



Financial Results

for the Fiscal Year

Ended March 31, 2020 (FY03/20)

eole Inc.

(TSE Mothers, Securities Code: 2334)

May 21, 2020

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	Management Policy
II	Business Review for FY03/20
III	Financial Overview for FY03/20
IV	FY03/20 Topics
V	Our Response and Business Impact to the Spread of COVID-19
VI	Business Strategy for FY03/21
VII	Reference Information – Corporate profile

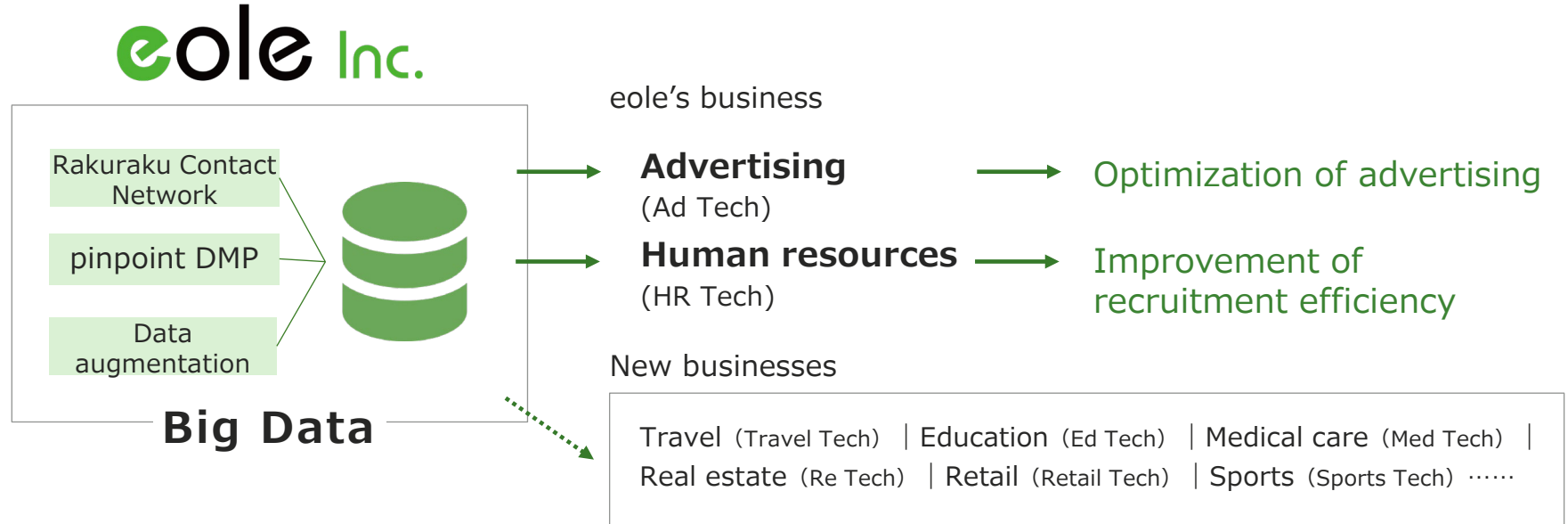
eole Inc.

I | Management Policy

Creating brand new conveniences and pleasures

Taking advantage of new technologies, we create novel unprecedented conveniences and new pleasures, supporting the entire world, while also making a contribution to society.

Utilizing eole's big data, we will provide new x-tech services.



Applicable technologies

Big data

Location information

AI

VR

Robot

Sensor

Available solutions

Productivity improvement

Operational efficiency

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II | **Business Review for
FY03/20**

1.

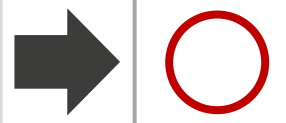
**Further expansion and promotion
of recruitment ads**

2.

