



Financial Results

**1st Quarter of Fiscal Year
Ending March 31, 2019 (FY2018)**

eole Inc.

(TSE Mothers, Securities Code: 2334)

August 14, 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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FY2018-1Q Highlights

- i. Strategic highlights
- ii. Financial highlights
- iii. Concept of business growth for upcoming few years

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I | FY2018-1Q Highlights

i. Strategic highlights

2. Business initiatives for FY2018

(April 2018 to March 2019)

Reproduced from “Financial Results
for the Fiscal year Ending March 31,
2018” released on May 23



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 general 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 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.

1. Focus on programmatic ads centering on pinpoint DMP

- <Topics> • Sales in FY2018-1Q increased by 23.3% compared to the same period in FY2017, which was a favorable trend.
- Sales of “pinpoint and other programmatic ads”* increased by 88.5% compared to the same period in FY2017, growing a strong extent.
 - The Sales ratio of “pinpoint and other programmatic ads” increased from 36.4% to 55.7%, to become our core business.

2. Enhancement of sales support arrangement to strategic sales partners

- <Topics> • Sales of strategic sales partners increased by 1,039.2% compared to the same period in FY2017. Enhancing the sales support arrangements very much paid off.

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

- <Topics> • The number of Rakuraku Contact Network subscribers was 6.73 million, and the number of valid groups was 382,000, both increases from the same period in FY2017.

Note: Since FY2018, a part of “programmatic ads” included in “Others” and “pinpoint” are considered as one service and categorized as “pinpoint and other programmatic ads.” The figures in FY2017 are therefore for reference purpose only.

3. Reasons for aggressive shift to the programmatic ads

Reproduced from “Financial Results for the Fiscal year Ending March 31, 2018” released on May 23



This fiscal year, we are focusing on expanding programmatic ads in the job advertising market, where we have strengths and a proven track records. Shifting to programmatic ads bring in “longer-term contact” instead of “spot contract.”

● Market

In the job advertising market, ad sales have shifted from purchasing ad spaces on recruitment media to programmatic ads, which utilize SNS or own corporate websites.

● Competition

Up to the present date, eole has enjoyed an advantage in job advertising utilizing its own database. To secure and to expand its market share, eole takes the lead in the programmatic ad market.

● Company

Shifting to programmatic ads bring in “longer term contact” instead of “spot contract,” which have high LTV*.



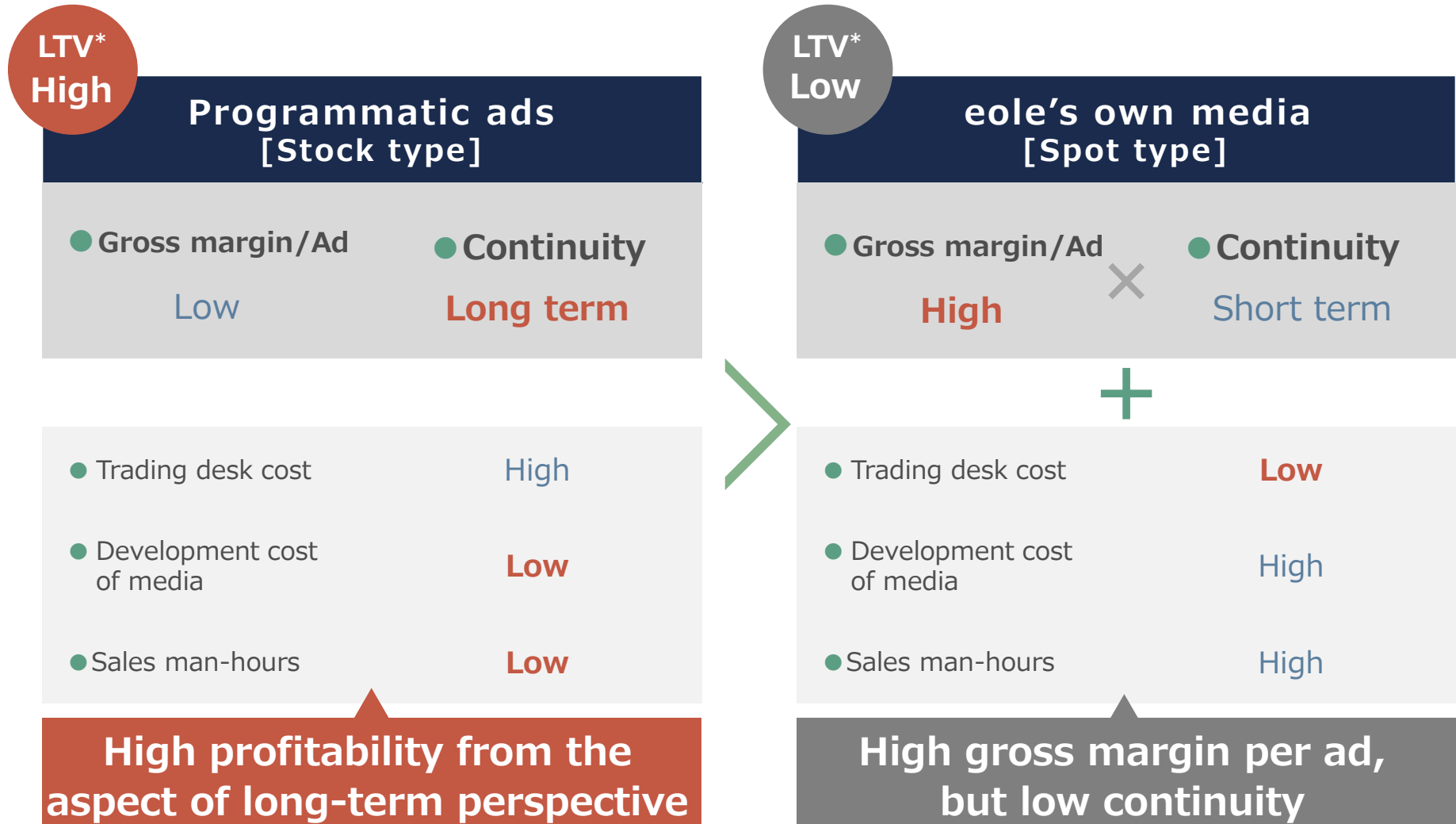
eole pursues long-term growth and revenue sources by developing a new market, establishing a presence and securing market share.

* An abbreviation of Life Time Value.

3. Reasons for aggressive shift to the programmatic ads (Continued)

Reproduced from "Financial Results for the Fiscal year Ending March 31, 2018" released on May 23

eole Inc.

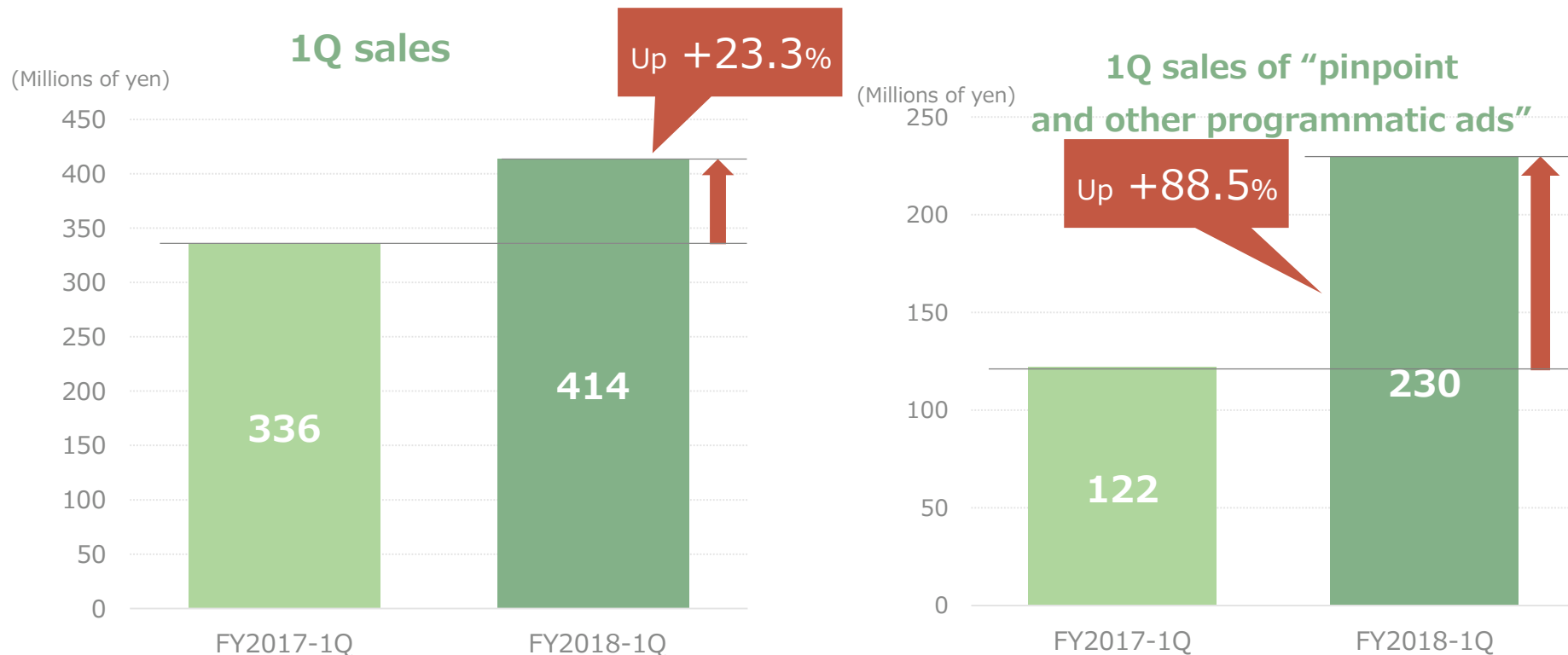


* An abbreviation of Life Time Value.

4. 1Q Strategic progress

<1. Focus on programmatic ads centering on pinpoint DMP>

Sales were favorable, increasing 23.3% compared to the same period in FY2017. In particular, sales of “pinpoint and other programmatic ads” increased to a strong extent.



