



# **Financial Results**

**for the 1st Quarter of the Fiscal Year  
Ended March 31, 2020**

**eole Inc.**

(TSE Mothers, Securities Code: 2334)

August 14, 2019

Unless otherwise specified, this English-language version 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 versions, please note that the Japanese version will always prevail.

## I

### **Overview of Financial Results for 1Q FY03/20**

- i. Business results highlights for cumulative 1Q FY03/20
- ii. Strategic topics
- iii. Market environment
- iv. Other business initiatives

## II

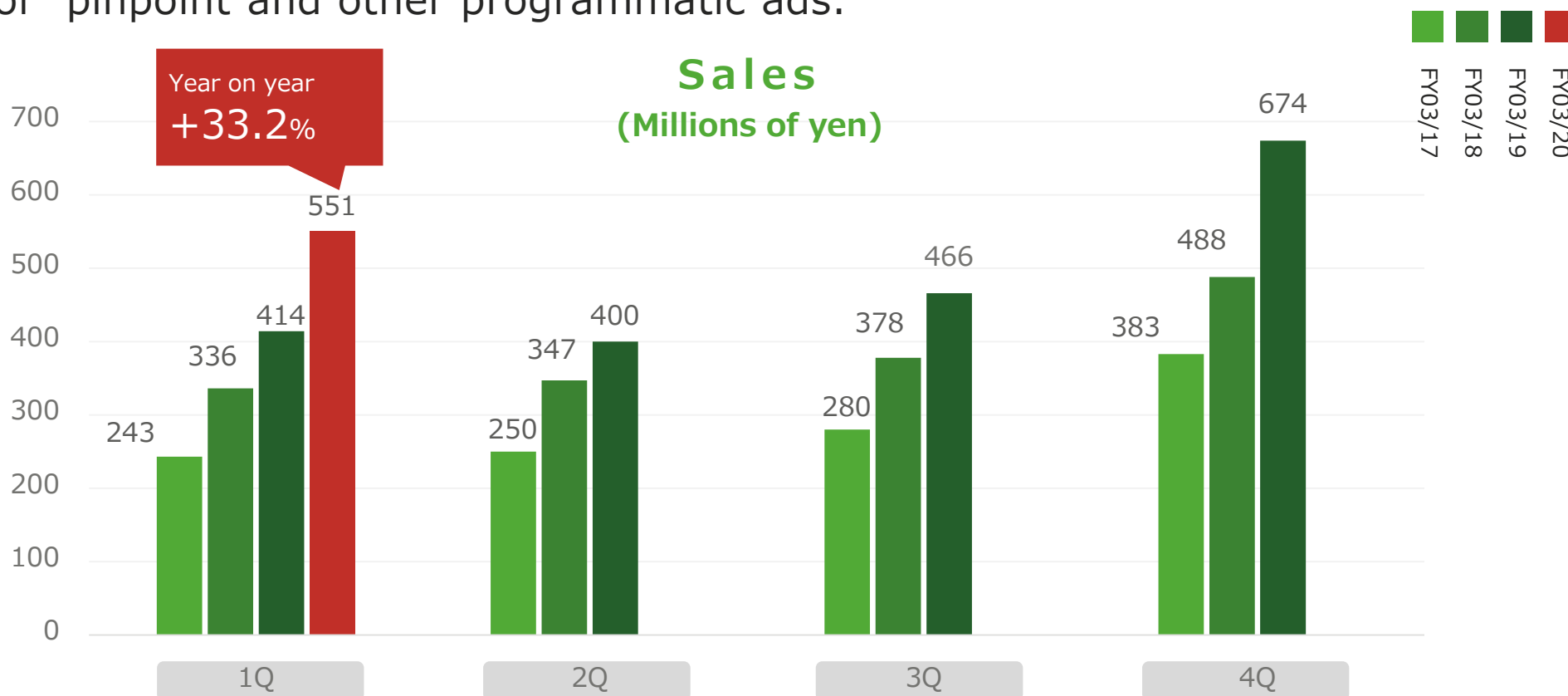
### **Corporate Profile**



## **I | Overview of Financial Results for 1Q FY03/20**

### **i. Business results highlights for cumulative 1Q FY03/20**

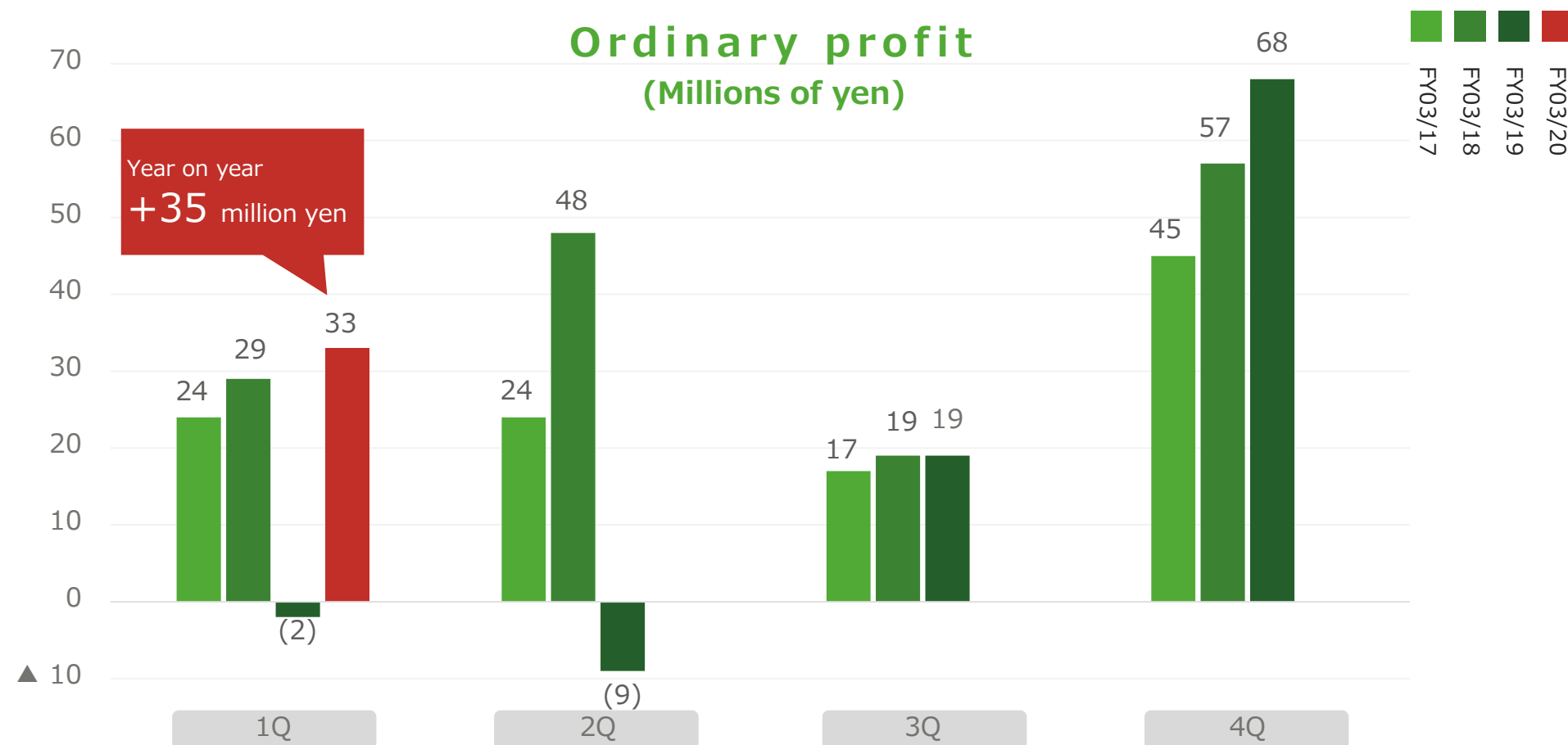
Sales grew by 33.2% year on year in 1Q FY03/20, significantly exceeding the target of the full-year sales growth rate (23.7%) through expansion of “pinpoint and other programmatic ads.”



In the ad market, especially in the job ad market we focus on, there are visible seasonal trends that grow significantly toward the end of the fiscal year (due to the characteristics of recruitment activities for the new fiscal year).

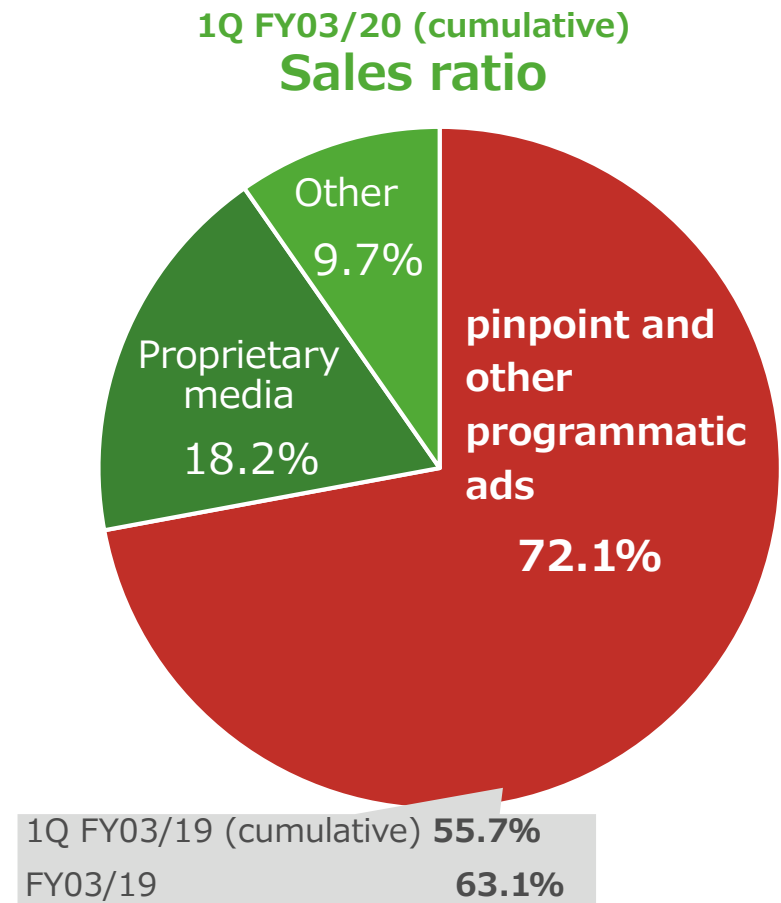
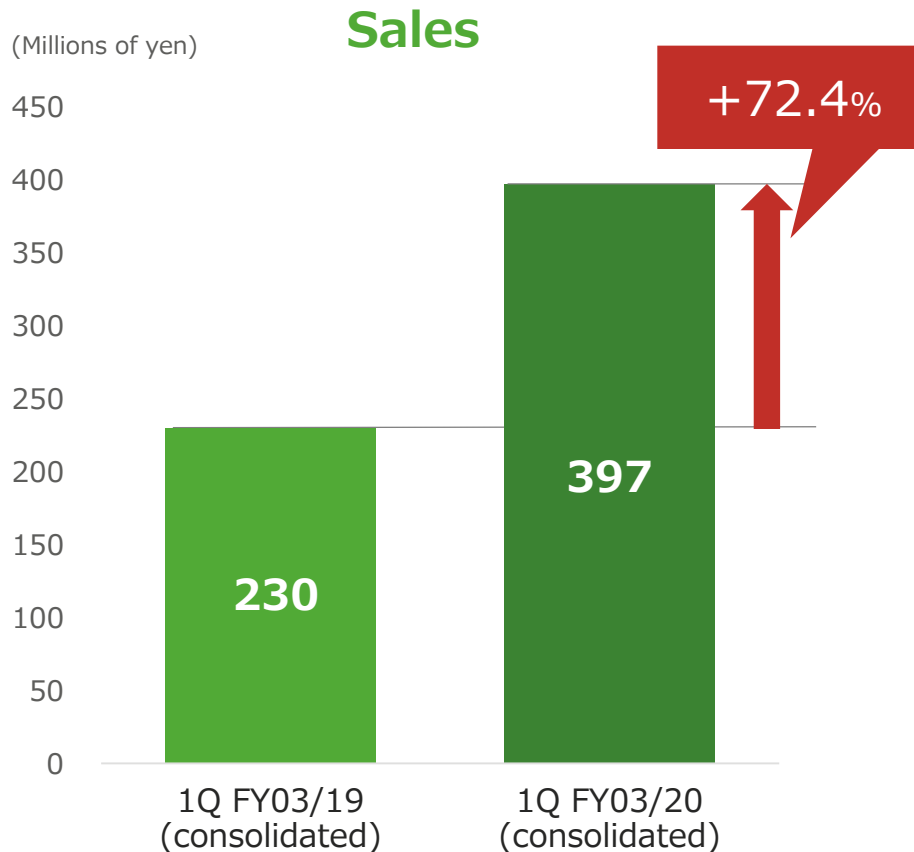
Note: All FY03/17 figures in this document are for reference purpose only, as quarterly financial statements of FY03/17 have not been prepared, while also not yet audited by an auditing firm. All figures are rounded down to one million yen. The year-on-year rate is rounded down to an integer after making calculations in units of one yen. These cutoff methods are applied throughout this document.