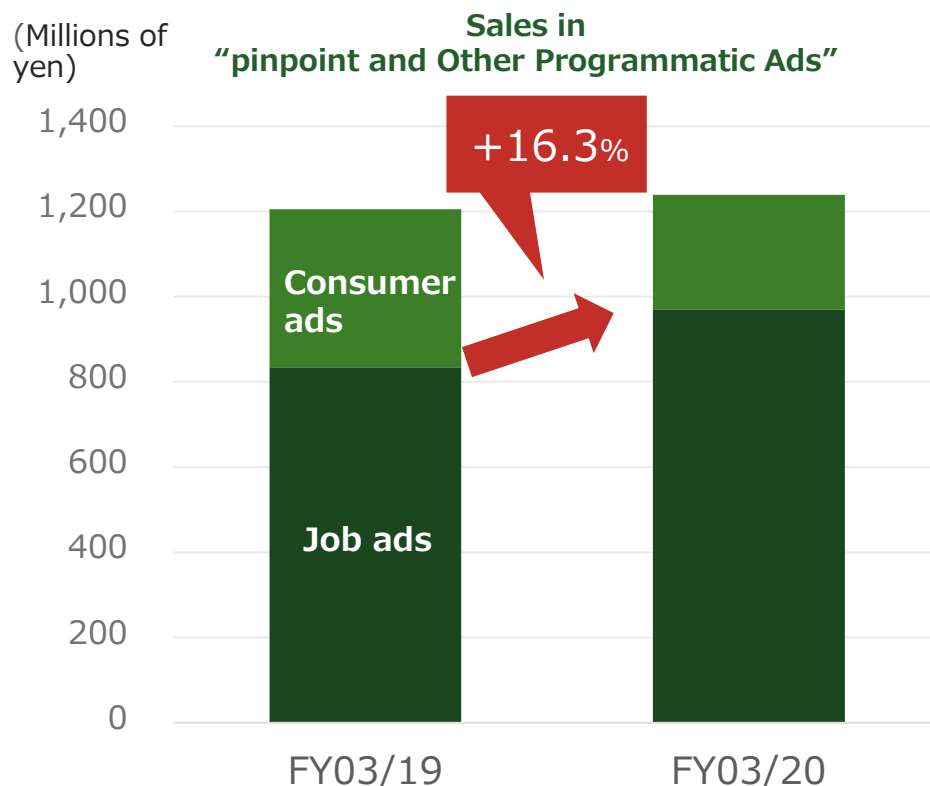
**Strengthening relationships with
strategic sales partners and job ad
agencies**

1.

Further expansion and promotion of recruitment ads



Our recruitment ads sales in “pinpoint and other programmatic ads” service increased by 16.3% YoY.



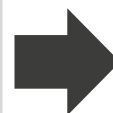
Outlook

- The labor shortage due to Japan’s structural problems, such as the decline in the working age population, the decline in birthrate and the aging of society has continued. Meanwhile, the spread of COVID-19 will lead to a widespread suspension of recruitment screening and low hiring demand for a certain period
- The prolonged COVID-19 spread has greatly impacted the economy and the ratio of available jobs to effective job seekers.

* Production costs such as creative work and web production are not included.

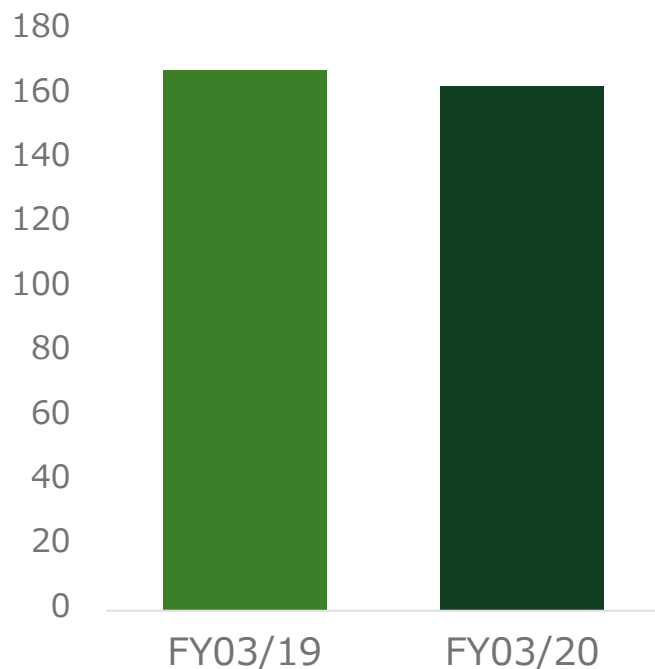
2.

