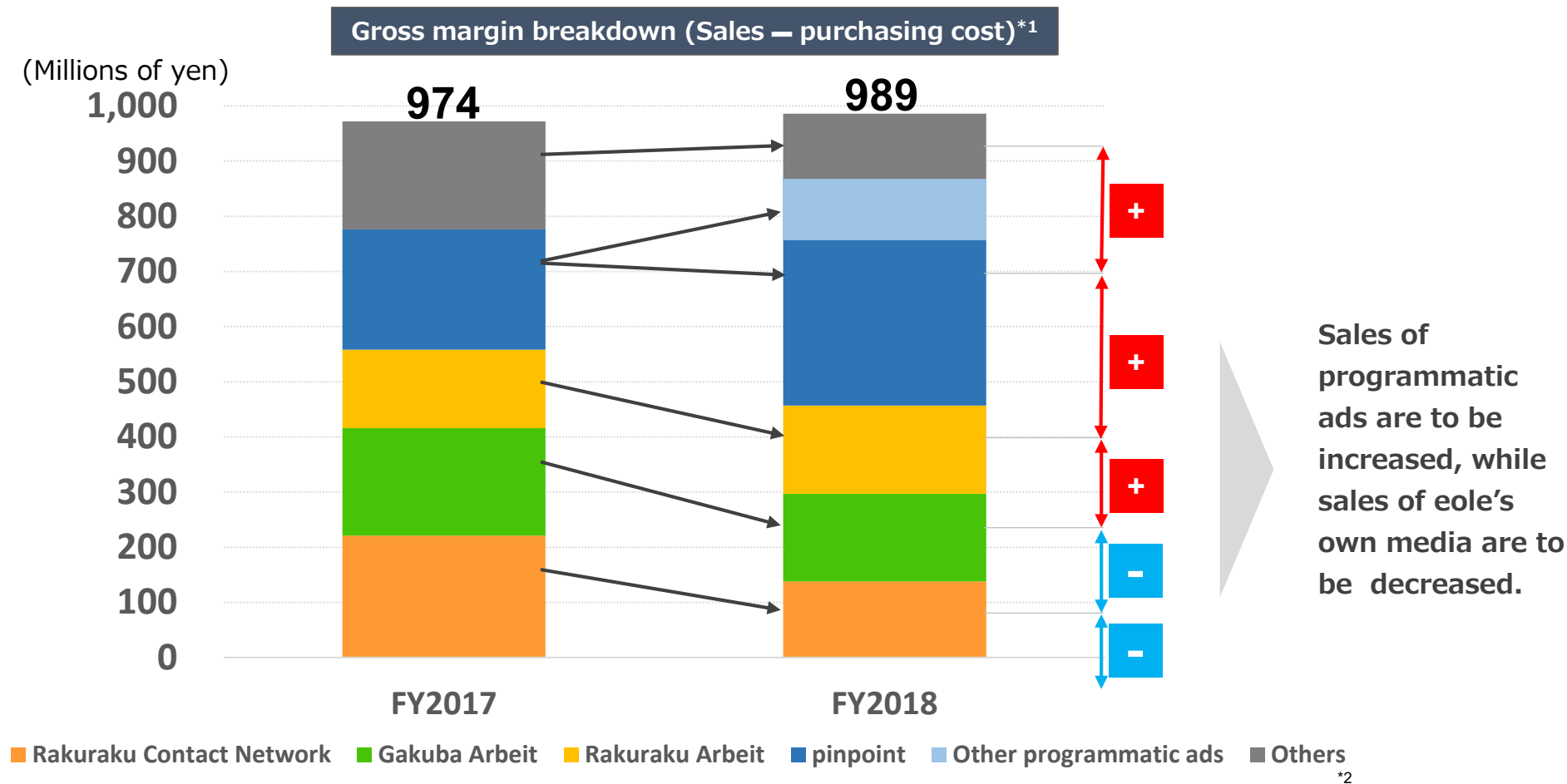
In FY2018, sales of pinpoint and other programmatic ads are to be strategically increased.



Since FY2018, a part of “programmatic ads” included in “others” and “pinpoint” have been considered as one service and categorized as “pinpoint and other programmatic ads.” In addition, the definition of “pinpoint and other programmatic ads” in FY2017 is not equal to that of FY2018.