Ordinary profit also grew with sales growth, exceeding the level of FY03/18.



Note: All FY03/17 figures in this document are for reference purpose only, as quarterly financial statements of FY03/17 have not been prepared, while also not yet audited by an auditing firm. 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.

Since the beginning of FY03/19, we have shifted the main focus of our resources to “pinpoint and other programmatic ads.” In 1Q FY03/20, the expansion of the service led our overall growth, exceeding 70% of the sales ratio.



We promoted and expanded “pinpoint and other programmatic ads” by utilizing JOBOLE (released in March 2019) and strengthening partnerships with strategic sales partners and job ad agencies in 1Q FY03/20. As a result, sales were favorable.

(Millions of yen)	1Q FY03/19 (cumulative) Actual Results	1Q FY03/20 (cumulative) Actual Results	Year on year
Sales	414	551	+33.2%
Operating profit	(1)	33	-
Ordinary profit	(2)	33	-
Net profit	(3)	27	-

FY03/20 forecast	
2Q (cumulative)	Full year
1,017	2,420
13	166
13	166
10	112



# **I | Overview of Financial Results for 1Q FY03/20**

## **ii. Strategic topics**

**FY03/20**

- Further expansion and promotion of recruitment ads
- Strengthen partnership with strategic sales partners and job ad agencies

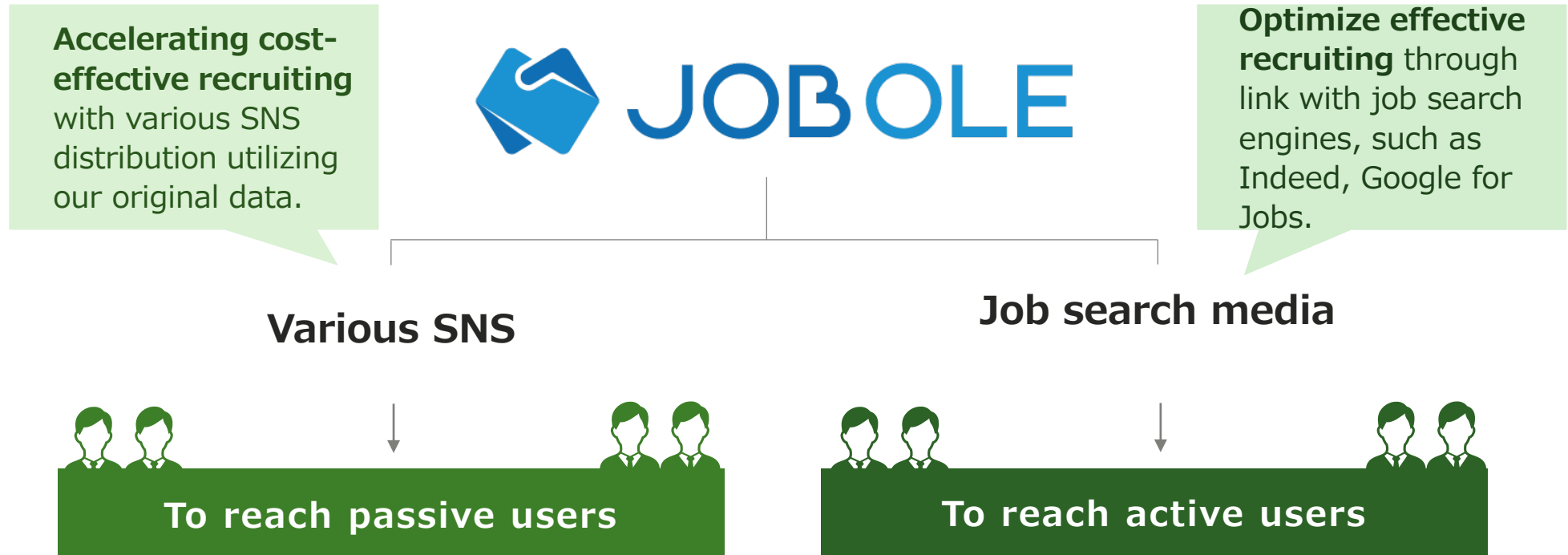
**Medium to long term**

- Aim to maintain growth at 20% for sales and 15% for ROS (return of sales) at minimum
- Expand data
- Develop new markets

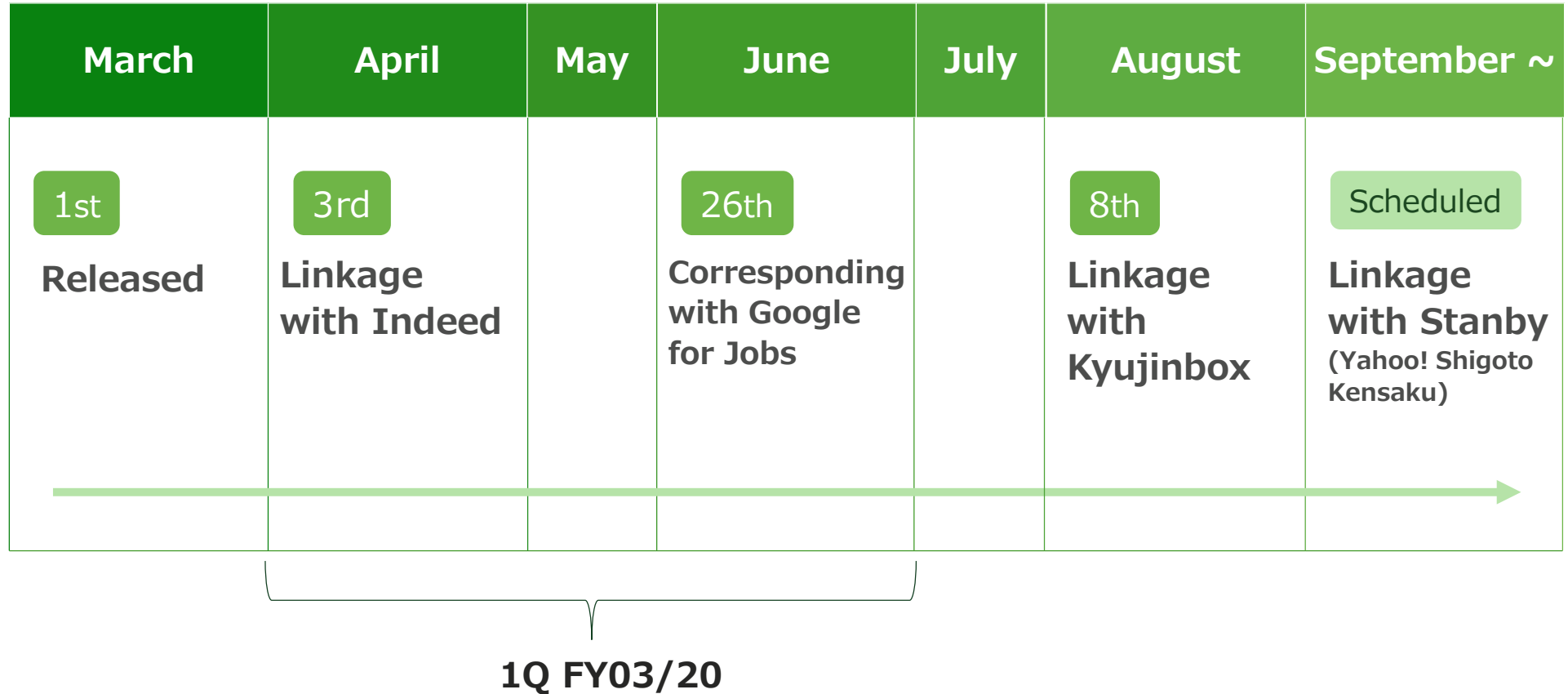
# Further Expansion and Promotion of Recruitment Ads

## — Utility of new service "JOBOLÉ"

A new software service "JOBOLÉ" was released in March 2019 to support programmatic recruitment ads and take in recruitment needs.



After JOBOLE release, linkage with job search media steadily progressed in 1Q FY03/20.



We received great feedback, with the number of applicants our clients received increasing by between 1.6 and 20 times following the introduction of JOBOLE.

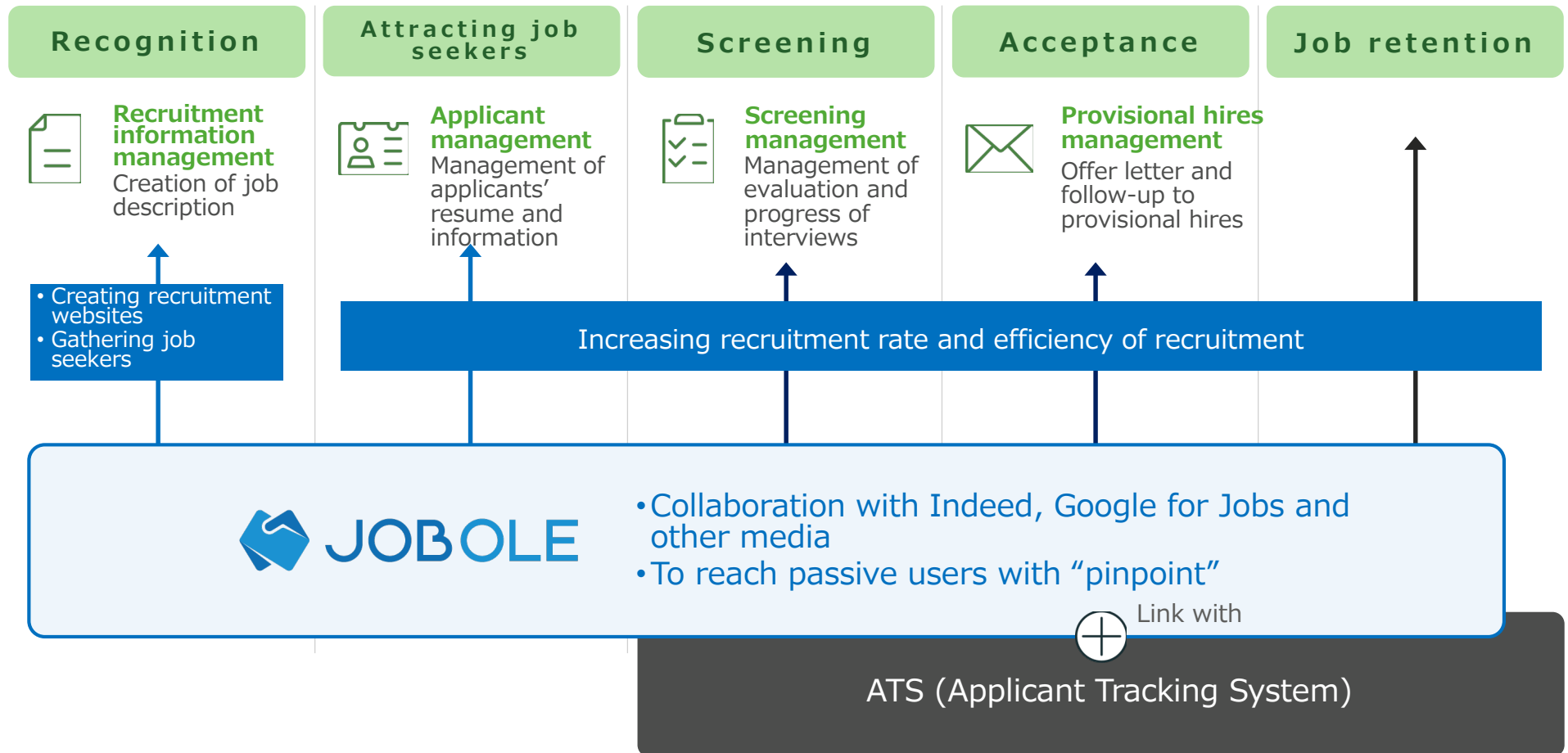
## *Introduction example*

Job Type	Employment status	Number of monthly applicants before introducing JOBOLE*	Number of monthly applicants after introducing JOBOLE*	Monthly increase
Medical clerk	Part-timer/ permanent employee	10	62	6.2 times
Construction management	Permanent employee	12	19	1.6 times
English teacher	Part-timer/ permanent employee	15	92	6.1 times
Sales of fashion apparel	Part-timer/ permanent employee	4	38	9.5 times
Tax accountant/ Consultant	Permanent employee	8	25	3.1 times
Construction worker (non-expert)	Part-timer	2	40	20.0 times