Strengthening relationships with strategic sales partners and job ad agencies



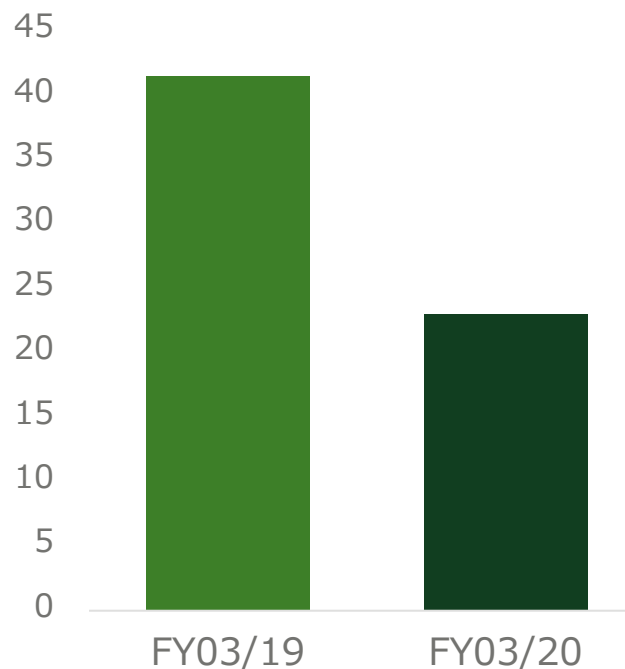
Sales of Strategic Sales Partners
in "pinpoint and Other Programmatic Ads"

(Millions of yen)



Sales of Job Ad Agencies
in "pinpoint and Other Programmatic Ads"

(Millions of yen)



Outlook

- Implementation of recruitment activities throughout the year will promote effective use of first- and second-year university students' data owned by eole.
- We have been developing strategic sales partnerships in new business fields (mid-career full-time recruitment and part-timers).
- Saturated competition in search ads for job search engines will increase the possibility of being chosen for our services.

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**III | Financial Overview for
FY03/20**

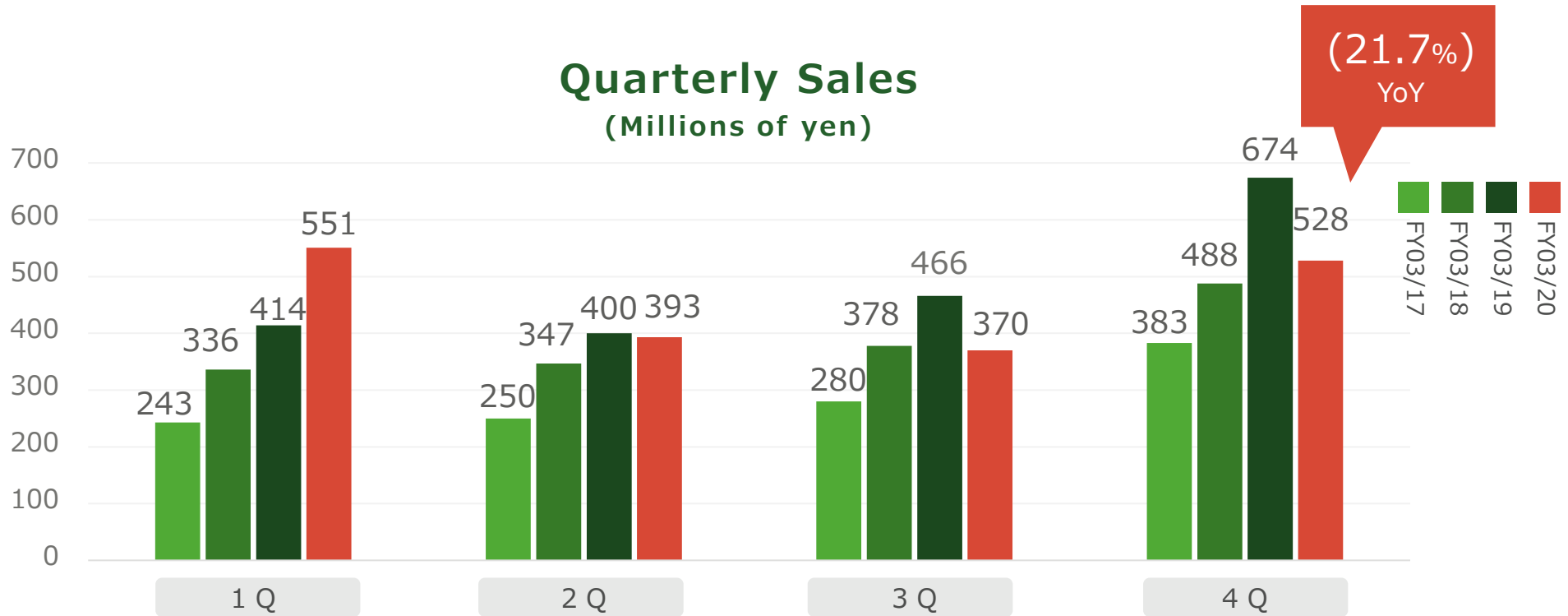
Business Results for FY03/2020 — Highlights