1. FY2018 financial forecast: Gross margin breakdown

As a result of a decrease in advertising sales of eole's own media and increased sales of programmatic ads and Rakuraku Arbeit, gross margin*¹(not equal to gross operating profit) is to be slightly increased overall.

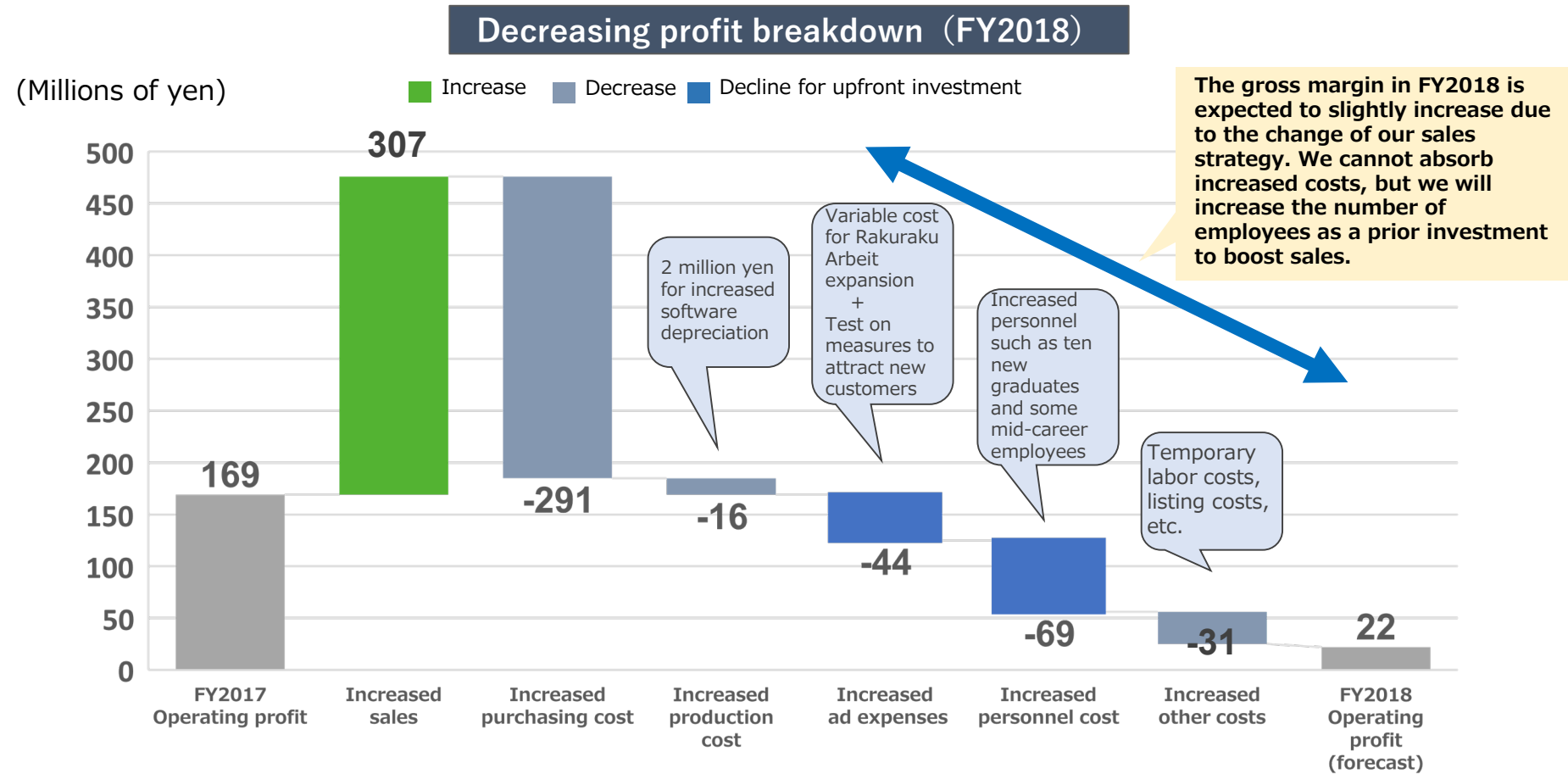


*¹ COGS consists of purchasing and production costs. Gross margin is defined as "sales minus (-) purchasing cost," not including production costs.