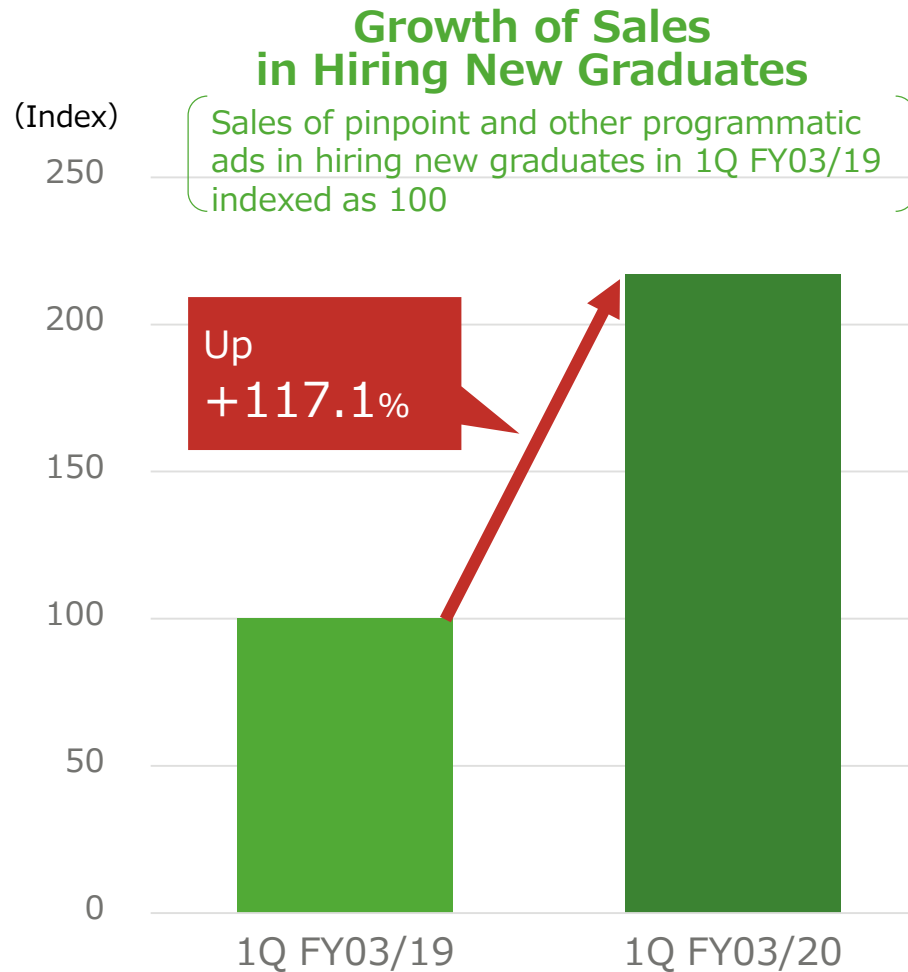
After JOBOLE was released on March 1, 2019, our clients realized its effects, saying “We were able to hire the ideal person(s).”

- Only applicants through recruitment pages of clients

Most ATS (Applicant Tracking System) were created to support internal recruitment processes. JOBOLE has excels at maximizing the effectiveness of job advertisements, seeking to partner with other ATS.



FY03/20 was the first year “pinpoint and other programmatic ads” was fully introduced to the hiring of new graduates.



## Reasons behind growth of sales of “pinpoint and other programmatic ads” in hiring new graduates

**Tighter labor market** as see in employment rate of “93.7%”

Trend of “**earlier**” and “**all-year**” recruiting activities for new graduates

**Heightened attention to SNS advertising** from mainly large companies with increase demand for resources of than recruitment navigation sites

**Expansion of our sales area** by strategic sales partners

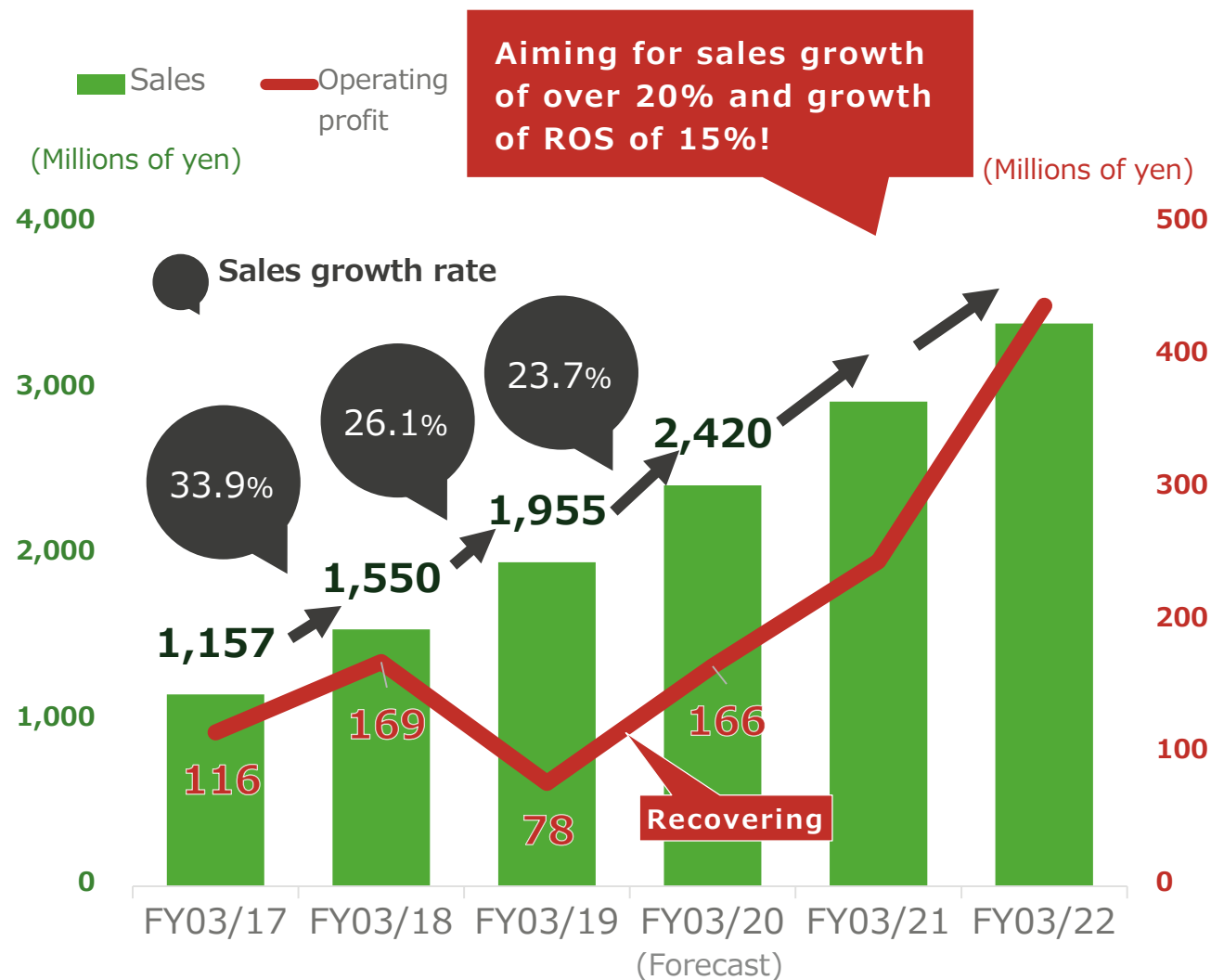
**Higher client budget** with the increase in repeat business and the realization of its efficiency from last year

**FY03/20**

- Further expansion and promotion of recruitment ads
- Strengthen partnership with strategic sales partners and job ad agencies

**Medium  
to long  
term**

- Aim to maintain growth at 20% for sales and 15% for ROS (return of sales) at minimum
- Expand data
- Develop new markets



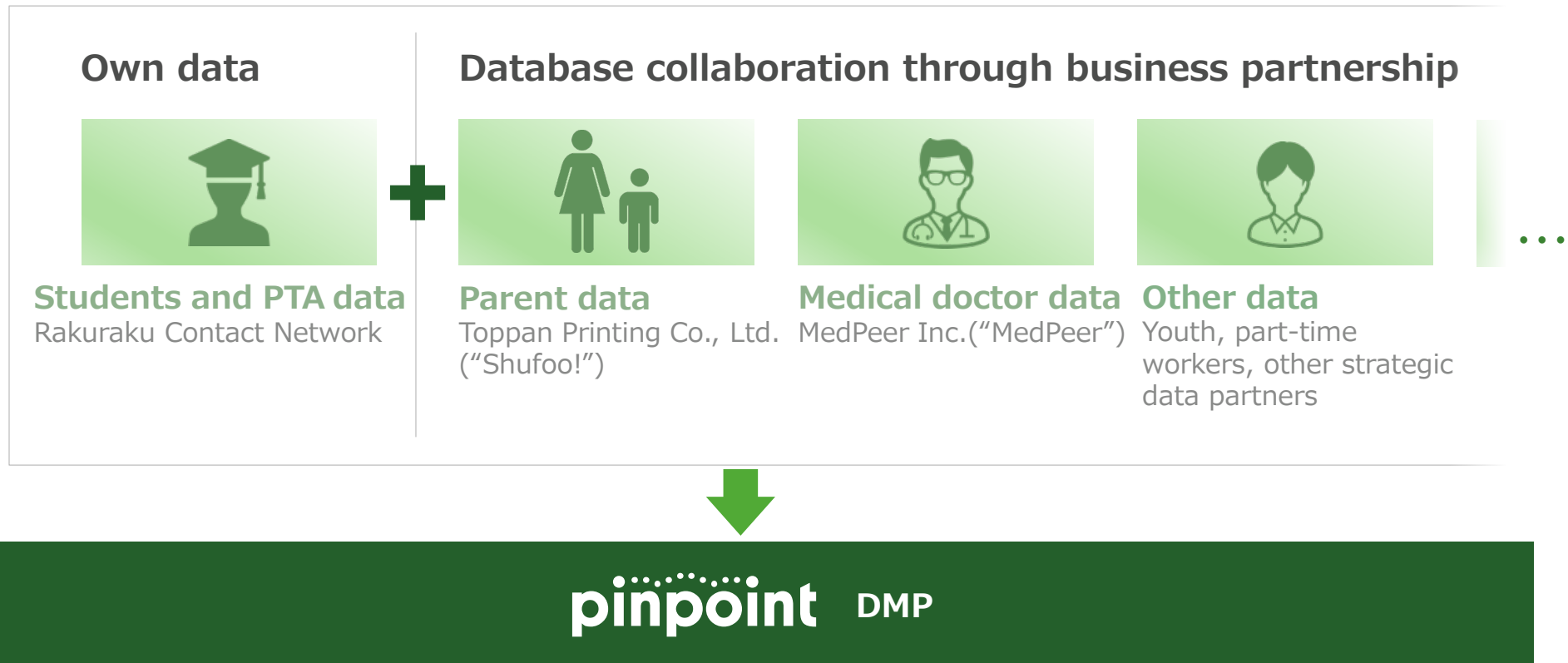
## Status of 1Q FY03/20

- Sales growth rate  
(Y on Y)  
33.2%
- ROS  
5.8%  
(Recovering)