In FY03/20, sales were 1.8 billion yen (-5.7% year on year) and ordinary profit was 26 million yen (-65.5% year on year).

(Millions of yen)	FY03/19 Actual results	FY03/20 Actual results	Year on year	FY03/20 Forecast (Announced Feb. 14, 2020)	FY03/20 Compared with the forecast
Sales	1,955	1,844	(5.7%)	1,793	+2.8%
Operating profit	78	26	(66.0%)	9	+191.3%
Ordinary profit	76	26	(65.5%)	8	+199.0%
Net profit	58	0[*]	(98.4%)	4	(81.2%)

* 937,438 yen

In 4Q FY03/20 (January to March 2020), sales decreased by 21.7% year on year.

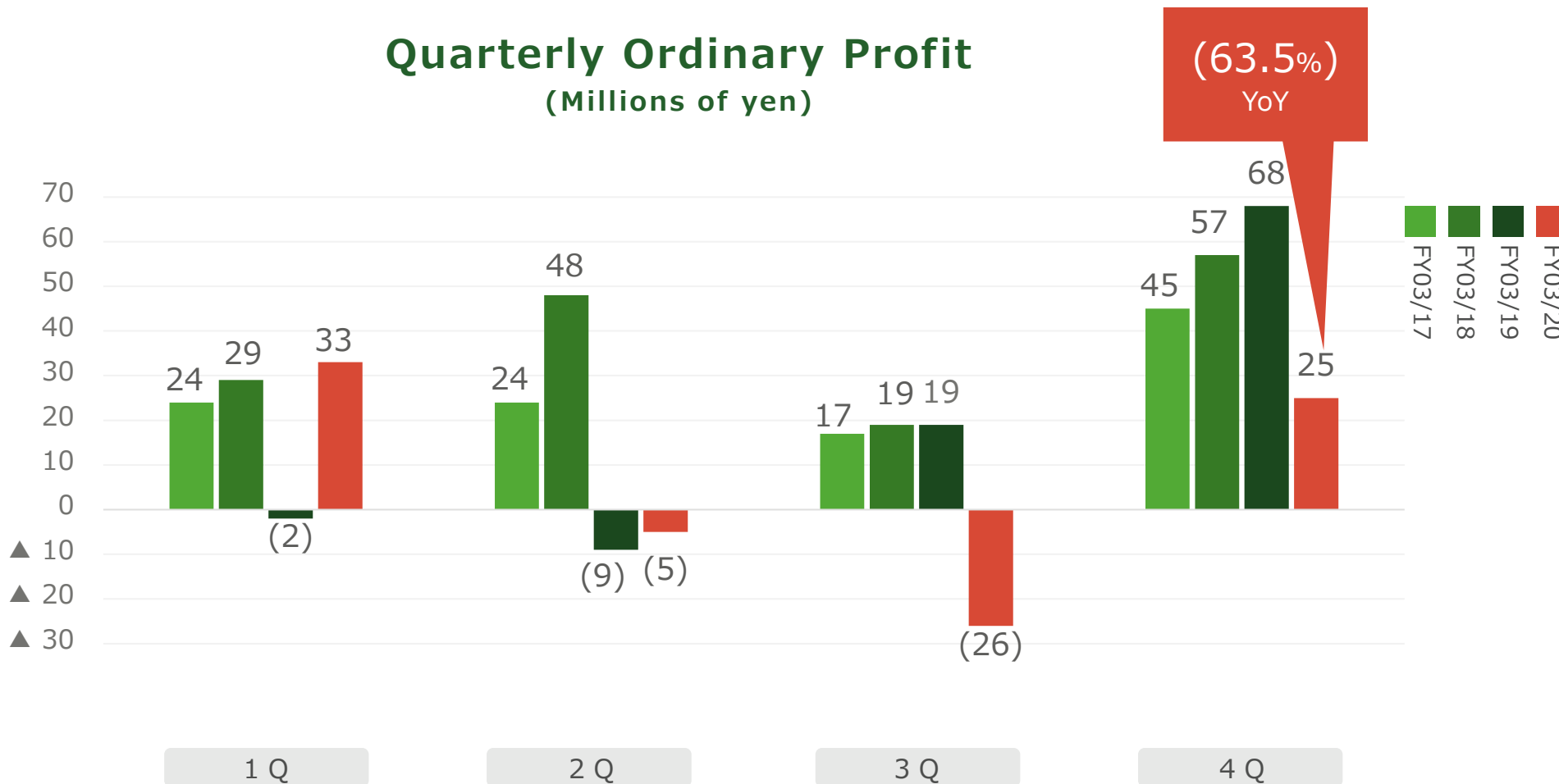


Note: All FY03/17 figures in this document are for reference purpose only, as quarterly financial statements of FY03/17 have not been prepared, while also not yet audited by an auditing firm.

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.

In accordance with the sales decrease, ordinary profit in 4Q FY03/20 (January to March 2020) decreased by 63.5% year on year.

Quarterly Ordinary Profit (Millions of yen)



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.

Impacts on sales

Events in FY03/20

We expected to make up for a large project to be missed from June in pinpoint and other programmatic ads in consumer advertising with projects in new graduate recruitment, which grew sharply in 1Q. However, an issue with personal information on the part of strategic sales partners occurred in 2Q, which led to the suspension of their sales activities.

Amid rapid expansion of search engines such as Indeed, (general) sales partners, especially job ad agencies, recently prioritized sales activities for search advertising, which resulted in a delay of our pinpoint sales activities and a sales slide.

Our handling of Indeed did not grow as expected due to intensifying competition.

Sales activities were delayed following organizational changes at strategic sales partners.

Impacts of the discontinuation of *an* on Rakuraku Arbeit commenced in August.

The COVID-19 outbreak did not have significant impacts on the business results for FY03/20, although revenue from ads dropped in March for travel, restaurants, events and other categories directly affected by the outbreak.

Outlook for FY03/21

- In 4Q of FY03/20, strategic sales partners resumed sales activities in the area of new graduate recruitment.
- The COVID-19 pandemic may accelerate a budget shift from large-scale recruitment events to attracting job seekers online
- New graduate recruitment throughout the year will increase the value of our data on university students in their first and second years.