Note 1 All FY2017 figures in this document are for reference purposes only, as quarterly financial statements for FY2017 have not been prepared, while also not yet audited by an auditing firm.

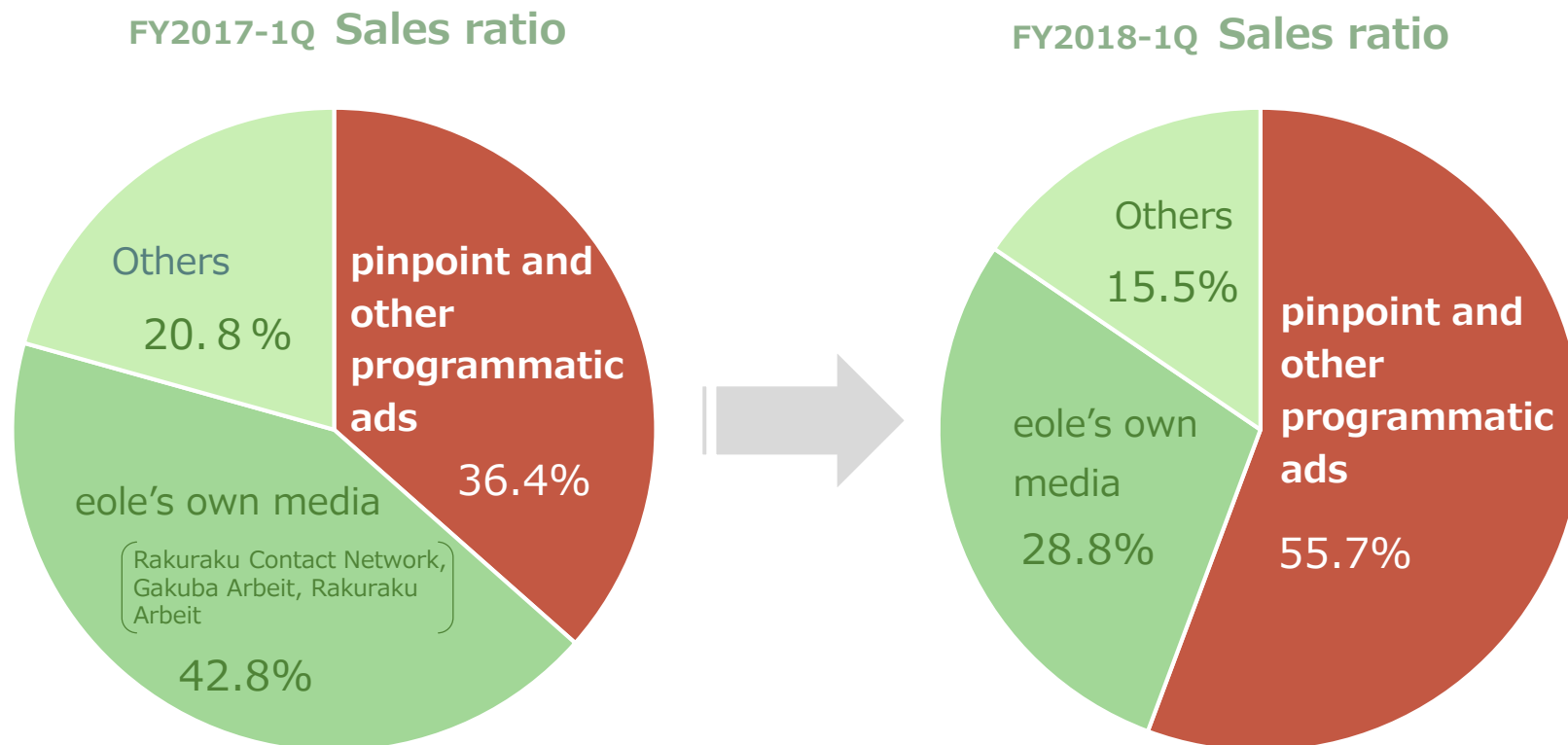
Note 2 All figures are rounded to one million yen. The year-on-year rate is rounded down to an integer after making calculations in units of one yen. These cutoff methods are applied throughout this document.

Note 3 Since FY2018, a part of “programmatic ads” included in “Others” and “pinpoint” are considered as one service and categorized as “pinpoint and other programmatic ads.” The figures in FY2017 are therefore for reference purpose only.

4. 1Q Strategic progress (Continued)

<1. Focus on programmatic ads centering on pinpoint DMP>

The ratio of “pinpoint and other programmatic ads,” as an overall part of sales continued to gain more traction.



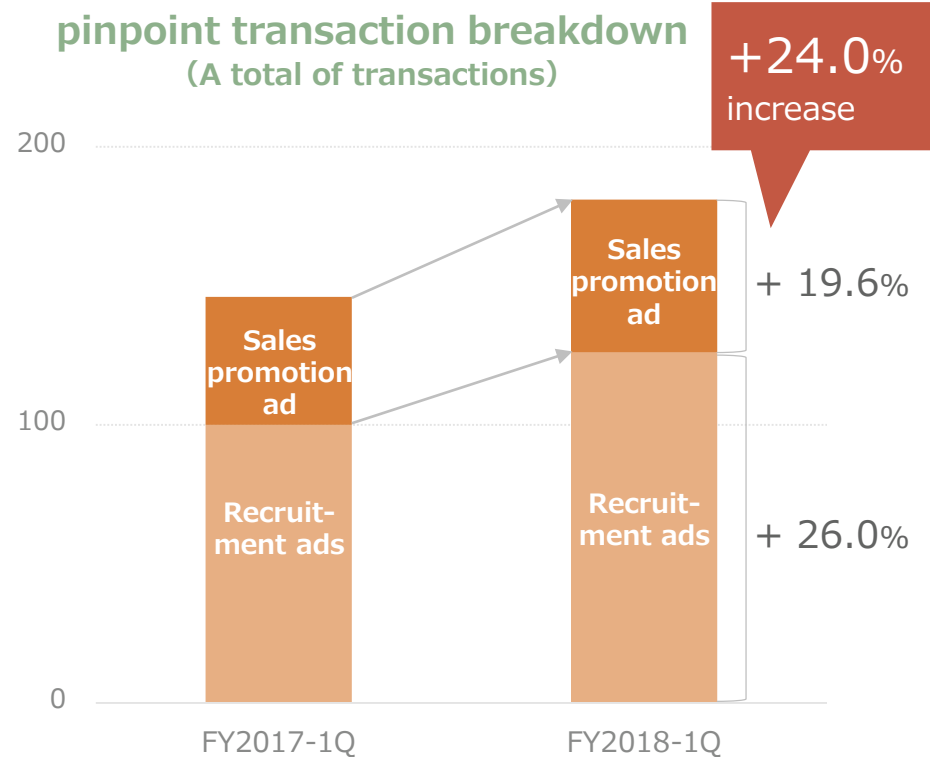
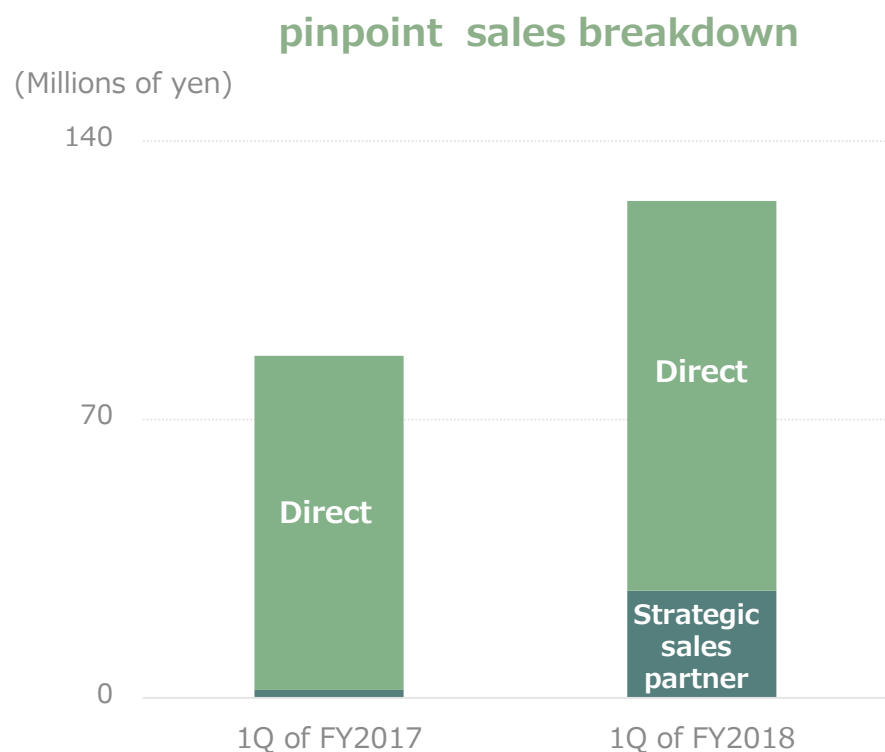
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4. 1Q Strategic progress (Continued)