ROS      10.0%   10.9%   4.0%   6.9%

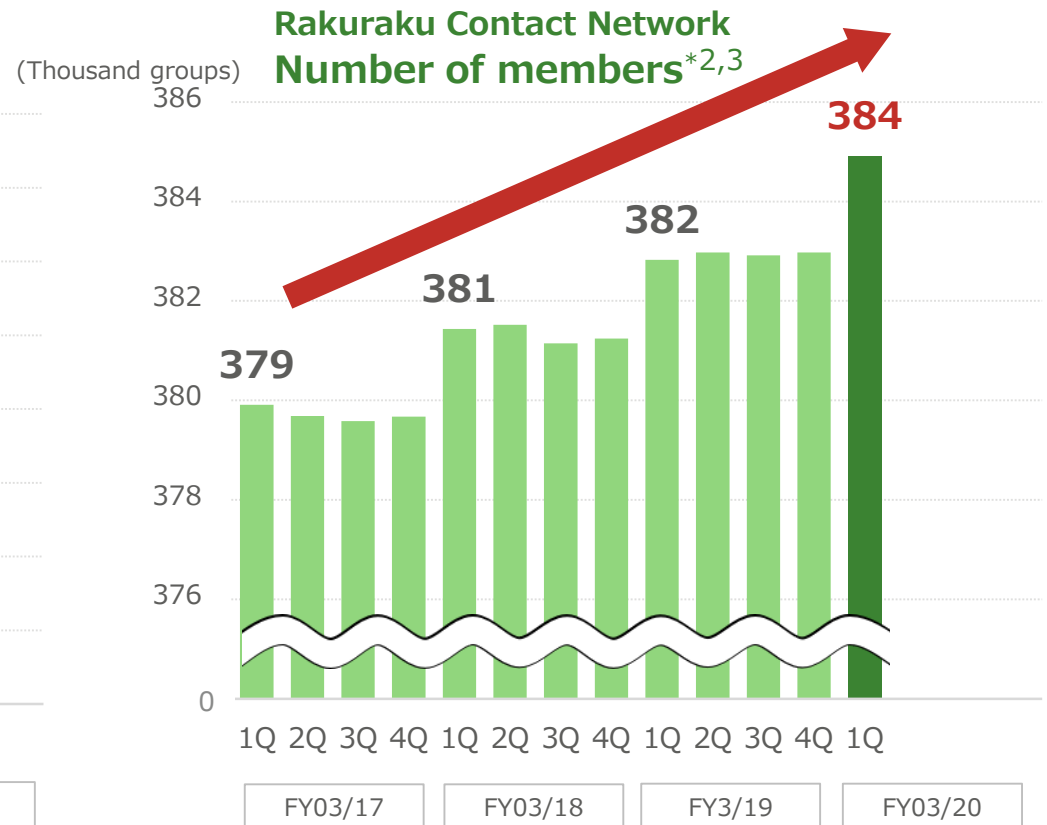
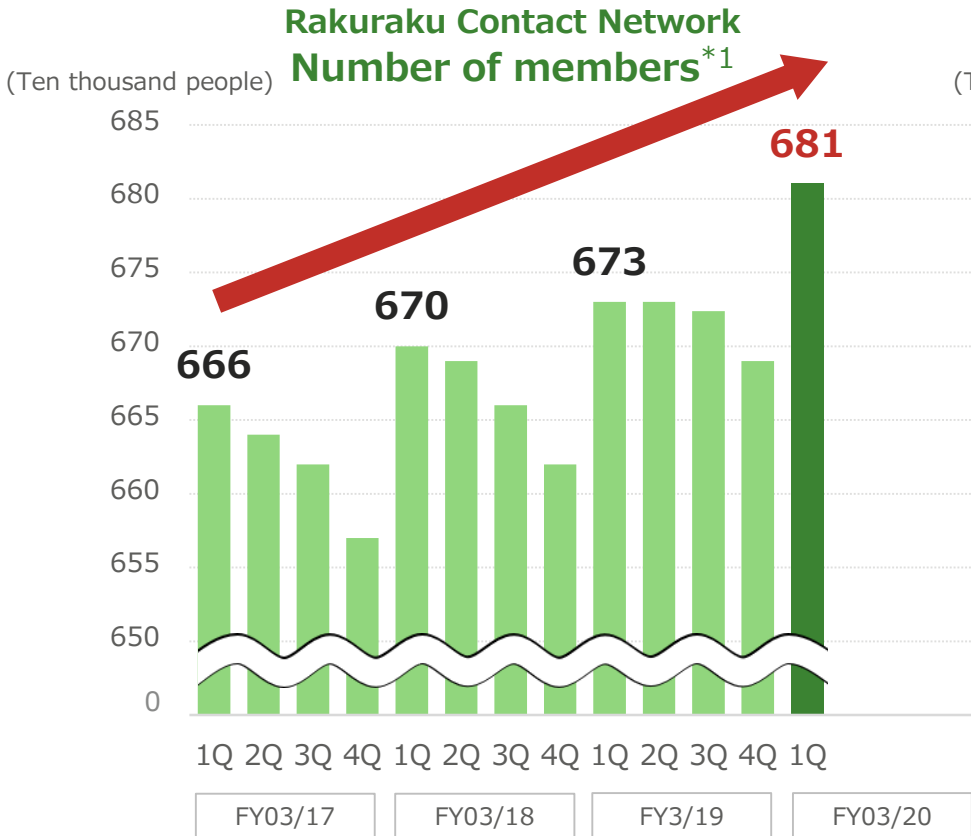
We will enhance collaboration with databases of third parties to improve quantity and quality of accessible data other than the Rakuraku Contact Network. We have access to data of more than 20 million users.

## [Data collaboration with pinpoint DMP\*]



\* Refer to "Glossary" (at the end of this document).

Both the number of members and that of valid groups of Rakuraku Contact Network increased year on year.



There is a seasonal change where the number of members and groups tend to increase from April to June with the beginning of new semesters, while the figure tends to decrease from the end of December till the end of March with the end of semesters, etc.

\*1 Number of members is rounded down to the nearest thousand.

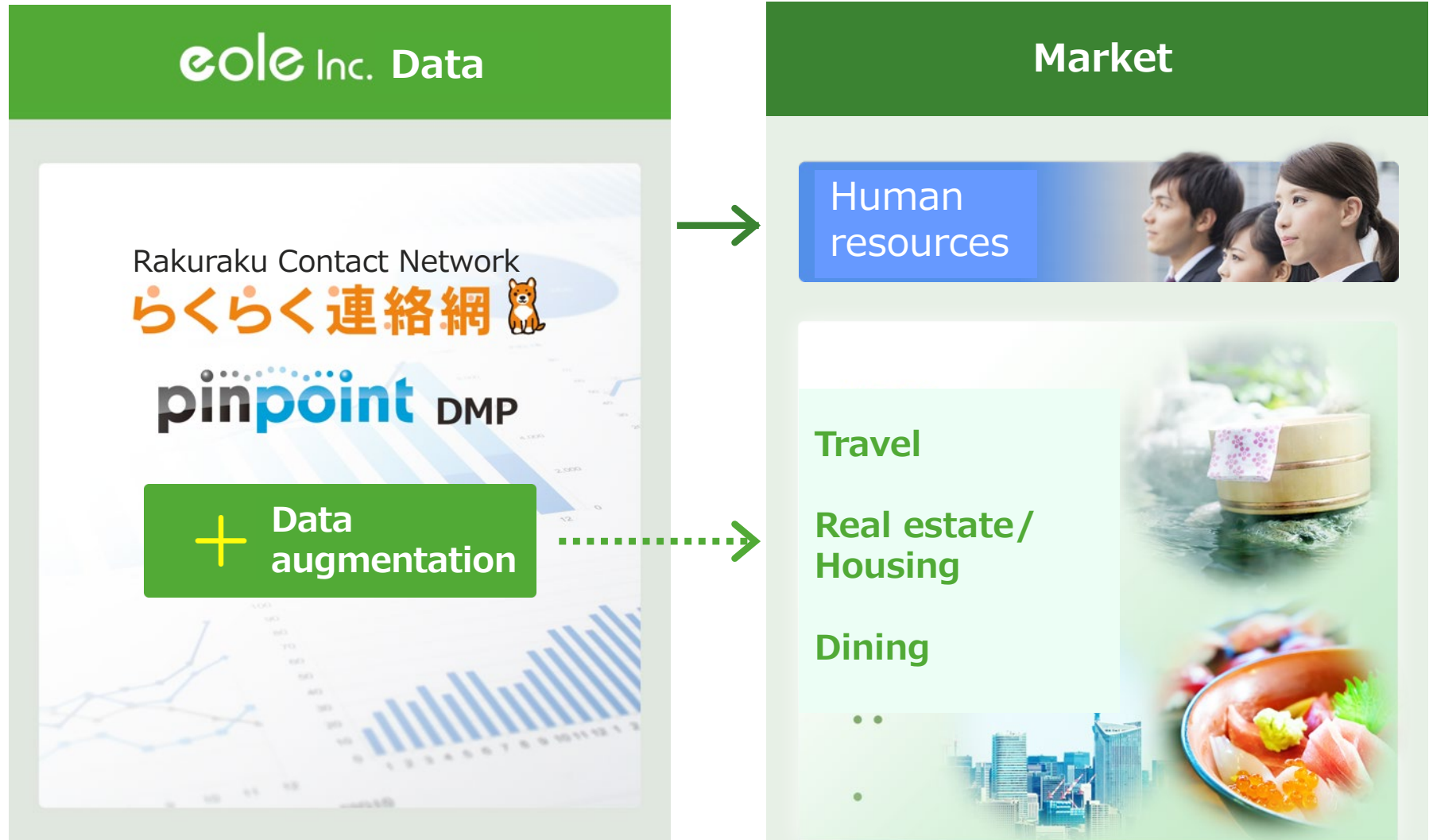
\*2 Number of valid groups is rounded down to the nearest thousand.

\*3 A valid group is a group with more than three members



## **I | Overview of Financial Results for 1Q FY03/20**

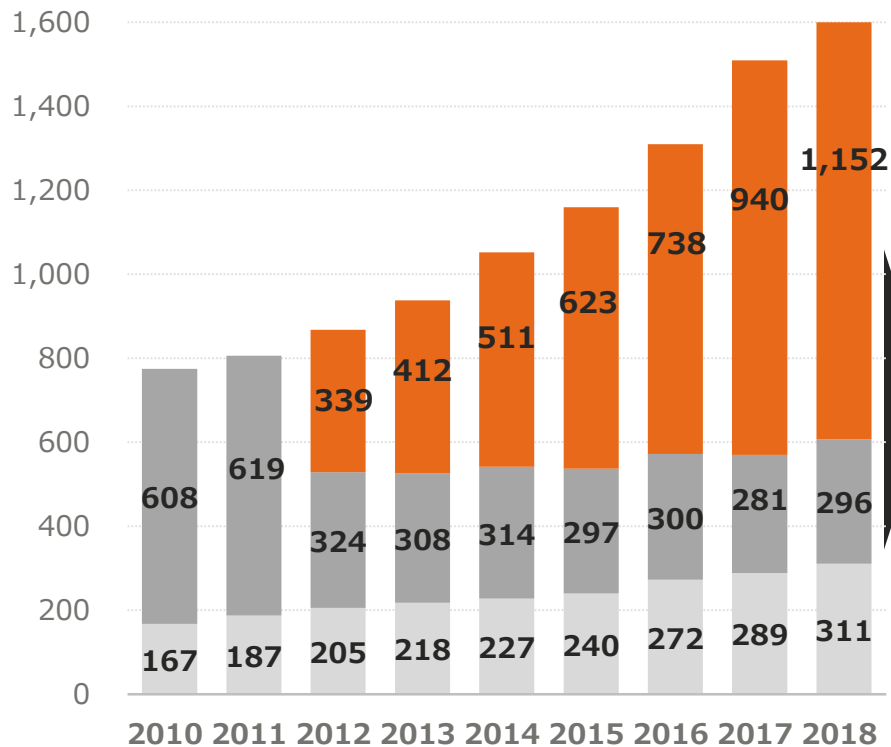
### **iii. Market environment**



Programmatic advertising has become the mainstream in the internet ad market. It is also expected to expand in the active job ad market.