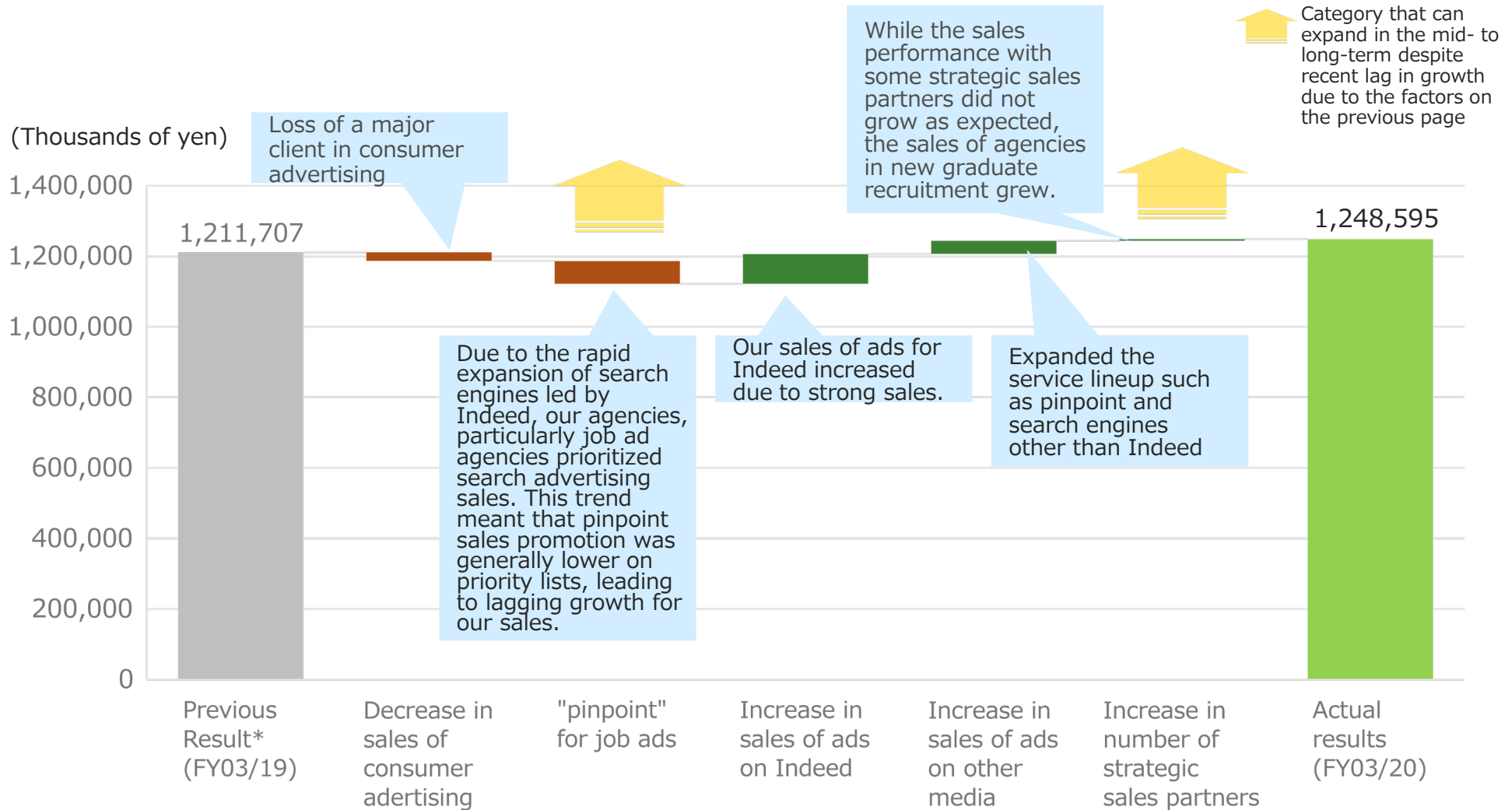
- We foresee that intense competition in search advertising for search engines such as that of *Indeed* will be milder in a year (from the perspective of cost effectiveness).
- We will push sales of alternative products such as Stanby, Kyujinbox and search advertising.

We will develop strategic sales partners in new fields. We commenced a trial in 4Q of FY03/20 in the field of mid-career full-time recruitment and part-timers.

We will work to replace it with other linkage media.

For FY03/21, the COVID-19 pandemic will continue to impact the stagnation of recruitment processes and the decline in motivation for recruitment at different companies for a certain period. Its prolongation will produce greater impacts on the economic depression and a decline in the ratio of available jobs to effective job seekers.

Comparison with Previous Results for "pinpoint and Other Programmatic Ads" (Sales)



* Production cost is not included.

Reversal of Deferred Tax Assets

Sales, operating profit, ordinary profit and net profit before tax exceeded the previous forecast. Net profit fell short of the previous forecast as a result of recording a corporate tax adjustment of 19 million yen due to the reversal of deferred tax assets.