<2. Enhancement of sales support arrangement to strategic sales partners>

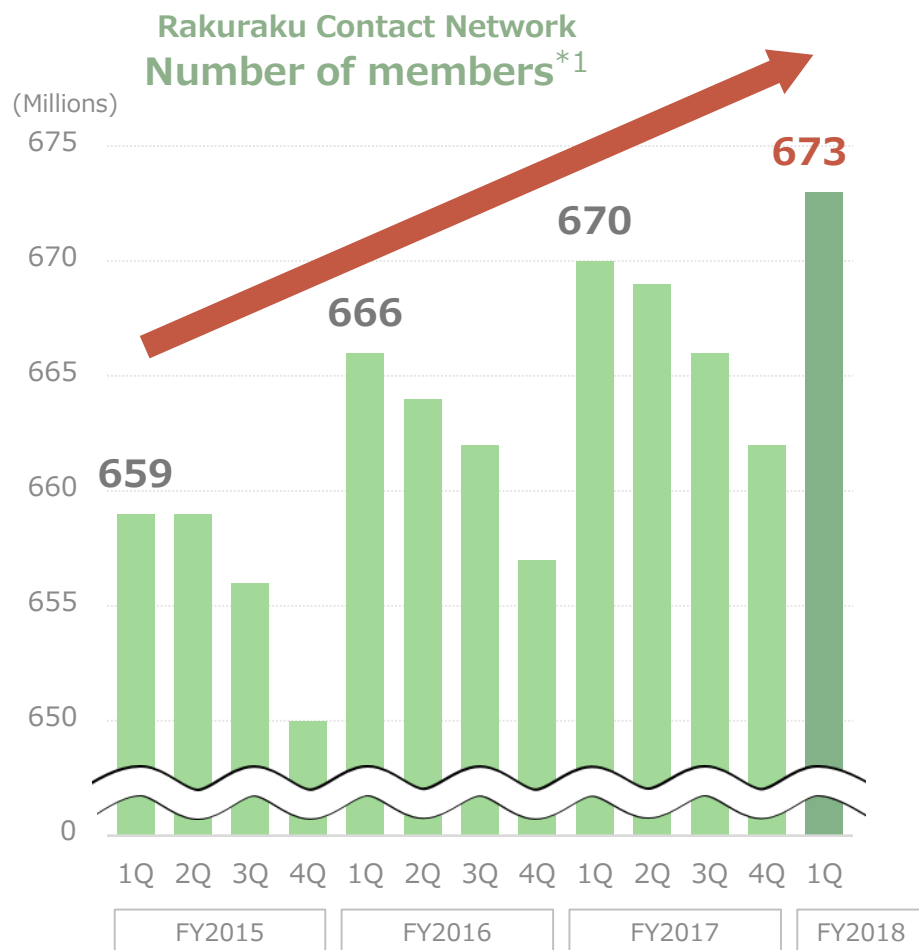
As part of the expansionary strategy for “pinpoint and other programmatic ads,” sales by strategic sales partners have been steadily increasing. As a result, the introduction of pinpoint has expanded not only in the job advertising market but also in sales promotion areas.”



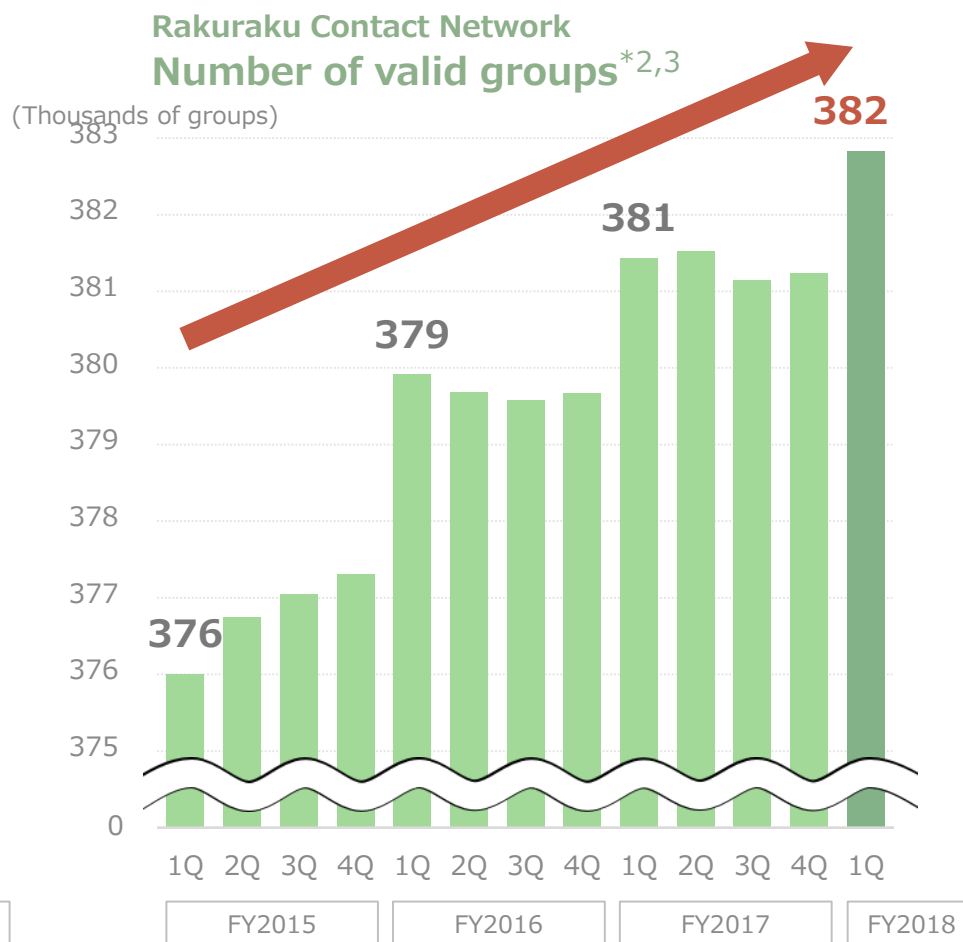
4. Q Strategic progress (Continued)

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

Both the number of members and that of valid groups joining the Rakuraku Contact Network increased during the first quarter of FY2018.



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



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

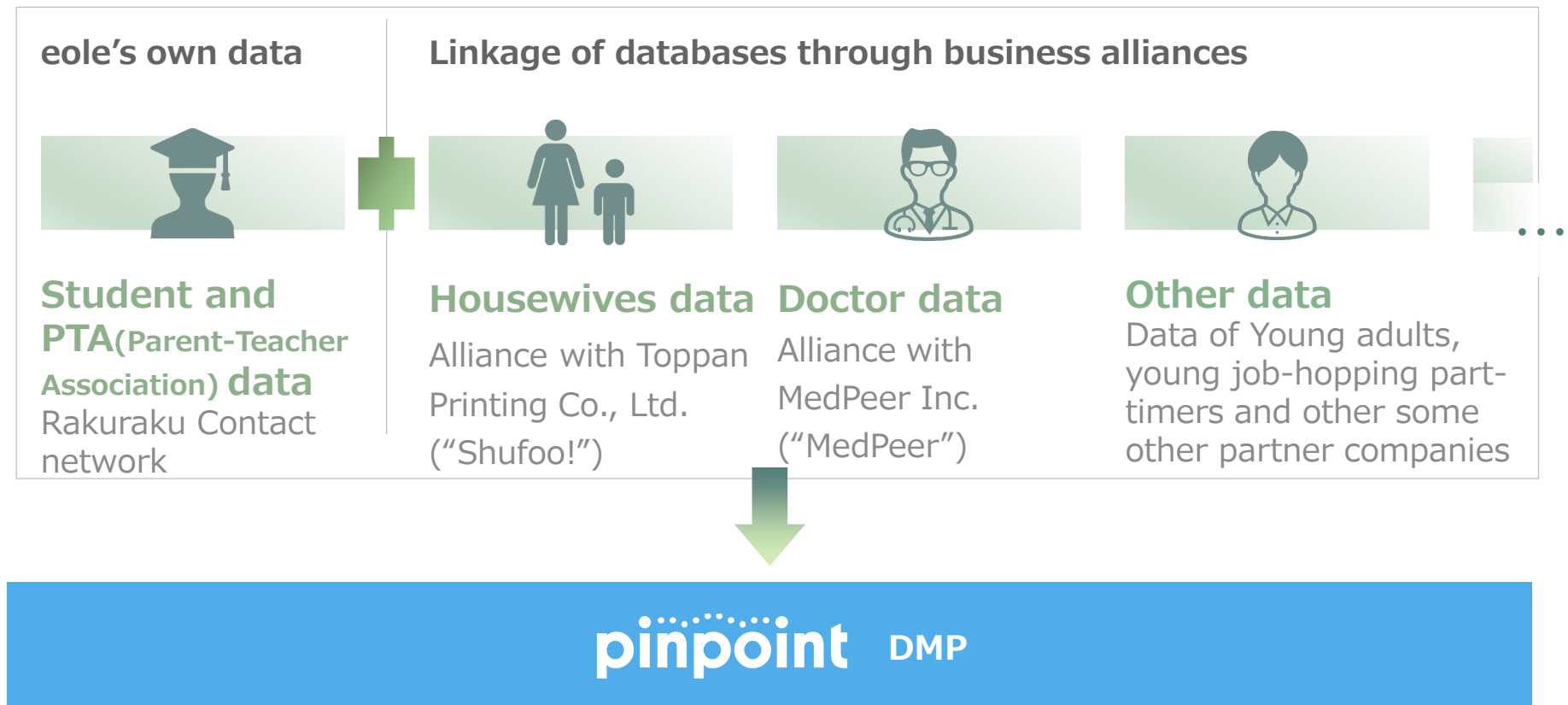
^{*3} A valid group is considered to be a group with more than three members.

4. 1Q Strategic progress (Continued)

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

We will enhance alliances with third parties' data, thereby improving both the quantity and quality of accessible data, apart from the Rakuraku Contact Network.

【Data linkage with pinpoint DMP】





I | FY2018-1Q Highlights

ii. Financial highlights

1. Financial highlights

In the previous results announcement on May 15, 2018, we forecasted higher revenues yet lower income for the consolidated cumulative second quarter of FY2018, in comparison to the same period in FY2017, due to the strategic shift to pinpoint and other programmatic ads during the fiscal year.

For now, sales, operating, ordinary and net profits(loss) in the first quarter of FY2018 had a solid start. While we continue addressing new challenges such as the shift to programmatic ads and increasing in strategic sales partners and maintain previous forecasts at this point, we carefully evaluate earnings forecasts.

(Millions of yen)	FY 2017-1Q Actual results April ~ June 2017 (3 months)	FY2018-1Q Actual results April ~ June 2018 (3 months)	Year on year
Sales	336	414	+23.3 %
Operating profit	30	▲1	-
Ordinary profit	29	▲2	-
Net profit (1Q/Cumulative 2Q/ full year)	25	▲3	-

FY2018 Forecasts (Announced on May 15, 2018))	
Consolidated cumulative 2Q April ~ September 2018 (6 months)	Full year April 2018 ~ March 2019 (12 months)
790	1,857
▲41	22
▲42	20
▲43	11

※ All FY2017 figures in this document are for reference purposes only, as quarterly financial statements for FY2017 have not been prepared, while also not yet audited by an auditing firm.