*² "Other programmatic ads" were included in "others" in FY2017.

1. FY2018 financial forecast: COGS and profit breakdown

At the same time, operating profit is expected to decrease due to increased personnel and amortization expenses, etc. This increased personnel is for upfront investment for the future, aiming to improve marketing and sales supports for other programmatic ads.

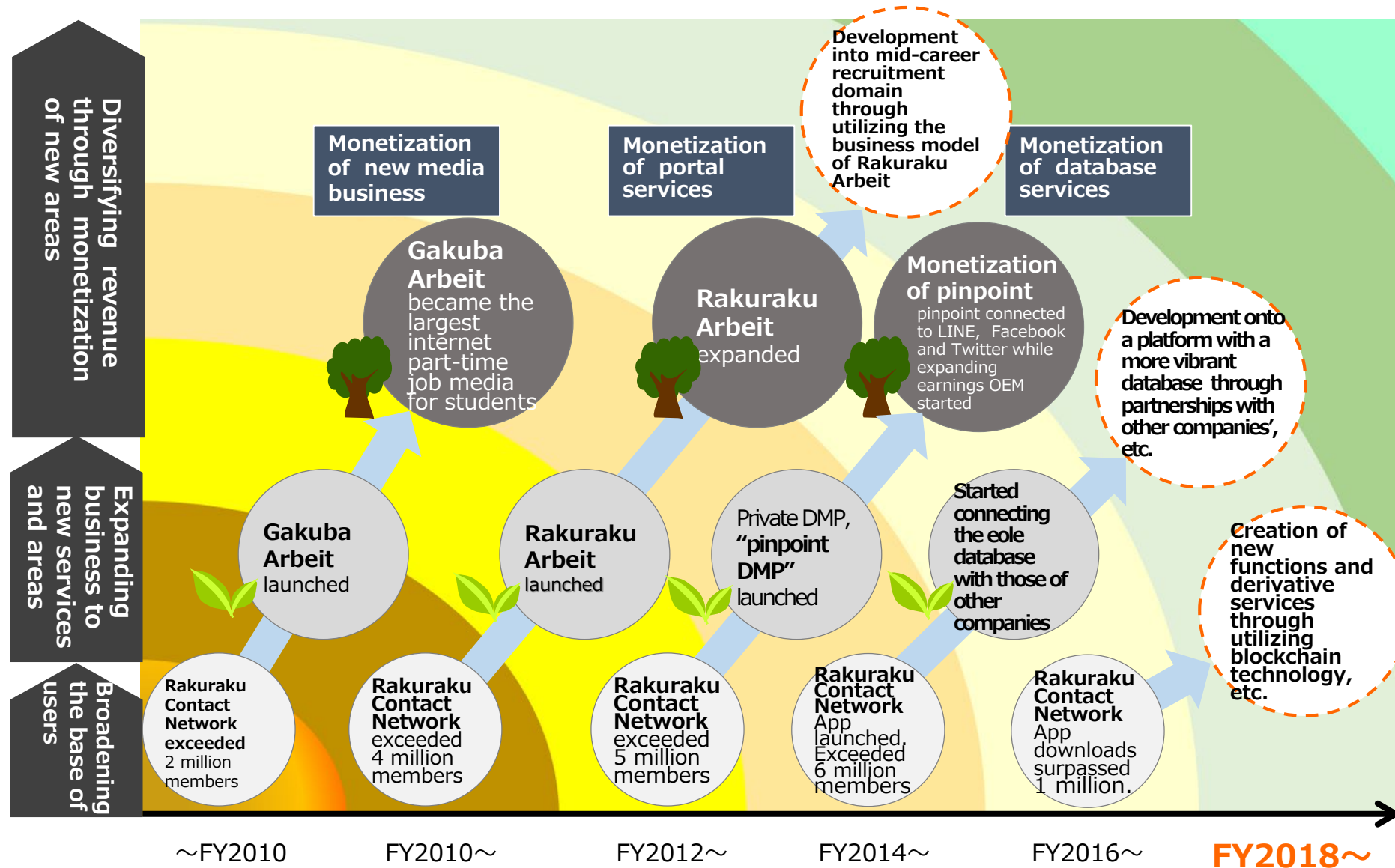


Note: Operating profit figures are not equal to the sum of each item, as a result of rounding down to one million yen.