## Trends in Internet Ad Market

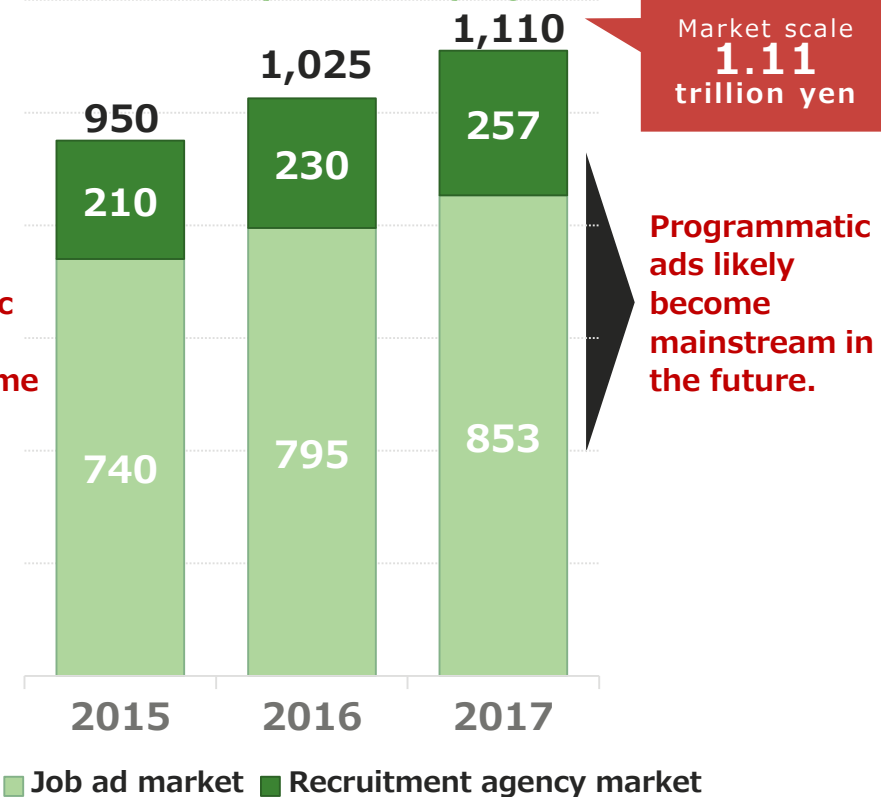
(Billions of yen)



Programmatic ads have already become mainstream.

## Job Ad and Recruitment Agency Markets

(Billions of yen)



Source:

- Recruitment agency market: "Human Resources Business Market Outlook Report" by Yano Research Institute Ltd. (November 20, 2018)
- Job ad market: "Market Size of Job Information Services in FY2017" by ASSOCIATION OF JOB INFORMATION OF JAPAN (January 17, 2019)

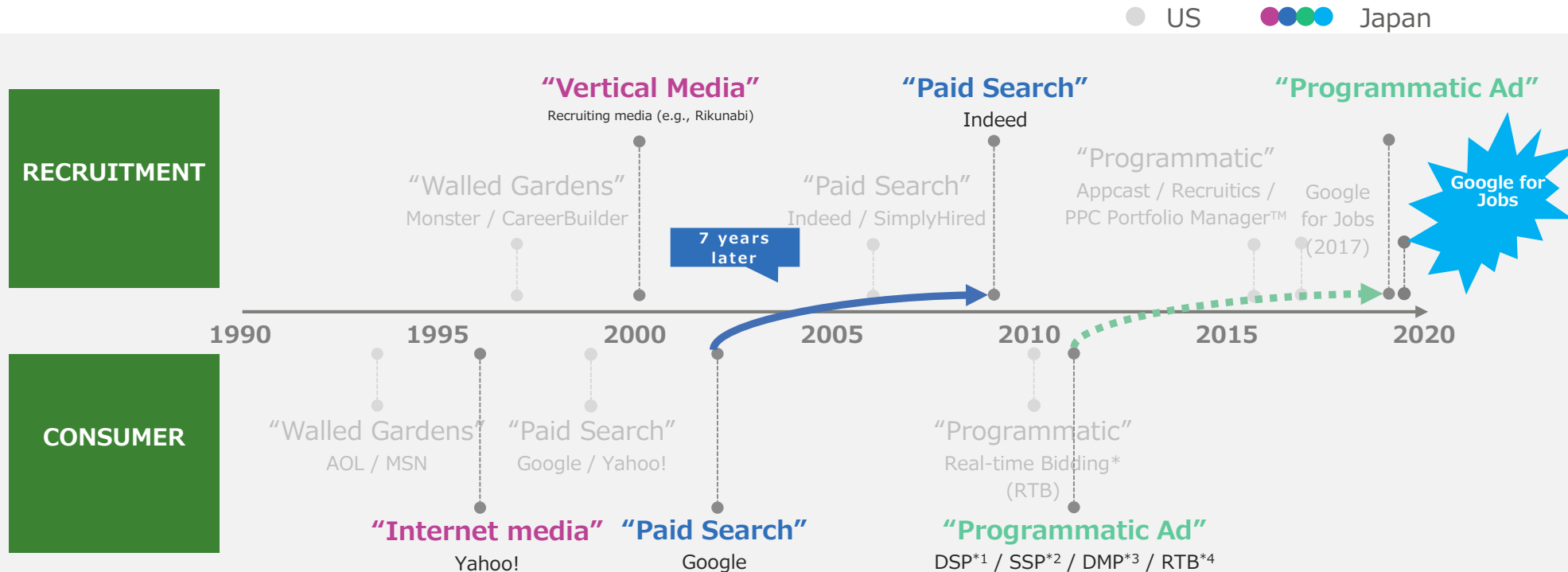
Note: Figures for the cost of media and cost of programmatic ads were not obtained to FY2011. Only the total of cost of media, including programmatic ads, is indicated.

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

# Analysis of Latest Market Environment

## — Correlation between consumer advertising and job ads

Following trends in the US, a transition to programmatic ads in Japanese job ads is progressing more quickly than expected.



### Background to changes in market

Employment market tightening up

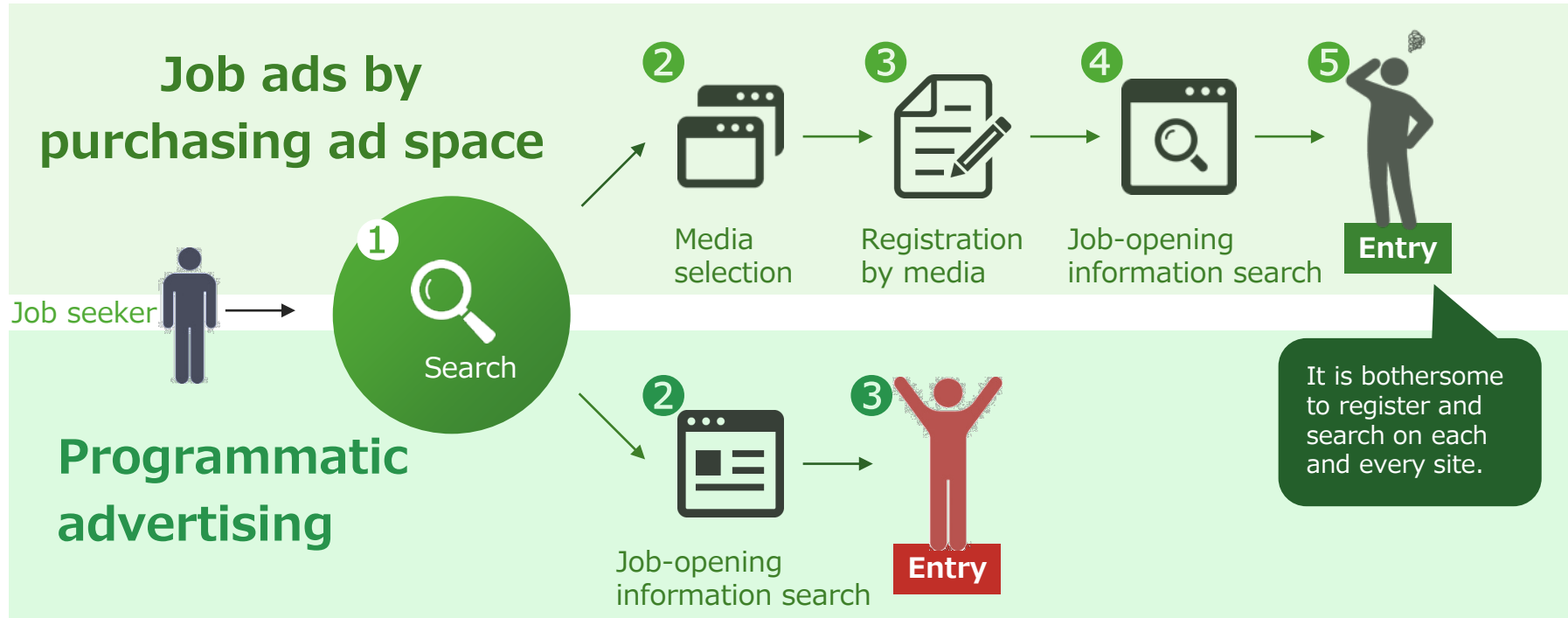
Indeed gaining popularity in Japanese market

Entrance of "Google for Jobs"

Keidanren decided to do away with hiring guidelines for new graduates, which will enhance diversification of recruitment channels and schedules.

A number of internet ad agencies entered the job advertising field.

End of large job advertising media



In the case of job advertising by purchasing ad space, users have to go through many steps to apply for a job. Moreover, users can only search the job information registered on the site during the scheduled posting period.

Meanwhile, users can acquire the latest job information effectively on a real-time basis through programmatic advertising and immediately find detailed job information and apply for jobs.

## Job ads by purchasing ad space

Cost is determined according to the scheduled posting period and the number of results. After the end of posting period, operational performance is measured.



### Advertisement

Fixed posting period and ad spaces



### Cost

Determined according to the posting period



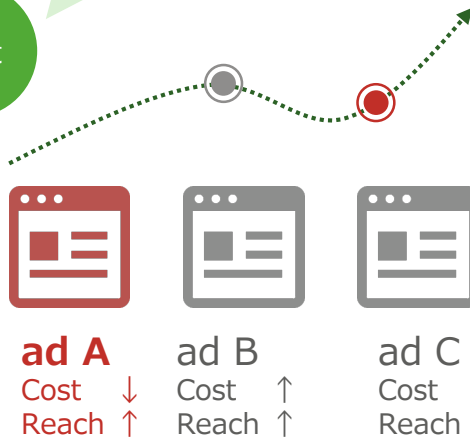
### Cost-effectiveness

Determined after the end of posting



I put up a job advertisement for a month, but there was no application until the end of posting period.

By changing the SNS platforms where we posted advertisements, we could secure the desired number of job applicants.

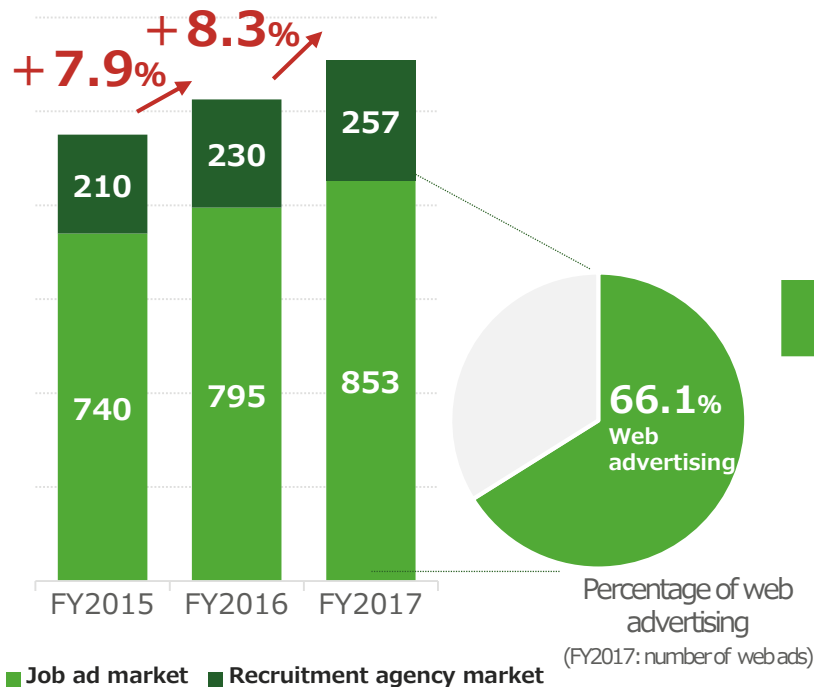


## Programmatic advertising

We can reach job seekers effectively on a timely basis through appropriate operation such as posted ad control in response to recruitment cost per person, adjustment of bid pricing for advertisements and changing of advertisements.

In particular, we will target programmatic ads in recruitment ads and establish a track record with our “pinpoint and other programmatic ads service,” expanding the scale of our business.