1. Financial highlights (continued) – B/S Summary –

(Millions of yen)	FY2017 (End of March 2017)	FY2018-1Q (End of June 2018)	Change
Assets			
Current assets			
Cash and cash equivalents	790	741	△49
Notes and accounts receivable - Trade	246	203	△43
Others	12	12	0
Total current assets	1,049	957	△91
Fixed assets			
Tangible fixed assets	8	7	△1
Intangible fixed assets	282	282	0
Investments and others	90	90	0
Total fixed assets	381	380	△1
Deferred assets	2	2	0
Total assets	1,433	1,339	△93

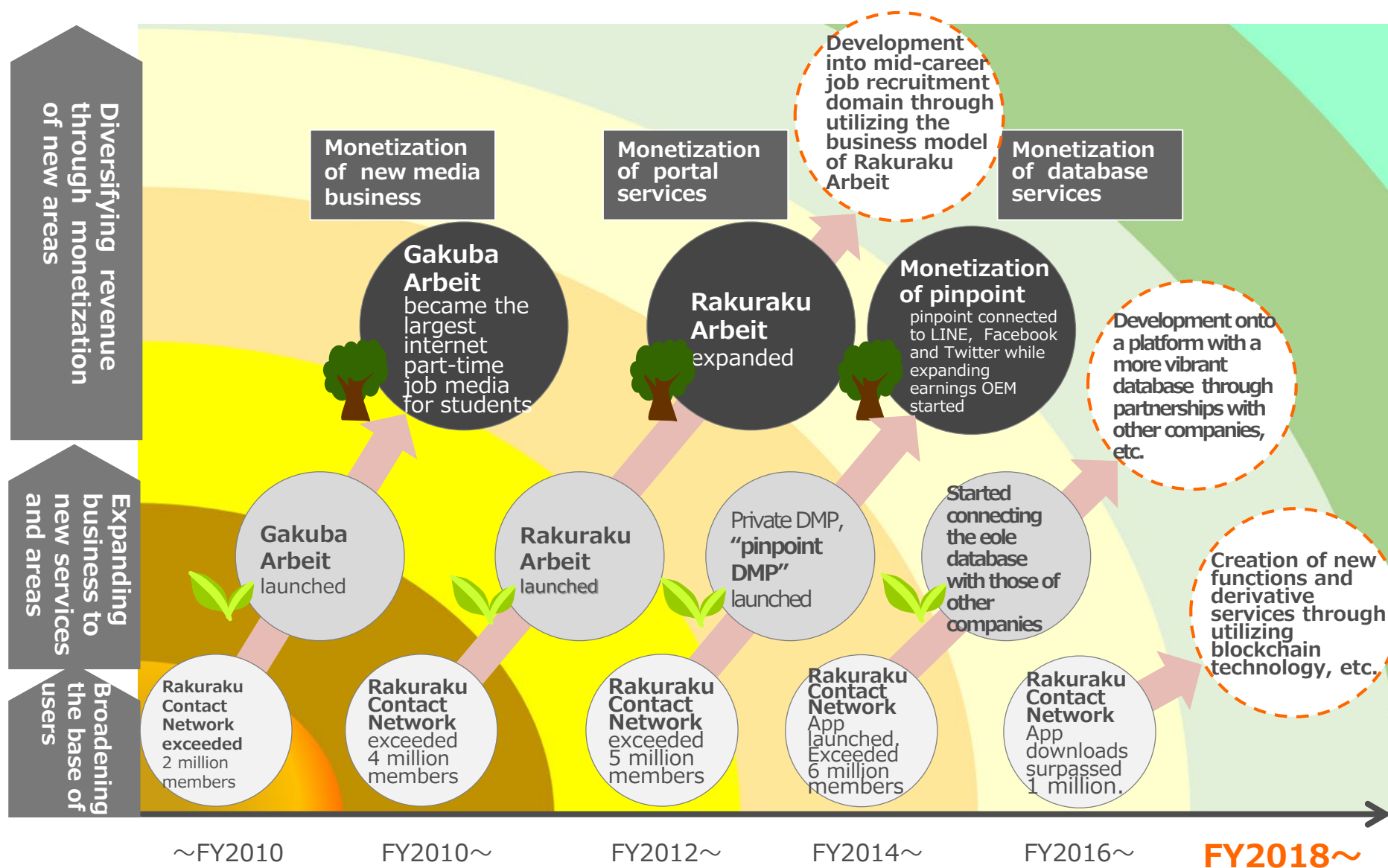
(百万円)	2018年3月期 期末 (2018年3月31日)	2019年3月期 第1四半期 (2018年6月30日)	Change
Liabilities			
Current liabilities			
Accounts payable-trade	109	70	△38
Corporate bonds redeemable within one year	50	50	0
Long-term loans payable schedule	4	1	△2
Others	135	101	△33
Total current liabilities	298	223	△75
Fixed liabilities			
Total fixed liabilities	50	35	△15
Total liabilities	349	258	△90
Net assets			
Shareholders assets	1,081	1,078	△3
Share options	2	2	0
Total net assets	1,084	1,081	△3
Total liabilities and net assets	1,433	1,339	△93