2. Concept of business growth

Redisplayed

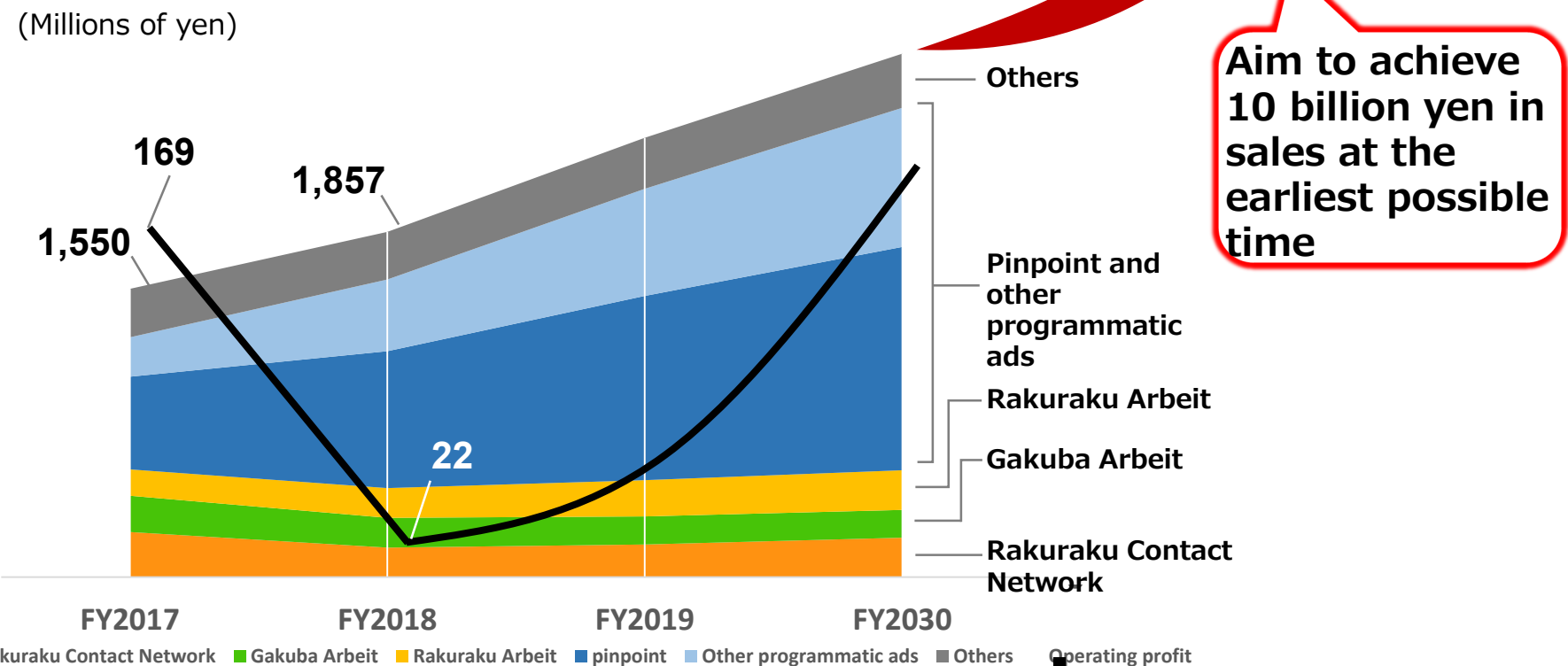
eole Inc.



3. Future growth strategy

Firstly, ahead of the competition, we will establish a track record with programmatic ads in the job advertising market, where we have considerable strength. Operating profit is expected to recover, thanks to an expansion in scale.

Sales and operating profit
(FY2017: Results, FY2018~FY2020: Forecasts)



Note: In FY2017, though programmatic ads apart from pinpoint were included in "Others," figures for "pinpoint" and "other programmatic ads" are separate for the sake of comparison in the graph above.