## Market Trends of Job Ad and Recruitment Agency Markets (Billions of yen)



## Potential Market for Programmatic Ads in Recruitment Ads (Billions of yen)

The potential market will be worth more than **200 billion yen**.  
Forecast based on penetration ratio (25%) in the US as of the fall of 2018\*\*

$$\begin{array}{l} \text{Job ad market} \quad \text{Percentage of web} \quad \text{Recruitment} \quad \text{Penetration ratio} \\ \text{(853.0} \times \text{66.1\%} + \text{257.0)} \times \text{25\%} \\ \hline \text{= } \mathbf{205.2 \text{ billion yen}} \end{array}$$

Source:

- Recruitment agency market: “Human Resources Business Market Outlook Report” by Yano Research Institute Ltd (November 20, 2018)
- Job ad market: “Market Size of Job Information Services in FY2017” by ASSOCIATION OF JOB INFORMATION OF JAPAN (January 17, 2019)
- \* Calculated by eole based on “Results on the Number of Running Job Advertisements” by ASSOCIATION OF JOB INFORMATION OF JAPAN (March 2018).
- \*\* Industry Dive (DEEP LIVE) “How programmatic recruitment marketing could get more bang for your hiring buck”  
[<https://www.hrdive.com/news/how-programmatic-recruitment-marketing-could-get-more-bang-for-your-hiring/531995/>] (Accessed February 4, 2019)

# Concept of Programmatic Ad Market Share Growth in Recruitment Ads (Continued)

We aim to establish a robust presence in recruitment ads at an early stage, grow together with the market, and become a leading company.

## Concept of business growth

The market share of a leading company in internet ads is approximately 10%.

We aim to be a leading company with a 10% share of recruitment ads.

## Concept of programmatic ad growth in recruitment ads

Aiming to achieve  
**10% market share**

**205.2**  
billion yen

Now

**Beginning**

**Growth**

**Mature**

In the case that the penetration ratio of programmatic ads becomes equivalent to the US in the fall of 2018.

In the case that the penetration ratio of programmatic ads in the recruitment ads becomes equivalent to that of internet ads.



## **I | Overview of Financial Results for 1Q FY03/20**

### **iv. Other business initiatives**

## Gakuba Arbeit

Full Remodeling of Gakuba Arbeit (Completed on May 14, 2019)



### Purpose

- Improve website security
- Improve efficiency of system maintenance and operation
- Improve usability by changing system management screen function and user interface

### Key changes and expected effects

- New menu option “Premium Type.” Aim to increase unit sales prices and number of pages viewed.
- Increase the ratio of application and recruitment by improving application form.

## Characteristics of Gakuba Arbeit – Synergy with other services –

pinpoint

pinpoint and other programmatic ads

Utilizing our know-how of pinpoint and programmatic ads to attract job applicants for “Gakuba Arbeit.”

Know-how



JOBOLE

JOBOLE

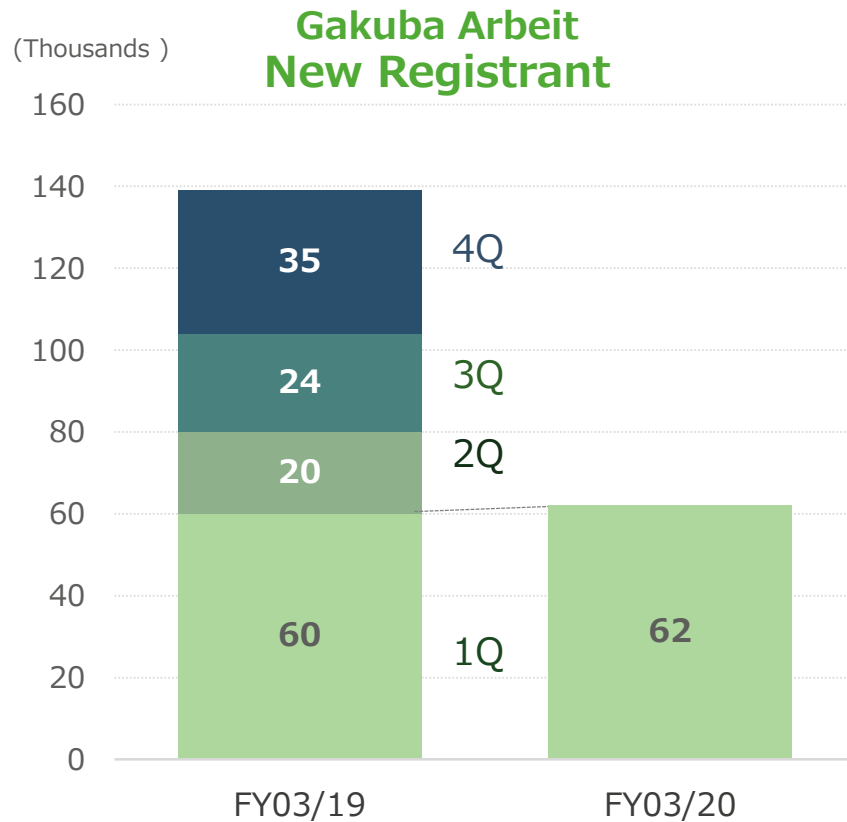
Realizing recruitment through “own career page of our corporate site” with JOBOLE in addition to “Gakuba Arbeit”

Know-how

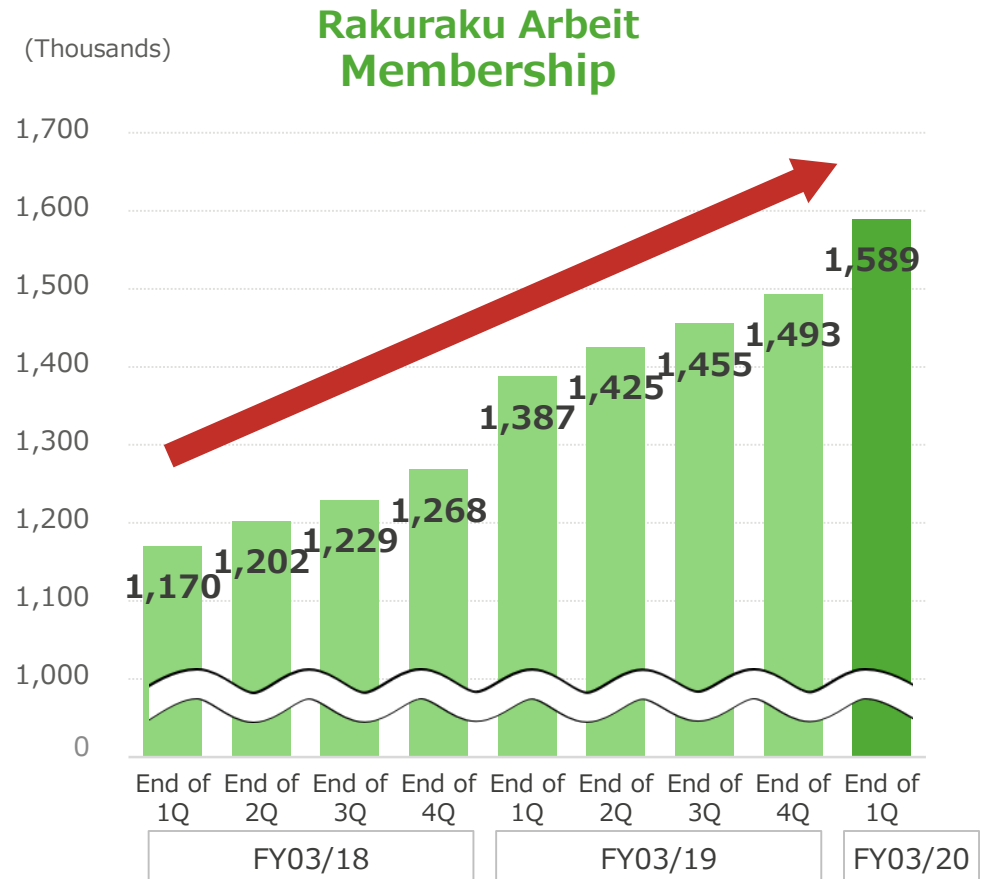
Cross-selling

ガクバアルバイト  
Gakuba Arbeit

New registrants in Gakuba Arbeit in FY03/19 increased by 3.2% year on year.  
Membership for Rakuraku Arbeit increased by 14.6% year on year.



Note: The number of new registrants has been rounded down to the nearest thousand.



Note: Membership has been rounded down to the nearest thousand.

# Business Results in 1Q FY03/20 — B/S Summary

(Millions of yen)	FY03/19 (Mar. 31, 2019)	1Q FY03/20 (June 30, 2019)	Change
<b>Assets</b>			
Current assets			
Cash and cash equivalents	761	832	71
Accounts receivable-trade	312	151	(160)
Other	10	15	5
<b>Total current assets</b>	1,083	999	(83)
Noncurrent assets			
Tangible fixed assets	7	7	0
Intangible fixed assets	292	303	11
Investments and others	89	89	0
<b>Total noncurrent assets</b>	389	400	10
Deferred assets	0	0	0
<b>Total assets</b>	1,473	1,400	(73)

(Millions of yen)	FY03/19 (Mar. 31, 2019)	1Q FY03/20 (June 30, 2019)	Change
<b>Liabilities</b>			
Current liabilities			
Account payable-Trade	182	95	(87)
Current portion of corporate bonds	20	15	(5)
Other	125	116	(9)
<b>Total current liabilities</b>	328	227	(101)
<b>Total liabilities</b>	328	277	(101)
<b>Net assets</b>			
Shareholders' equity	1,142	1,170	27
[Retained earnings]	[(268)]	[(241)]	[27]
Share options	2	2	—
<b>Total net assets</b>	1,145	1,173	27
<b>Total liabilities and net assets</b>	1,473	1,400	(73)







## II

## Corporate Profile

<b>Company Name</b>	eole, Inc.		
<b>Established</b>	April 25, 2001	<b>Stock Market</b>	The Mothers section of the Tokyo Stock Exchange (Securities code: 2334)
		<b>Head Office</b>	9F KDX Takanawadai Building, 3-5-23 Takanawa, Minato-ku, Tokyo 108-0074, Japan
<b>Capital</b>	734 million yen *As of June 30, 2019	<b>TEL</b>	+81-3-4455-7092
<b>Number of Employees</b>	83 *As of June 30, 2019	<b>FAX</b>	+81-3-5793-3533
<b>Board Members</b>	President: Naohito YOSHIDA Vice President: Makoto OGAWA Director: Yoko NAKAI Director: Takeshi ICHIJO External Board Director: Suguru TOMIZUKA Corporate Auditor: Minoru AKIMOTO Auditor: Toru OYAMA Auditor: Masahiro TAJIMA	<b>Lines of Business</b>	1. 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. 2. Internet advertising business 3. Development and offer of pinpoint, a private Data Management Platform(DMP) 4. Sales promotion
		<b>Main Banks</b>	Mizuho Bank Sumitomo Mitsui Banking Corporation

- 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 ● **‘Rakuraku Contact Network’ launched**  
Capital stock increased to 126 million yen
- 2007 ● Rakuraku Contact Network subscribers exceeds  
1,000,000 persons  
Capital stock increased to 209 million yen
- 2009 ● Capital stock increased to 301 million yen
- 2010 ● **‘Gakuba Arbeit (formerly Daigakusei Arbeit.com)’  
launched**  
Capital stock increased to 329 million yen  
Rakuraku subscribers exceeds 4,000,000 persons
- 2013 ● Rakuraku Contact Network subscribers exceeds  
6,000,000 persons, while the number of groups  
exceeds 350,000 in total.  
  
**‘Rakuraku Arbeit’ launched**  
Head office moved to Takanawa, Minato-ku, Tokyo
- 2014 ● Smartphone app , the ‘Rakuraku Contact Network’  
released  
**Started offer of private DMP\*<sup>1</sup> , pinpoint\*<sup>2</sup>**  
Delivery to Google’s DBM (Double-Click Bid  
Manager)utilizing pinpoint DMP started
- 2015 ● Capital stock increased to 382 million yen
- 2016 ● Downloads of Rakuraku Contact Network app  
surpasses 1 million
- 2017 ● Capital and business partnership with Toppan Printing  
Co., Ltd. concluded  
Listed on Tokyo Stock Exchange Mothers Section  
Capital stock increased to 721 million yen
- 2018 ● Capital stock increased to 734 million yen
- 2019 ● **‘JOBOLÉ’ launched**  
▼

\*1, 2 Refer to “Glossary” (at the end of this document).

Business	Service	Overview	Revenue model
Programmatic ads		DSP* <sup>2</sup> advertisement service in cooperation with pinpoint DMP* <sup>1</sup> 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* <sup>3</sup> .
	Other programmatic ads	“Indeed” and other agency services for media advertisements/programmatic ad business utilizing JOBOLE	Programmatic ad services
Proprietary media		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"> <li>• Advertisements</li> <li>• SSP advertisements, etc.</li> <li>• A paid version of Rakuraku Contact Network is also available</li> </ul>
		Website for part-time job recruitment information exclusive to college and university students.	Posting fees
		Portal site for part-time job seekers.	Result reward (PPA)
Other	Other	<p>Other main services include</p> <ol style="list-style-type: none"> <li>1. Sales promotion: Agency for field-based advertising of products on university campuses.</li> <li>2. Other company job advertisements: Agency for job advertisements pertaining to other companies.</li> </ol>	To be established individually

\*1-3 Refer to “Glossary” (at the end of this document).