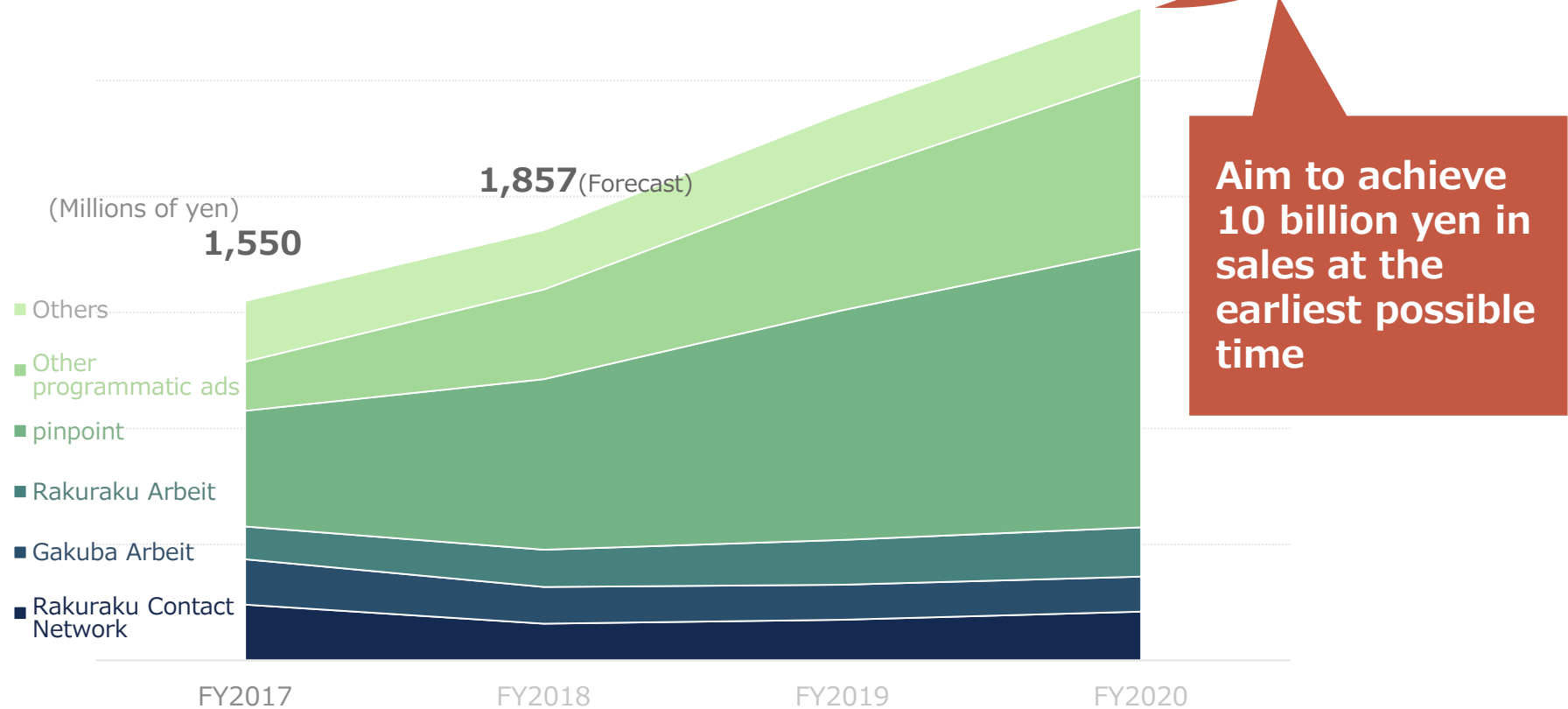
I | FY2018-1Q Highlights

iii. Concept of business growth
for upcoming few years

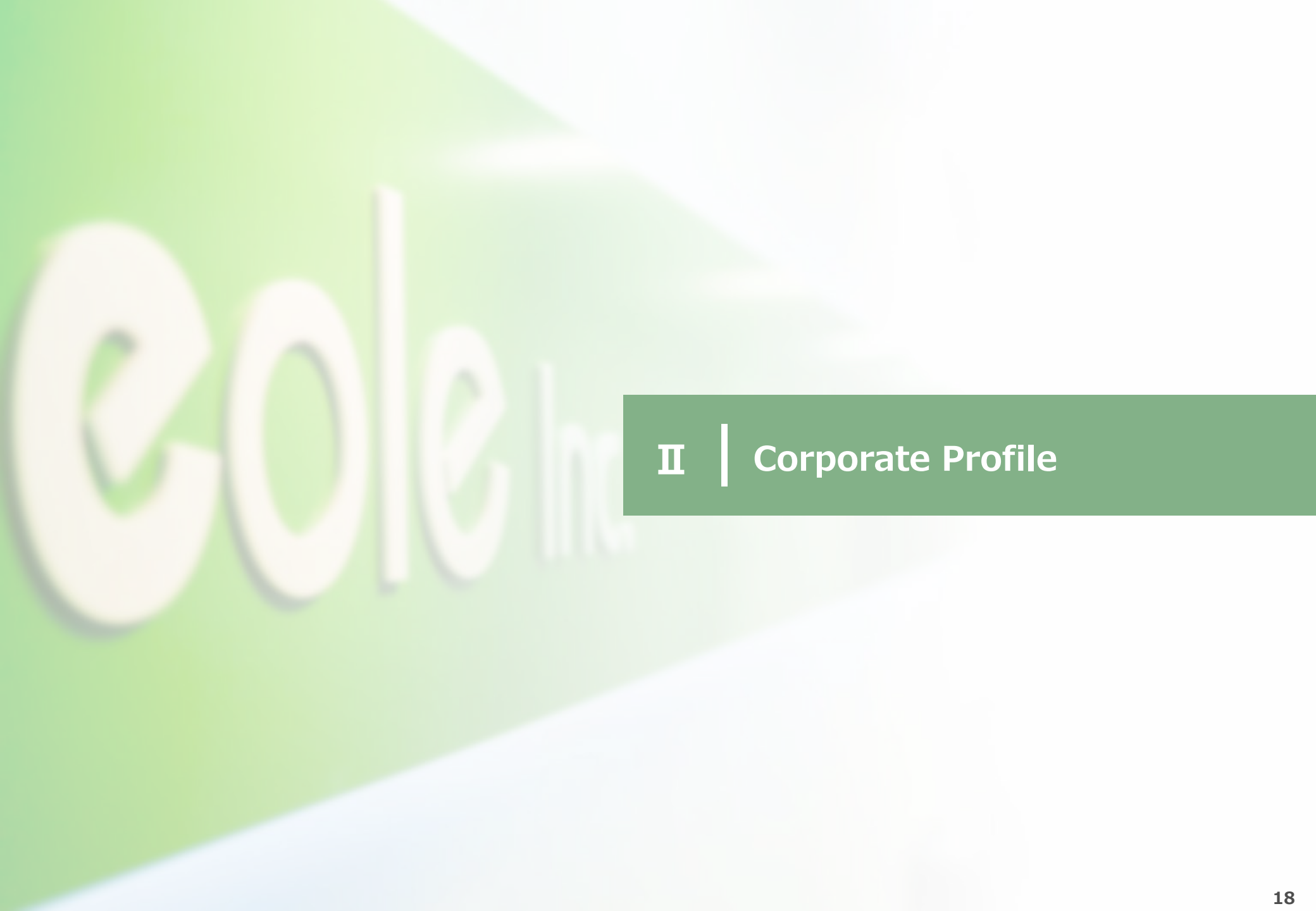
1. Concept of business growth



Business expansionary concept of eole (sales)



Note: In FY2017, though a part of “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.



II | 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 July 31, 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 External Board Director: Suguru Tomizuka Corporate Auditor: Minoru Akimoto	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
	Auditor: Toru Oyama Auditor: Masahiro Tajima	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 33).

3. Summary of business model

Business	Service	Overview	Revenue model
Programmatic ads		DSP* ³ 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
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 バイト探しの決定版 	Portal site for part-time job seekers.	Result reward (PPA)
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

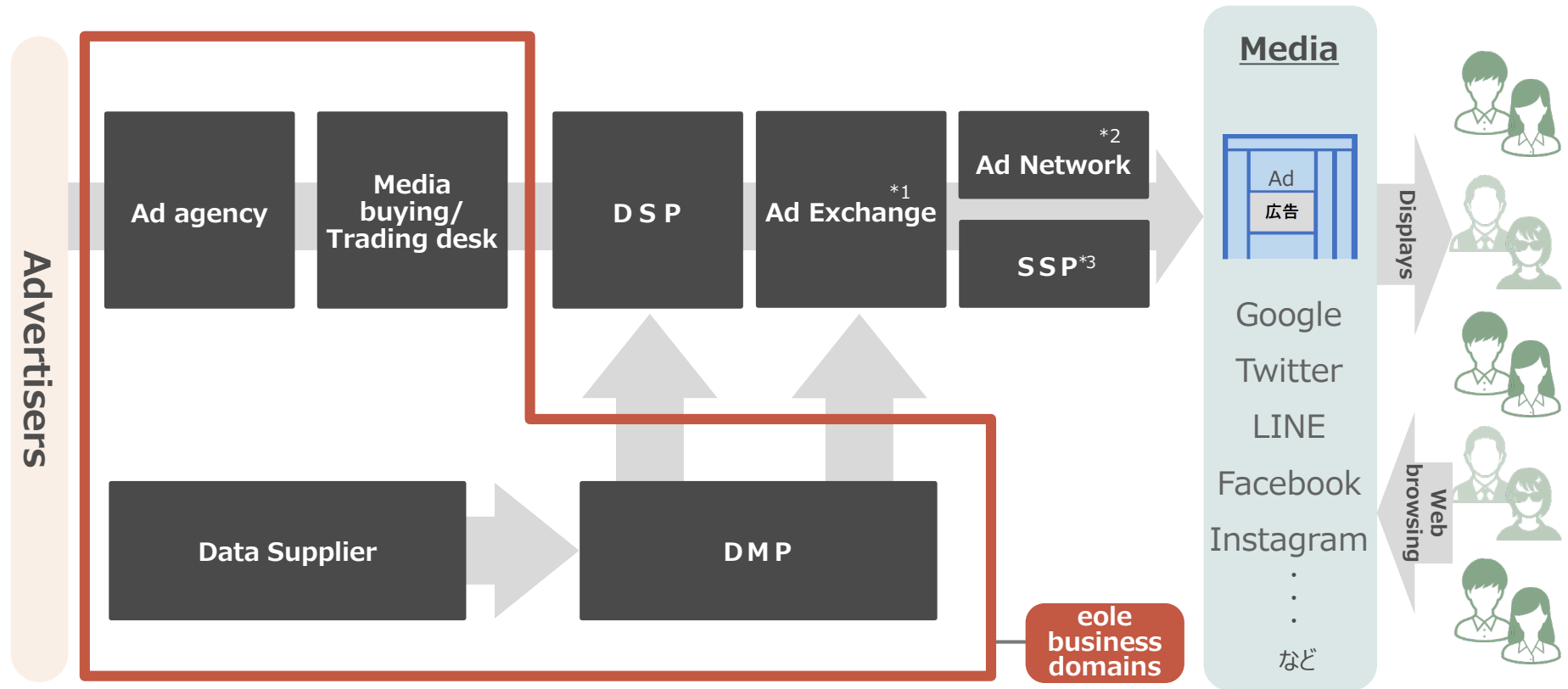
*1 "Other programmatic ads" included in "Others" in FY2017, and "pinpoint" are now considered to be one service and thus categorized under "programmatic ads" in FY2018.

*2, 3, 4 Refer to "Reference information(1): Glossary" (Page 33).

3. Summary of business model: pinpoint

Outline of eole's business domain in Internet advertisement business

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



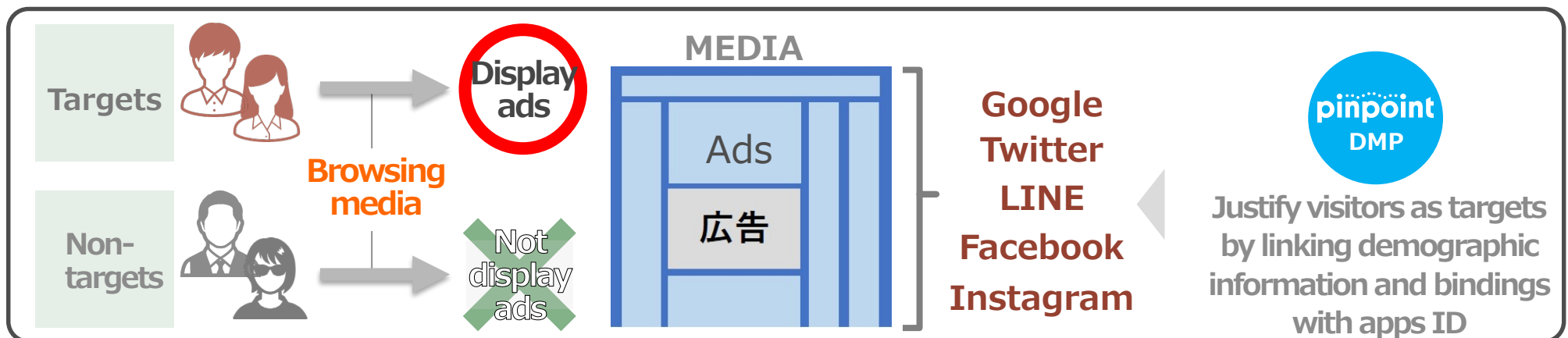
* 1,2,3 Refer to "Reference information(1): Glossary" (Page 33).

3. Summary of business model: pinpoint (Continued)

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**.