VII | Reference Information

Term	Definition
CPC (Cost Per Click)	CPC (Cost per click) has two different meanings. One is the cost per click of a user as a result of exposure to advertisements, while the other is the unit price of a pay-per-click advertising transaction.
CPM (Cost Per Mille)	Cost of 1,000 ad reach or exposure.
DMP (Data Management Platform)	A platform for managing data and optimizing company's marketing activities by utilizing said data.
DSP (Demand Side Platform)	A demand-side platform (DSP) is an ad delivery system that conducts RTB (real-time-bidding) to many ad spots on websites based on user action history and their attribution.
pinpoint DMP	DMP developed by eole. pinpoint DMP has abundant user data, which are taken from Rakuraku Contact Network and affiliated companies, while being encrypted and not identifying any personal information.
RTB (Real Time Bidding)	An auction system for digital advertisement space. Every time a user visits a website (impression), user information from cookie and advertisement space information such as minimum bid price are instantly sent to DSPs. Advertisements with the highest bids are displayed.
SSP (Supply Side Platform)	A supply-side platform is a platform that maximizes media revenue, including homepages, apps, etc. An advertisement that shows the highest price for the ad space is displayed through SSP.
Ad exchange	A platform coordinating advertisement space stock and demand among DSPs, SSPs and ad networks, in addition to advertising agencies.
Ad network	An advertising network that collects ad distributable media such as Websites, social media, blogs. It can deliver ads all at once.
Programmatic ad	An advertising method that automatically or instantly assists with the optimization of an advertisement with a platform processing huge volumes of data. This includes search ads and some ad networks. Typical examples are DSP, ad exchanges and SSPs.

Reference information (2): BS summary

(Millions of yen)				(Millions of yen)			
	FY2016 (End of March 2017)	FY2017 (End of March 2018))	Change		FY2016 (End of March 2017)	FY2017 (End of March 2018))	Change
Assets				Liabilities			
Current assets				Current liabilities			
Cash and cash equivalents	116	790	674	Accounts payable-trade	54	101	46
Accounts receivable	175	246	71	Corporate bonds redeemable within one year	50	50	0
Others	0	1	1	Long-term loans payable schedule	21	4	△17
Total current assets	324	1,055	730	Others	150	142	△7
				Total current liabilities	276	298	△21
Fixed assets				Fixed liabilities			
Tangible fixed assets	10	8	△1	Total fixed liabilities	110	50	△60
Intangible fixed assets	266	282	15	Total liabilities	387	349	△38
Investments and others	101	84	△16	Net assets			
Total fixed assets	377	375	△2	Shareholders assets	302	1,081	778
Deferred assets	3	2	△1	Share options	15	2	△13
				Total net assets	318	1,084	765
Total assets	706	1,433	727	Total liabilities and net assets	706	1,433	727

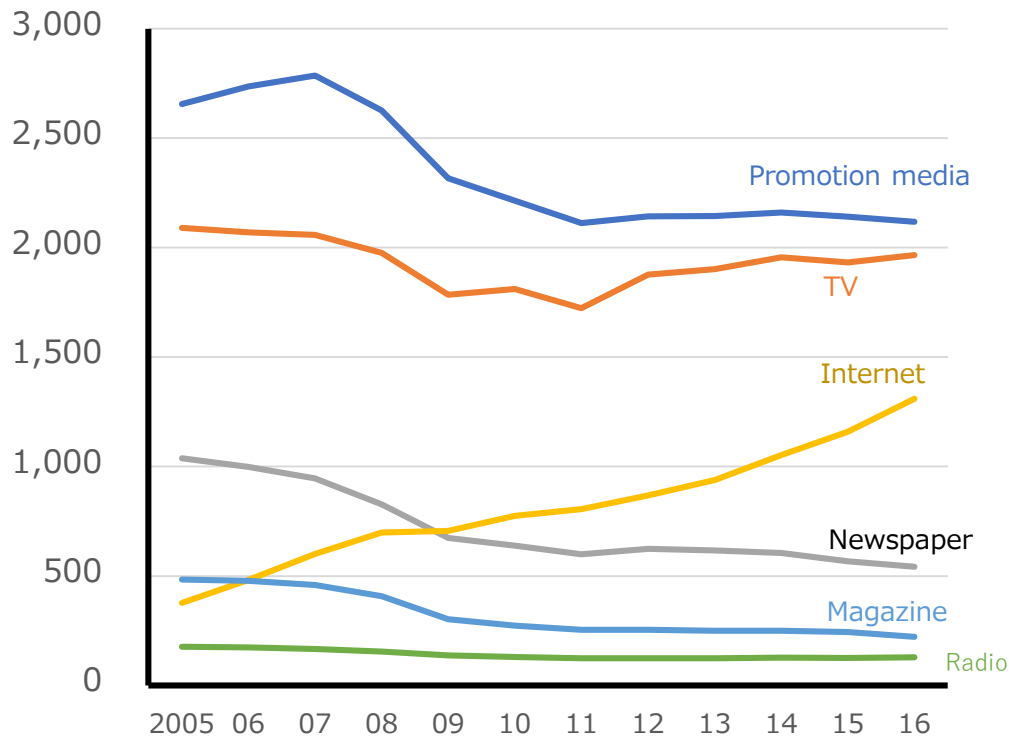
Reference information (3):