The largest contact network supporting group and community activities in Japan.

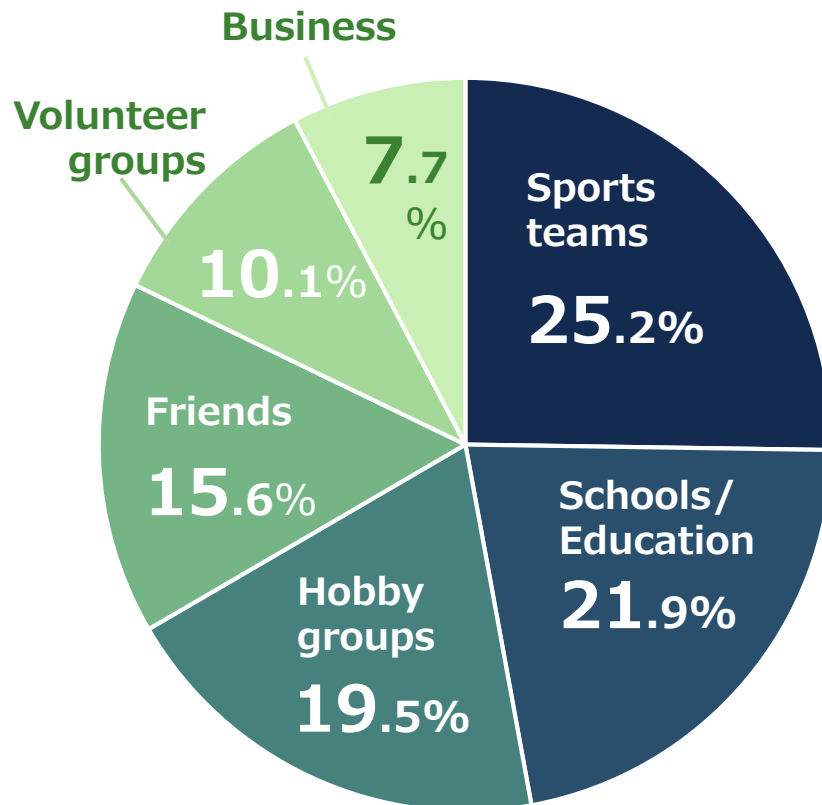


Used by **384,000 groups** and **6,810,000 members**<sup>\*1</sup>

Assists group activities with convenient functions such as **scheduling** and **attendance checking**.

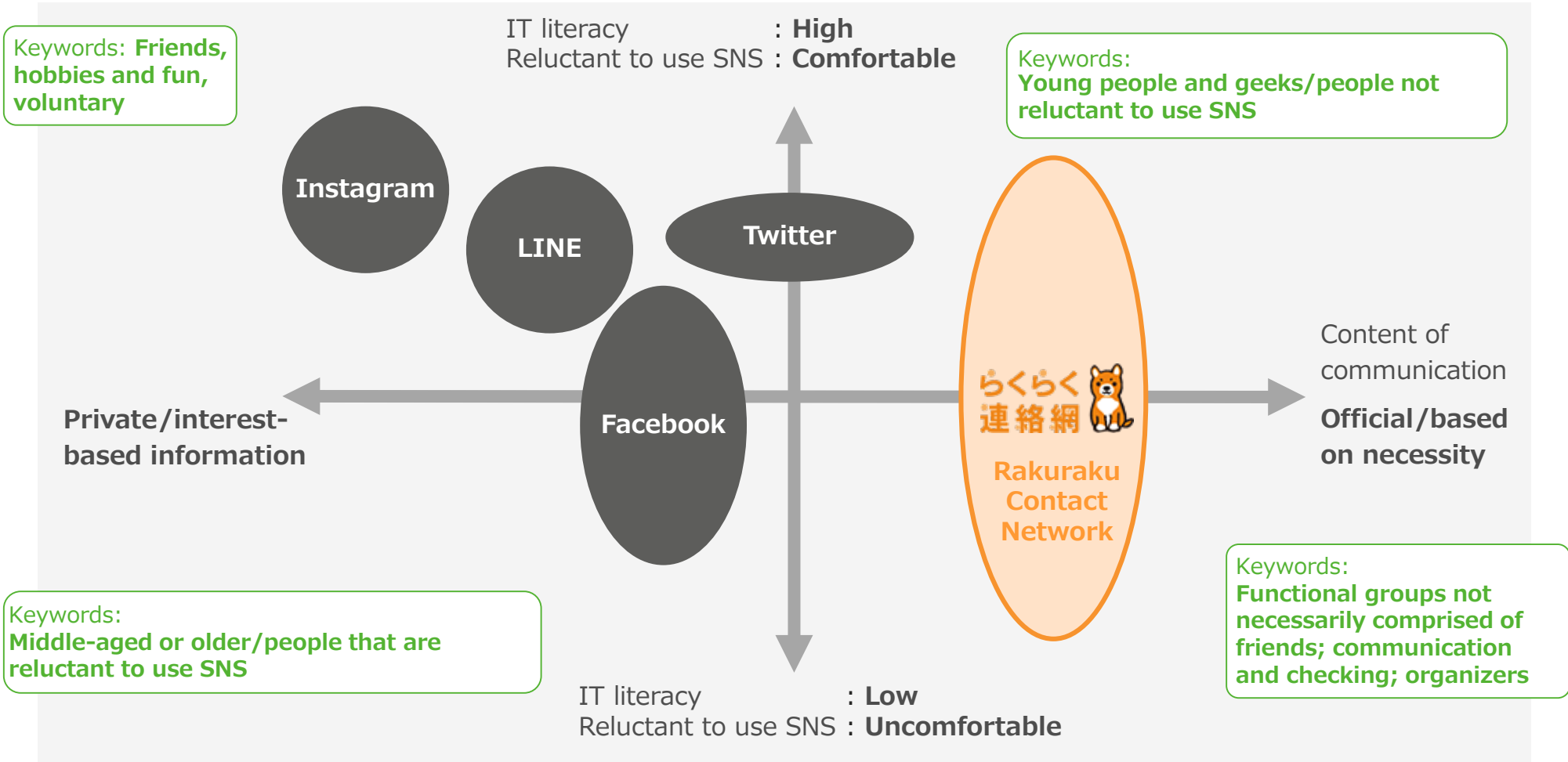
<sup>\*1,2</sup> As of June 30, 2019

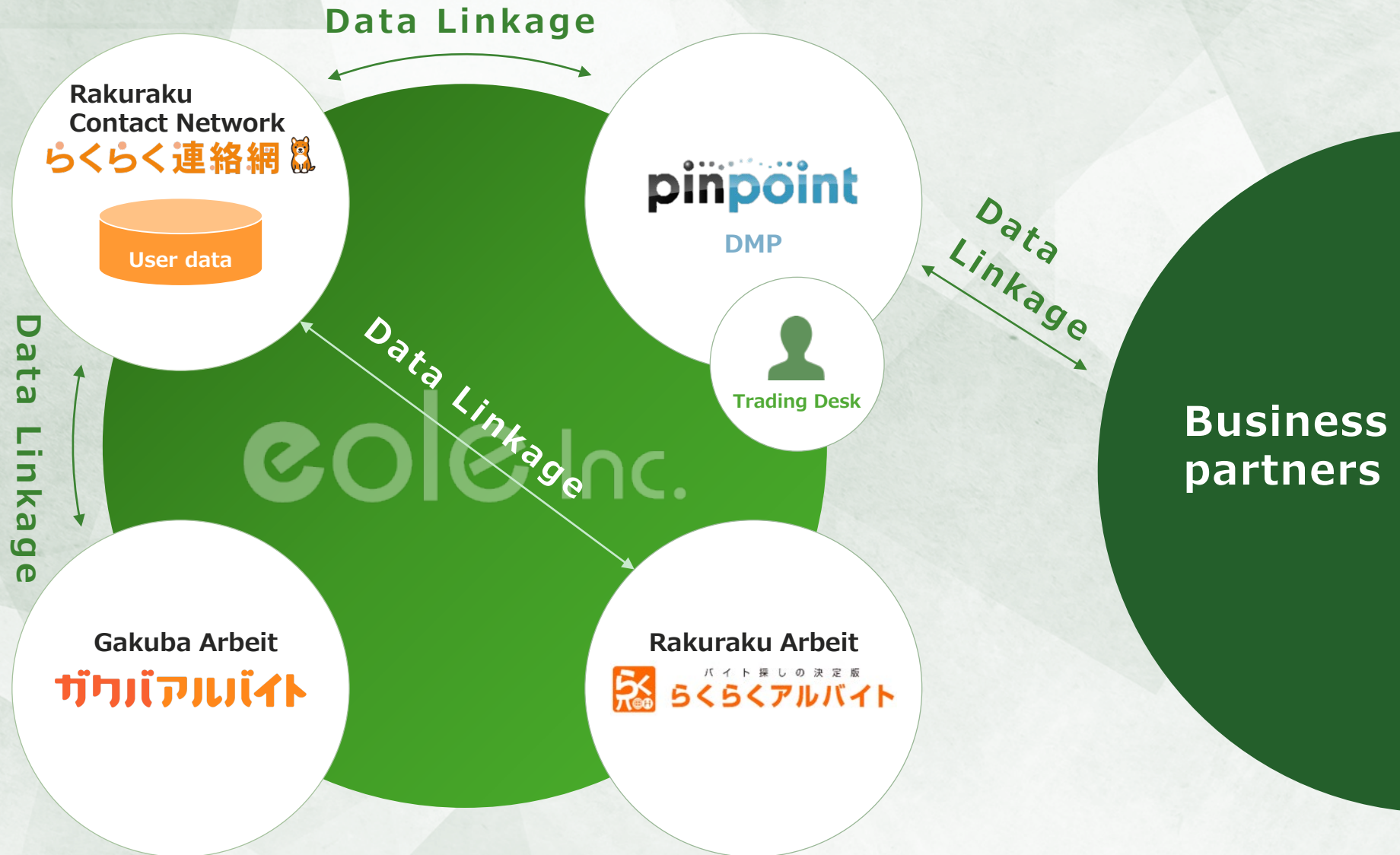
Attributes of clubs and activities<sup>\*2</sup>



### Position alongside SNS services (Conceptual diagram)

Organizers and leaders in functional groups not necessarily comprised of friends use the Rakuraku Contact Network as an information sharing tool for communication and checking.





## — Proprietary media: Gakuba Arbeit & Rakuraku Arbeit

“Gakuba Arbeit” is a part-time job recruitment information site exclusively for college and university students. “Rakuraku Arbeit” is a part-time job recruitment information portal site.