3. Summary of business model: Rakuraku Contact Network^{eole} Inc.



Used by **382,000** groups and
6,730,000 members^{*1}

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

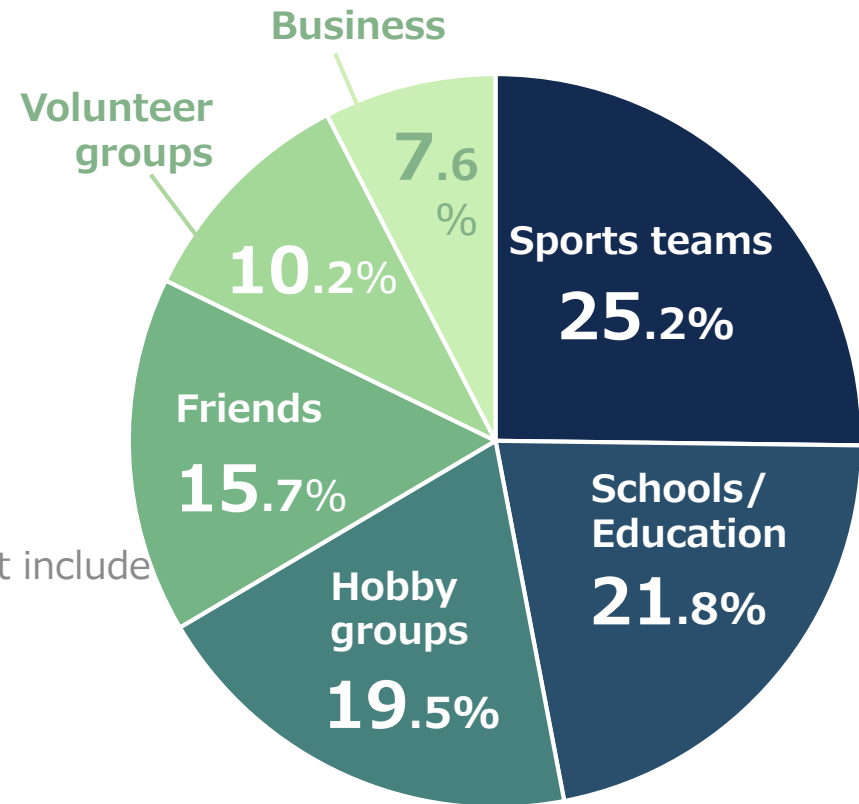


More than **25%** of all university and graduate school students depend on and use the Rakuraku Contact Network.^{*2}

^{*1,3} As of June 30, 2018

^{*2} University and graduate students nationwide in Japan : 2,890,880 (Survey by the Ministry of Education, Culture, Sports<Science and Technology, 2017); Number of Rakuraku Contact Network registrants: about 900,000(2017 Survey)

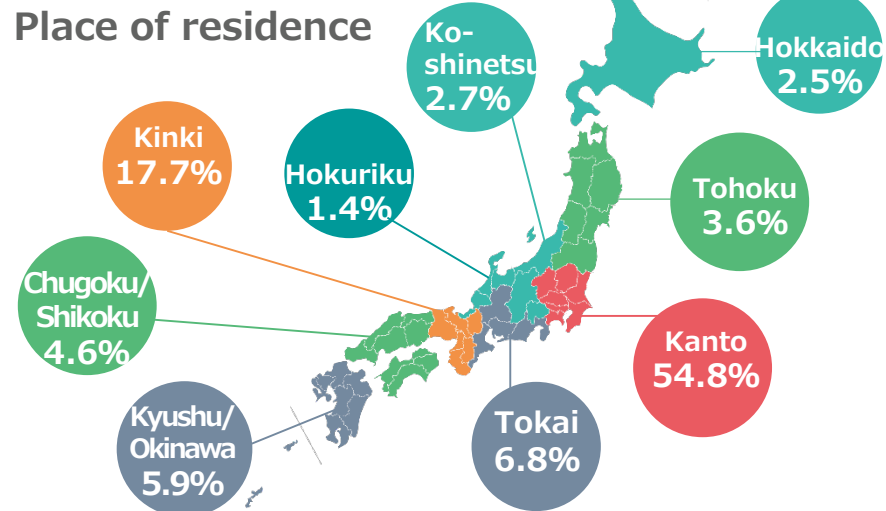
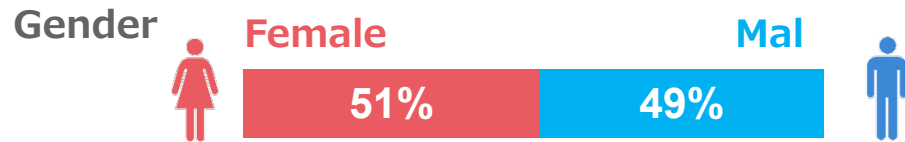
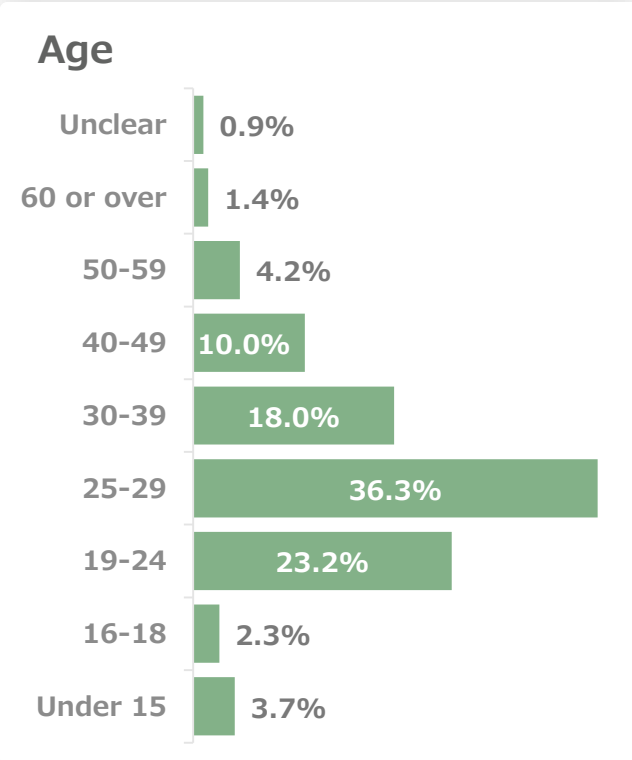
Profile of clubs and activities^{*3}



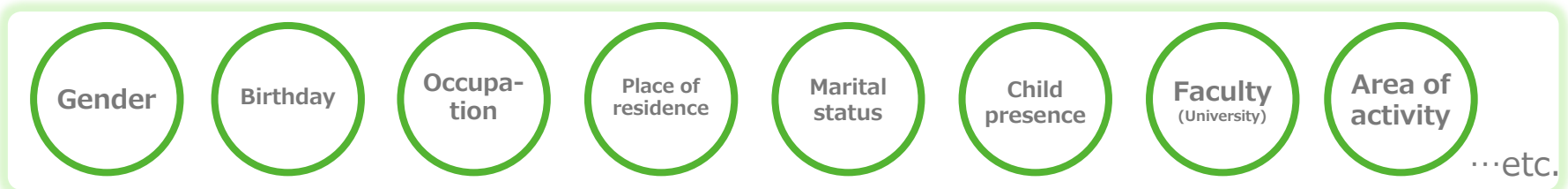
3. Summary of business model: Rakuraku Contact Network (Continued)

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

Profile*



Main information for membership registration



* As of June 30, 2018

3. Summary of business model: Rakuraku Contact Network (Continued)

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.)



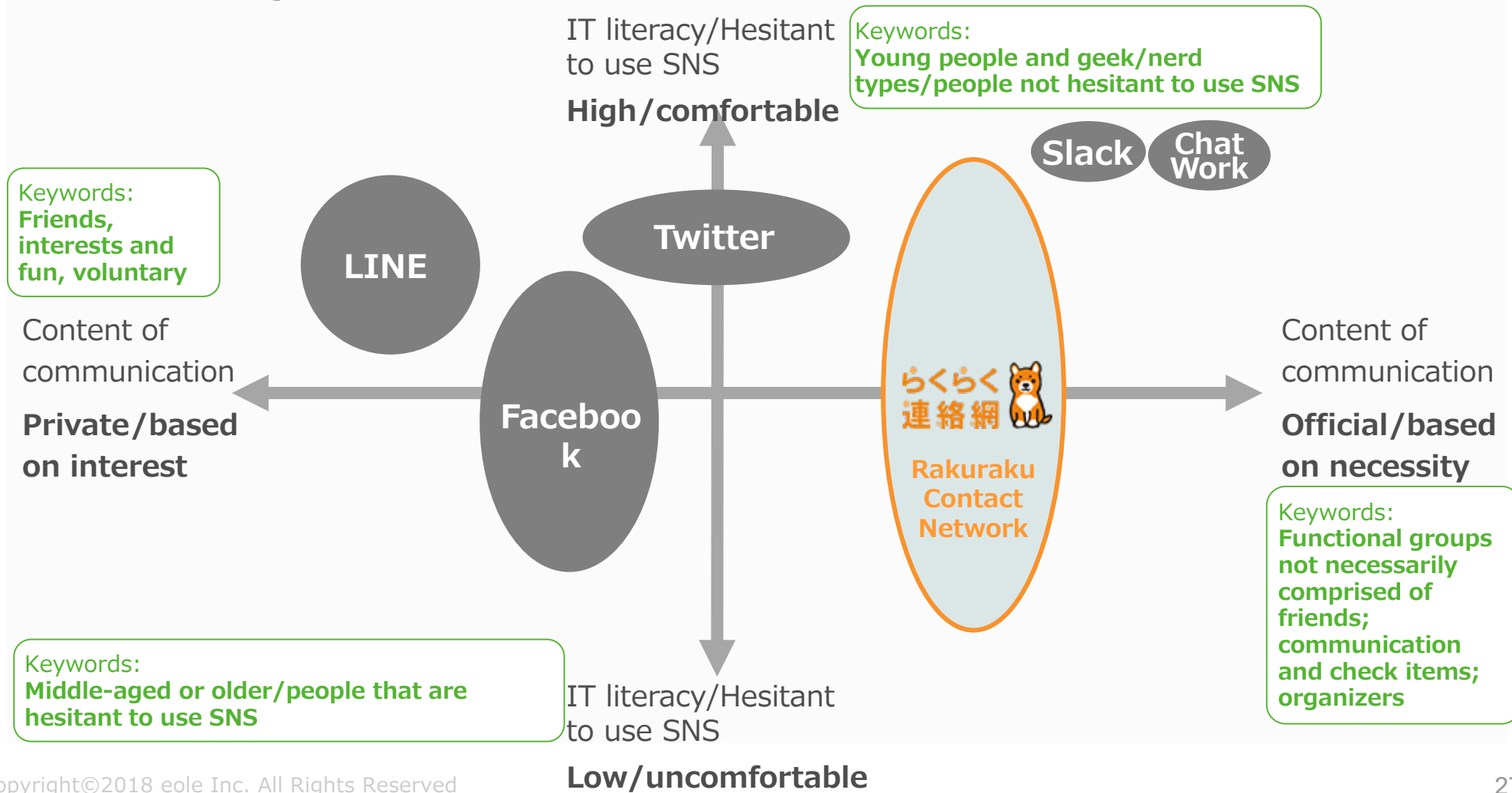
* There is also a paid version of Rakuraku Contact Network, which does not display advertisements.