Trends in ad expense by media/Ad market size estimate for smartphone by ad type

Trends in ad expense by media

Internet advertisements are continually expanding, coming very close to TV media ads

(Billions of yen)

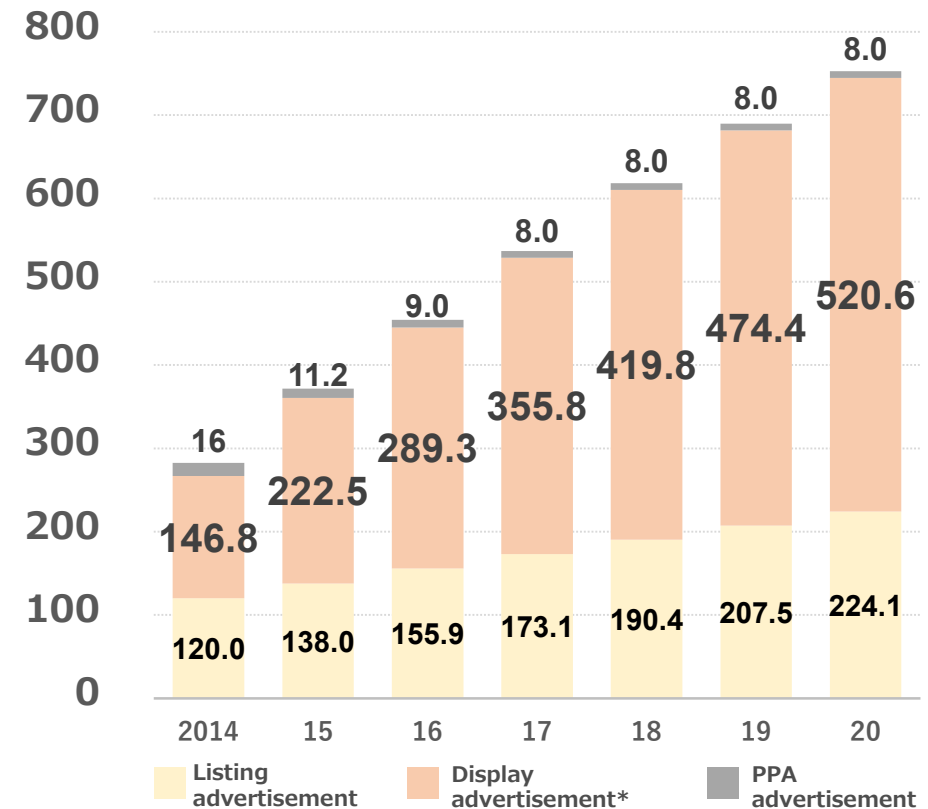


Source: "Ad expenses in Japan", Dentsu Inc., 2016

Ad market size estimate for smartphone by ad type (2014~2020)

Display advertisements will continue to increase, going forward, in the every-expanding smartphone advertising market

(Billions of yen)



* Advertisement that utilizes the characteristics of smartphones, including video and in-feed advertising.

Source : CyberZ, Inc. press release 2016

Disclaimer

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