### Gakuba Arbeit

- A part-time job **recruitment information site** exclusively exclusive for college and university students based on the Rakuraku Contact Network
- Revenue model: **Posting fee**



### Rakuraku Arbeit

- A part-time job **recruitment information site** where a wide range of recruitment information from job information provider partner sites is posted, enabling one-stop applications.
- Revenue model: **Performance-based (PPA)**

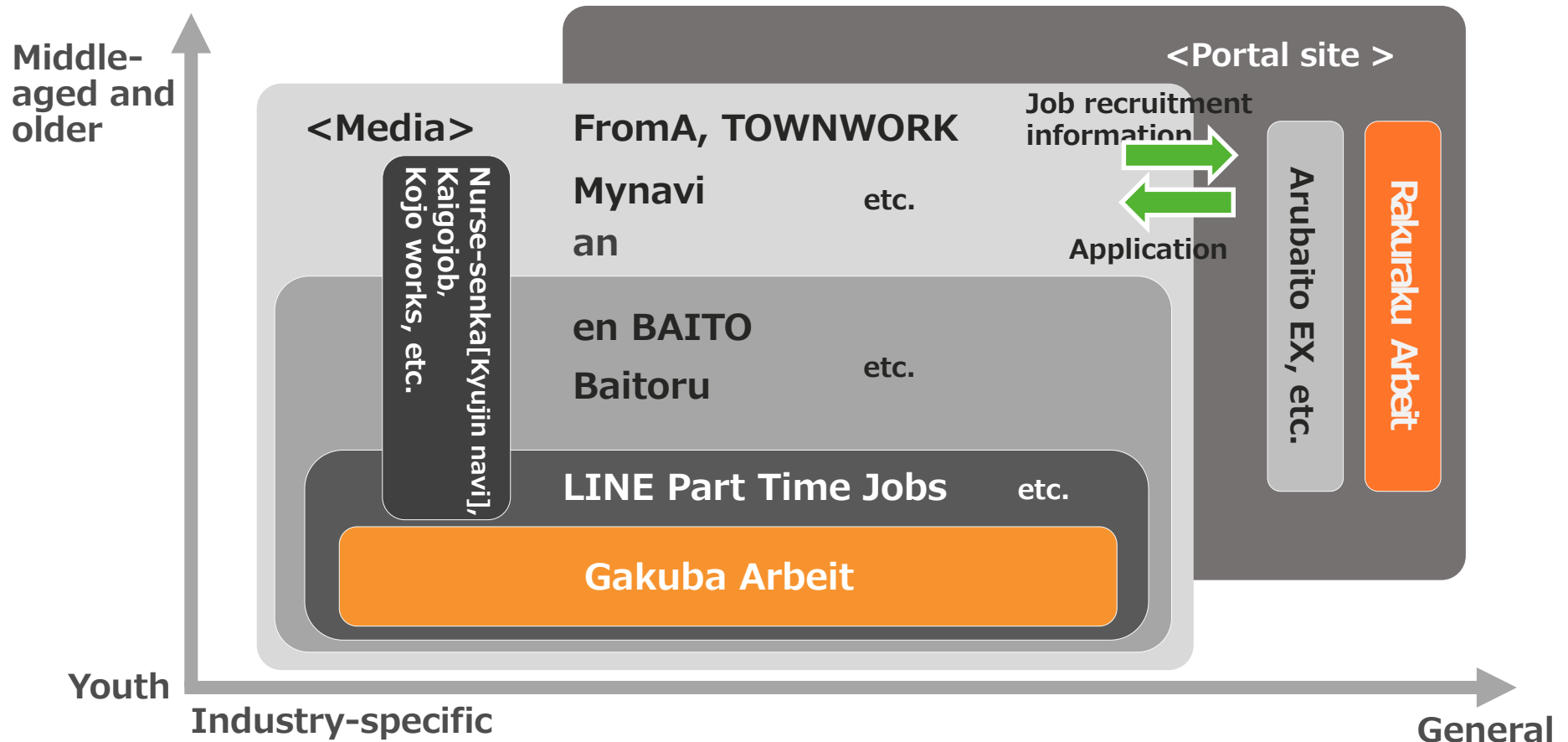
# Business Overview

— Proprietary media: Gakuba Arbeit & Rakuraku Arbeit (不要)

不要

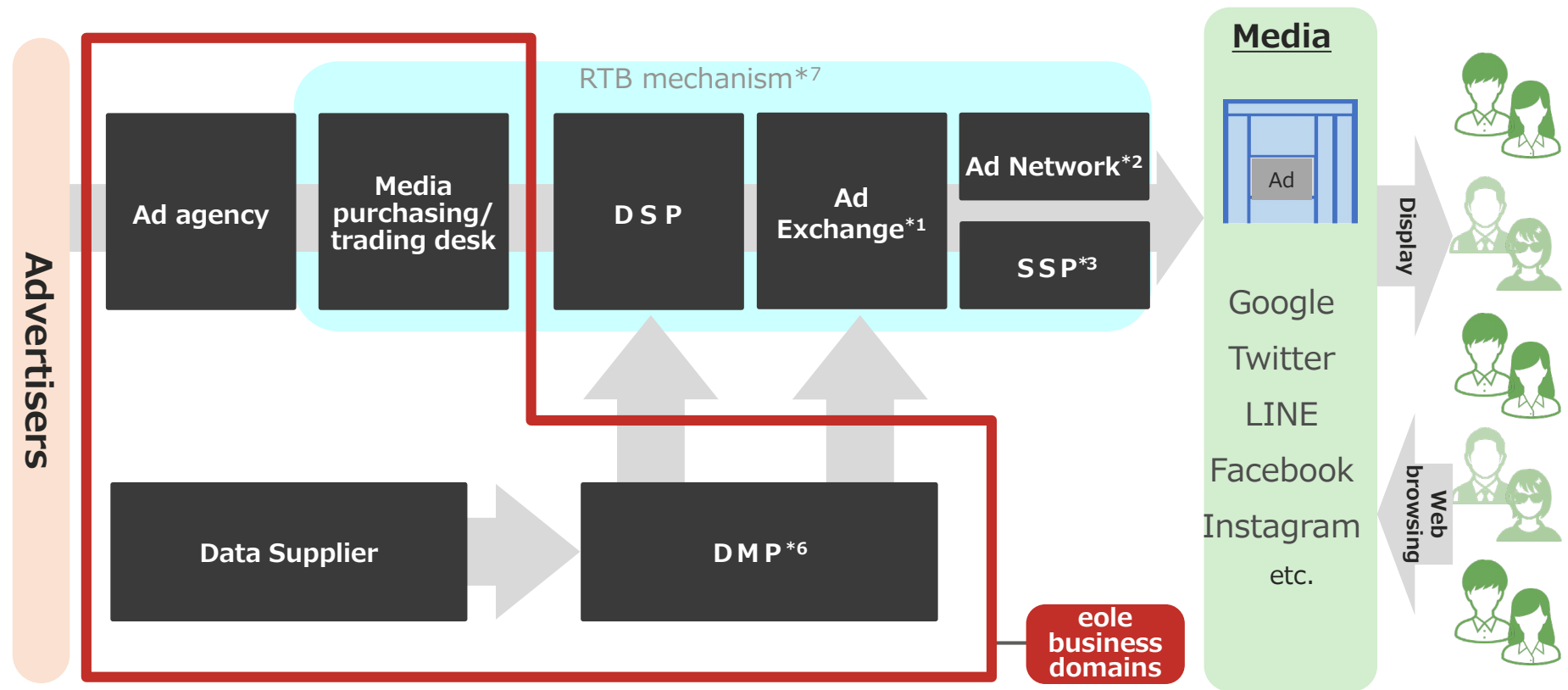
e Inc.

## Position “Gakuba Arbeit” and “Rakuraku Arbeit” in job media (Conceptual diagram)

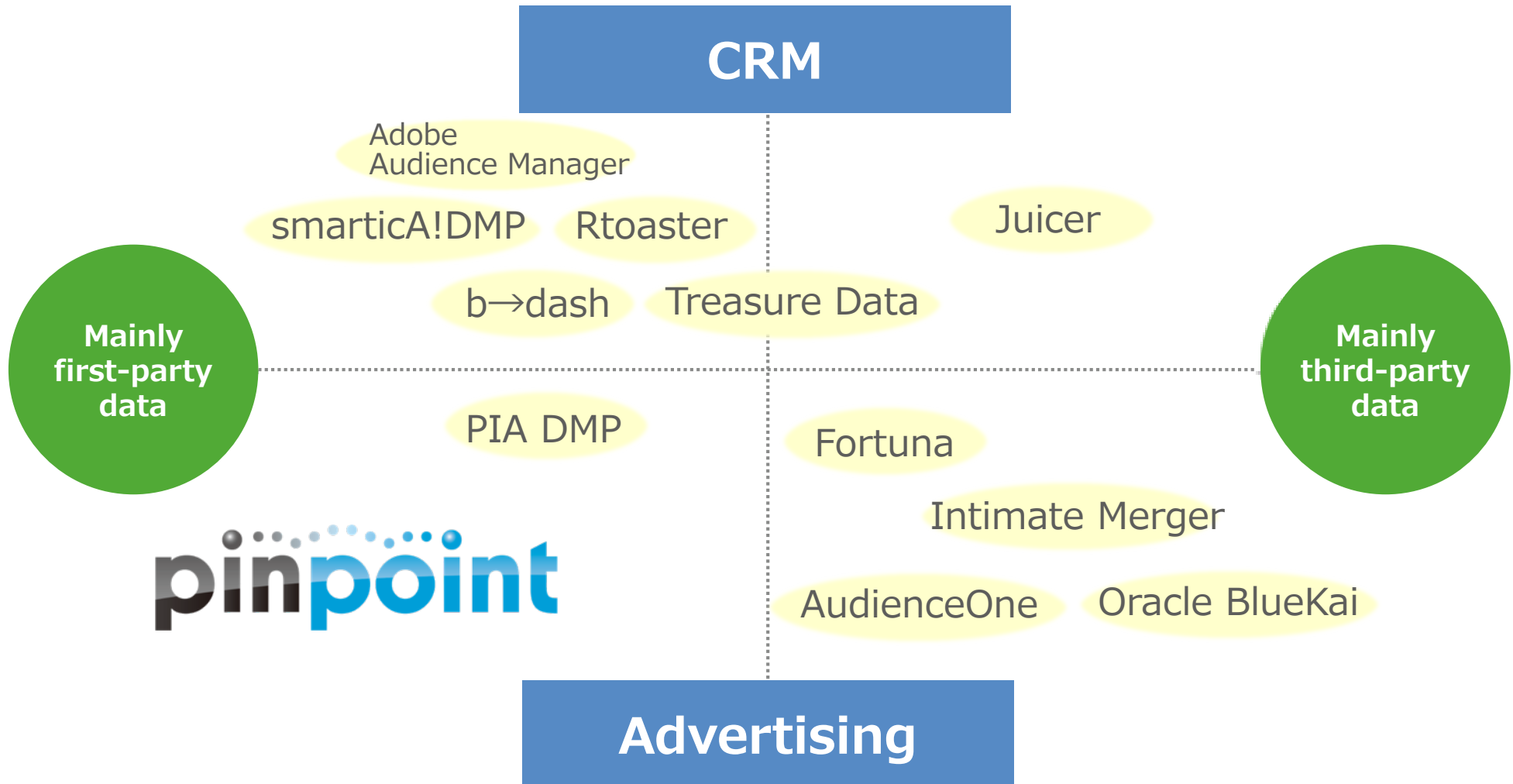


## eole's business domain in internet advertisement (Conceptual diagram)

Utilizing its unique data, eole generates revenue from DPS/social media ad services including agency trading desk and creative production.



\*1-7 Refer to "Glossary" (at the end of this material).



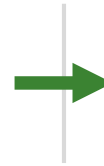
\* Refer to "glossary" (at the end of this material).

**A DMP (Data Management Platform) that enables ad delivery utilizing user information from the Rakuraku Contact Network and business partners.**

We possess data of over 20 million people in total based on the clear attribute data of the Rakuraku Contact Network and business partners.



With the growth of web advertisement and smartphone advertisement markets, advertisement exposure taking advantage of technology (ad-tech) and with pinpoint targeting has become the mainstream.



In compliance with the Personal Information Protection Law, we collect and use information as data without identifying individuals. Moreover, in October 2017, we made a declaration as an anonymously processed information handling business operator.

Term	Definition
<b>ATS (Applicant Tracking System)</b>	A unified management system for supporting the recruitment process of companies, from job application to hiring.
<b>CPC (Cost Per Click)</b>	CPC (Cost per click) has two different meanings. One is the cost per click of a user through advertisement, while the other is the unit price of a pay-per-click advertising transaction.
<b>CPM (Cost Per Mille)</b>	Cost of 1,000 ad reach or exposure.
<b>DMP (Data Management Platform)</b>	A platform for managing data such as website access logs, purchase data and advertising data and optimizing a company's marketing activities by utilizing said data.
<b>DSP (Demand Side Platform)</b>	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.
<b>pinpoint DMP</b>	DMP developed by eole. pinpoint DMP has abundant user data being encrypted and not identifying any personal information which enables ad distribution and marketing surveys utilizing user information taken from Rakuraku Contact Network and affiliated companies.
<b>RTB (Real-Time Bidding)</b>	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.
<b>SSP (Supply-Side Platform)</b>	A supply-side platform is a platform that maximizes media revenue, including websites, apps, etc. An advertisement offering the highest price for the ad space is displayed through SSP.
<b>Ad exchange</b>	A platform coordinating advertisement space stock and demand among DSPs, SSPs and ad networks, in addition to advertising agencies.
<b>Ad network</b>	An advertising network for ad distributable media such as websites, social media, and blogs. It can deliver ads all at once.
<b>Programmatic ad</b>	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 DSPs, ad exchanges, and SSPs.
<b>Trading desk</b>	An agency service which manages digital advertisements using DSP and the other platforms, etc.

## Disclaimer

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