3. Summary of business model: Rakuraku Contact Network

(Continued)

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.



3. Summary of business model: Gakuba Arbeit/Rakuraku Arbeit

(Continued)

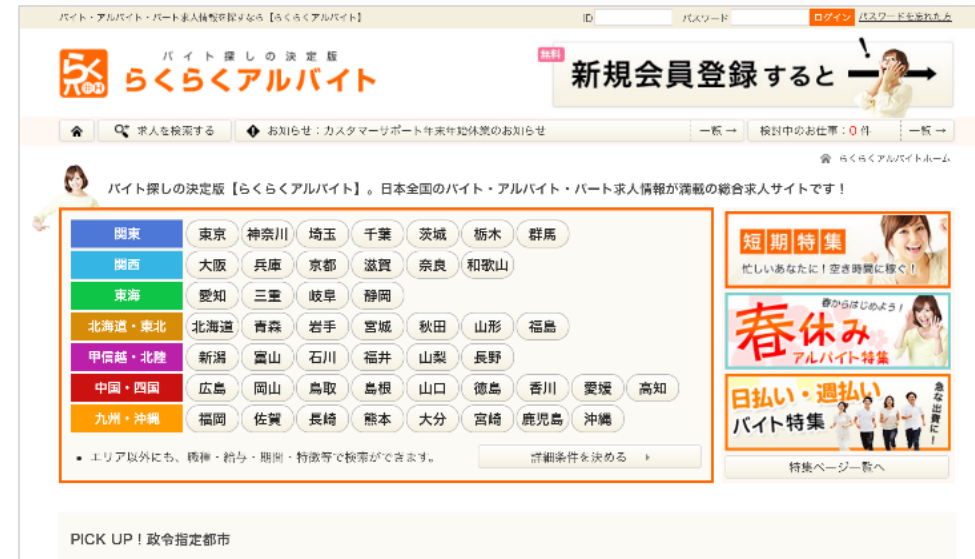
“Gakuba Arbeit is a part-time job recruitment information site specializing in college and university students.” “Rakuraku Arbeit is a part-time job recruitment information portal site, enabling one-stop applications to be made.

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

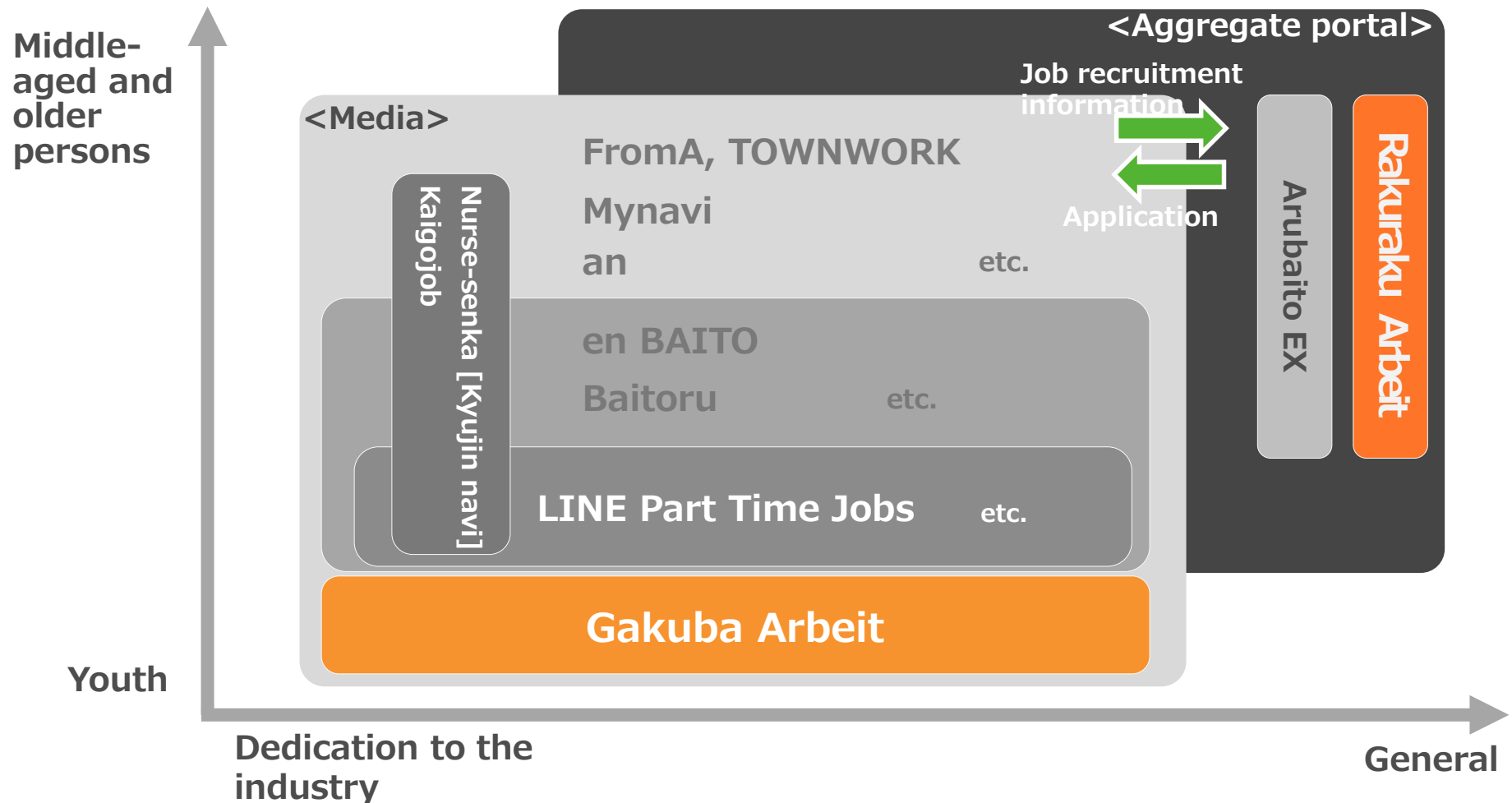


- A part-time job recruitment information portal site where a wide range of recruitment information from job information provider partner sites is published on a segment, enabling one-stop applications to be made.
- Revenue model: Result-reward type (PPA)

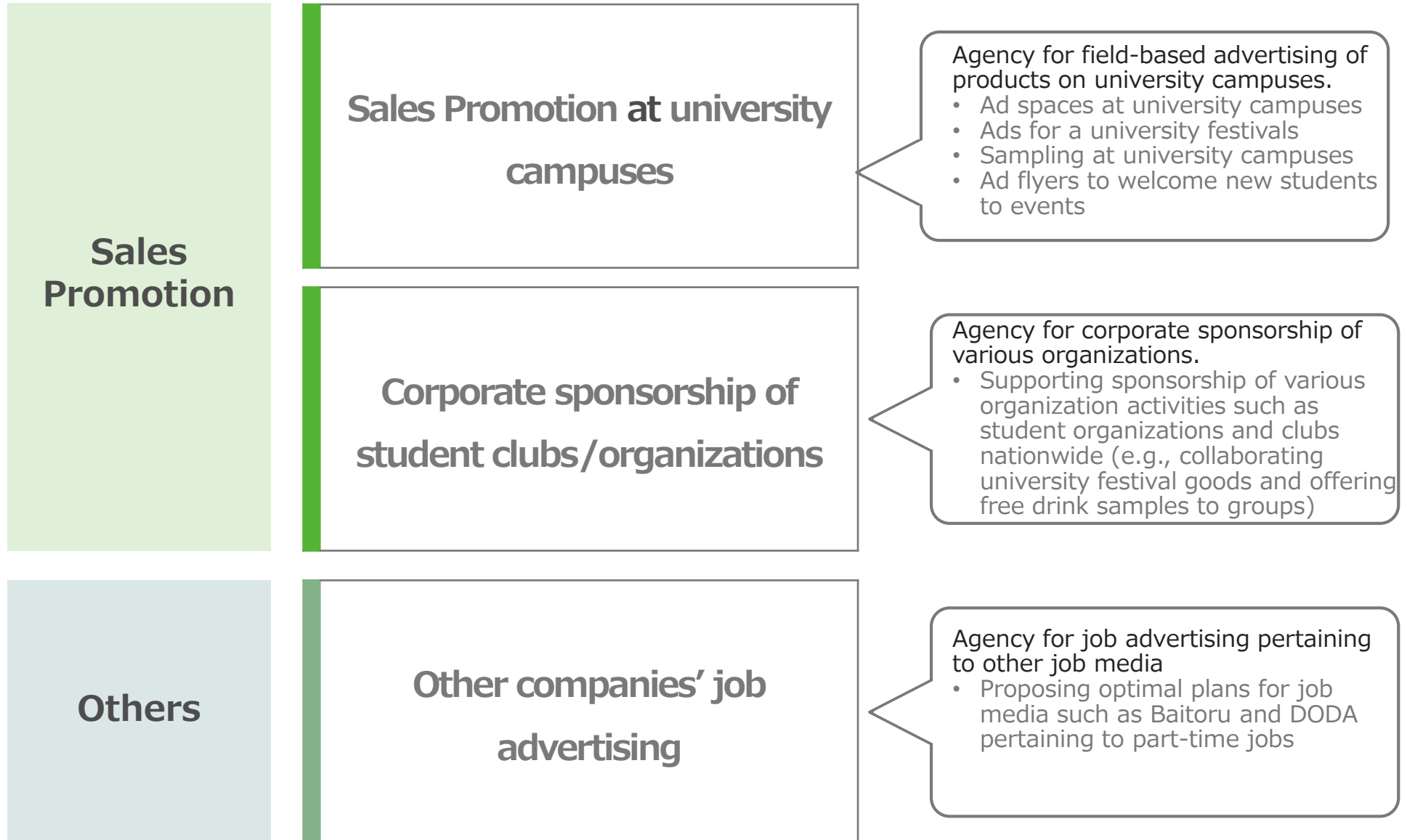
3. Summary of business model: Gakuba Arbeit/Rakuraku Arbeit (Continued)

Positioning of "Gakuba Arbeit" and "Rakuraku Arbeit" in job media domain(Conceptual outline)

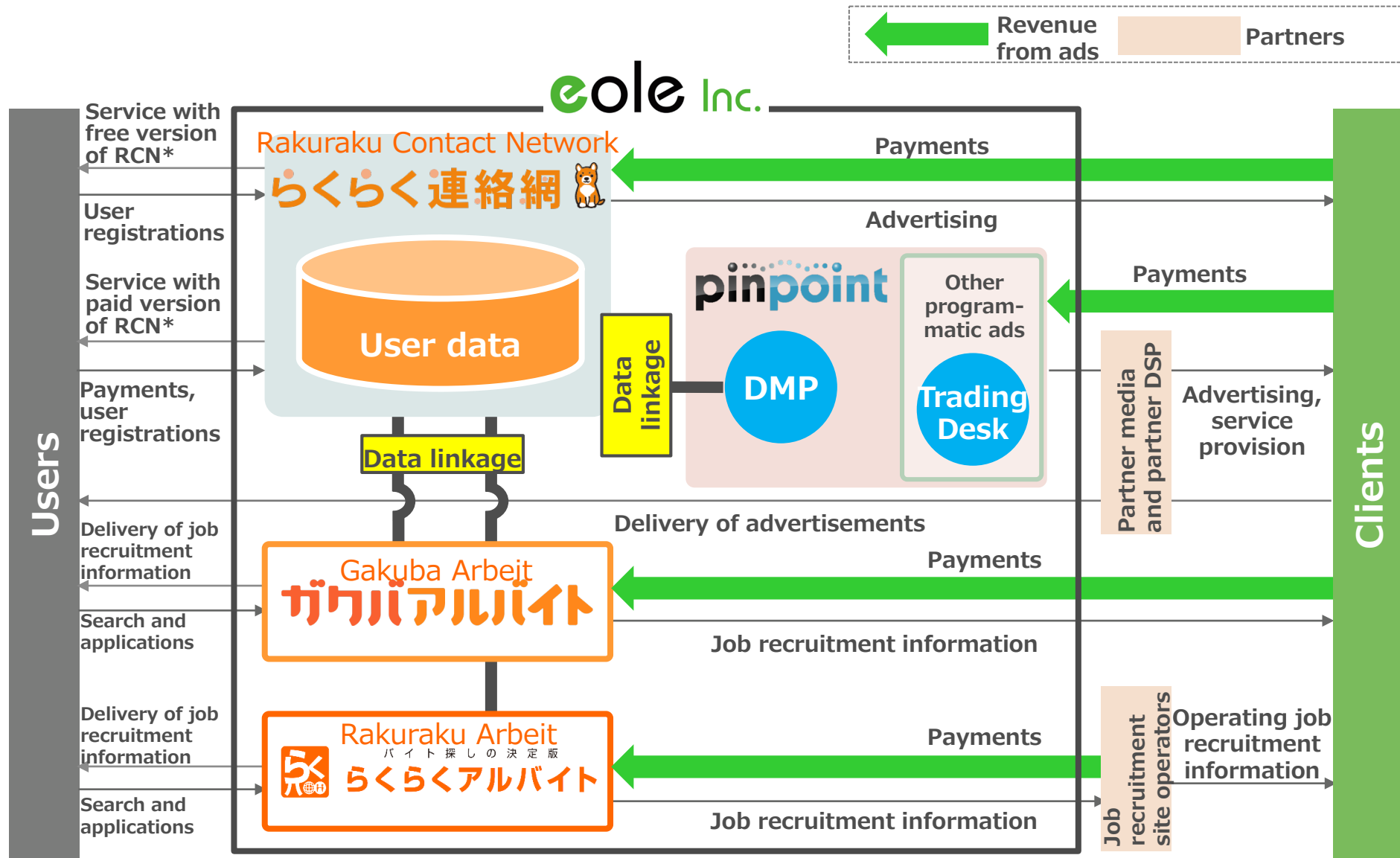
Both services will specialize in the part-time job business pertaining to young adults.



4. Summary of business model: Others (Example)



4. Business model (Summary as of April 2018)



* Rakuraku Contact Network

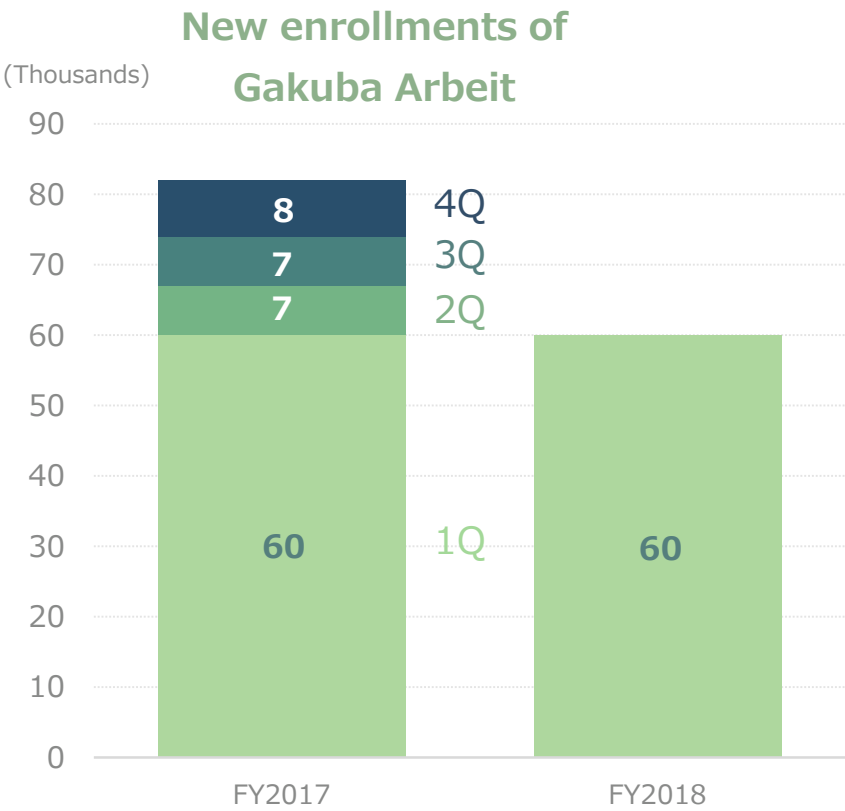


III | Reference Information

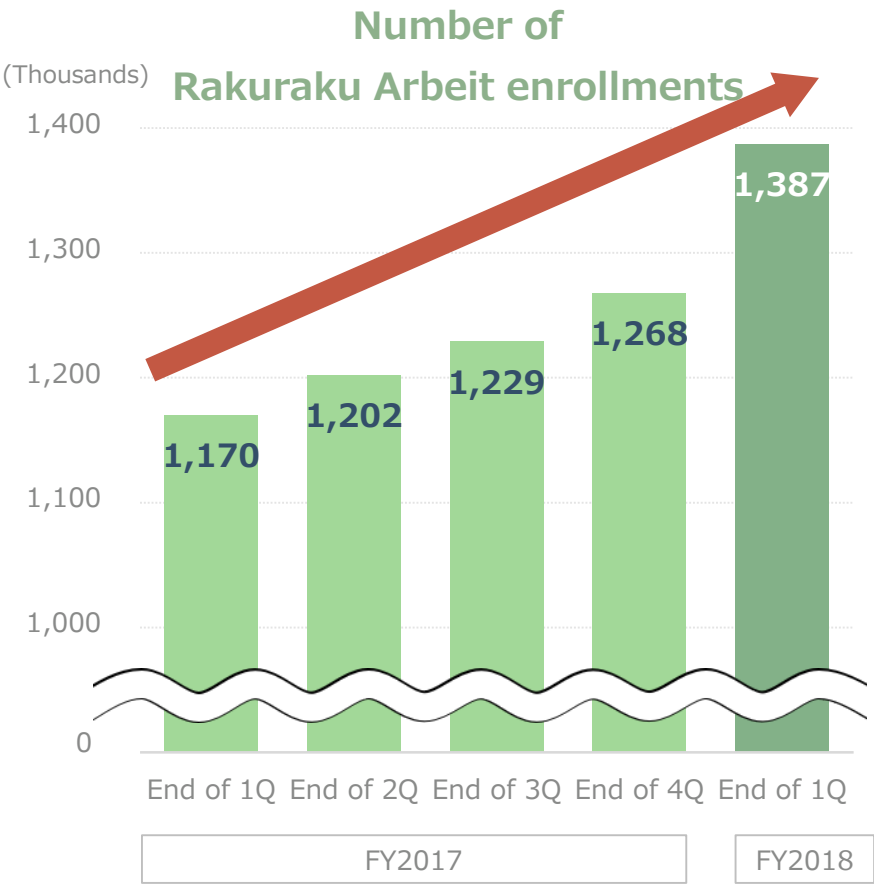
Term	Definition
CPC (Cost Per Click)	CPC (Cost per click) has two different meanings. One is the cost per click of a user as a result of exposure to advertisements, while the other is the unit price of a pay-per-click advertising transaction.
CPM (Cost Per Mille)	Cost of 1,000 ad reach or exposure.
DMP (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 DSPs, ad exchanges, and SSPs.

2. Progress of Gakuba Arbeit and Rakuraku Arbeit

New enrollments of Gakuba Arbeit are comparable to the same period in FY2017. The number of Rakuraku Arbeit enrollments increased by 18.5% compared to the same period in FY2017.



Note: The number of new enrollments has been rounded down to one hundred.



Note: The number of members has been rounded down to one hundred.

Disclaimer

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