(Thousands of yen)

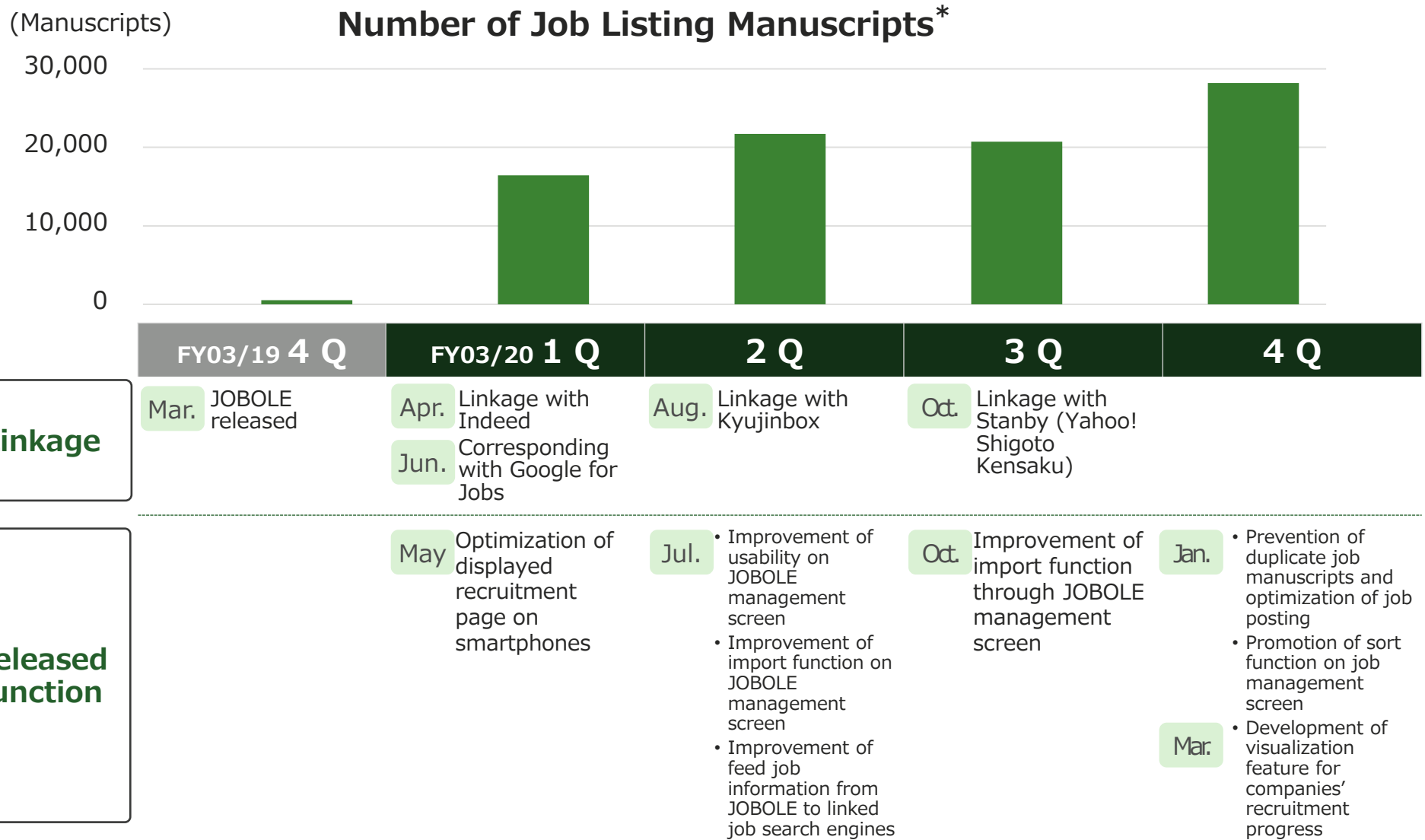
	Sales	Operating profit	Ordinary profit	Net profit before tax	Corporate tax	Income tax-deferred	Net profit
FY03/20 Actual results	1,844,098	26,681	26,328	26,328	6,330	19,060	937
[Compared to the previous forecast]	[+2.8%]	[+191.3%]	[+199.0%]	[+199.0%]			[-81.2%]

Considering the impact of COVID-19, we conservatively reviewed taxable income after FY03/21. Due to the reversal of part of deferred tax assets, a corporate tax adjustment of 19 million yen was recorded. (The balance of deferred tax assets as of the end of FY03/20 is 57 million yen.)

* It is not a disclosure item of the previous forecast.

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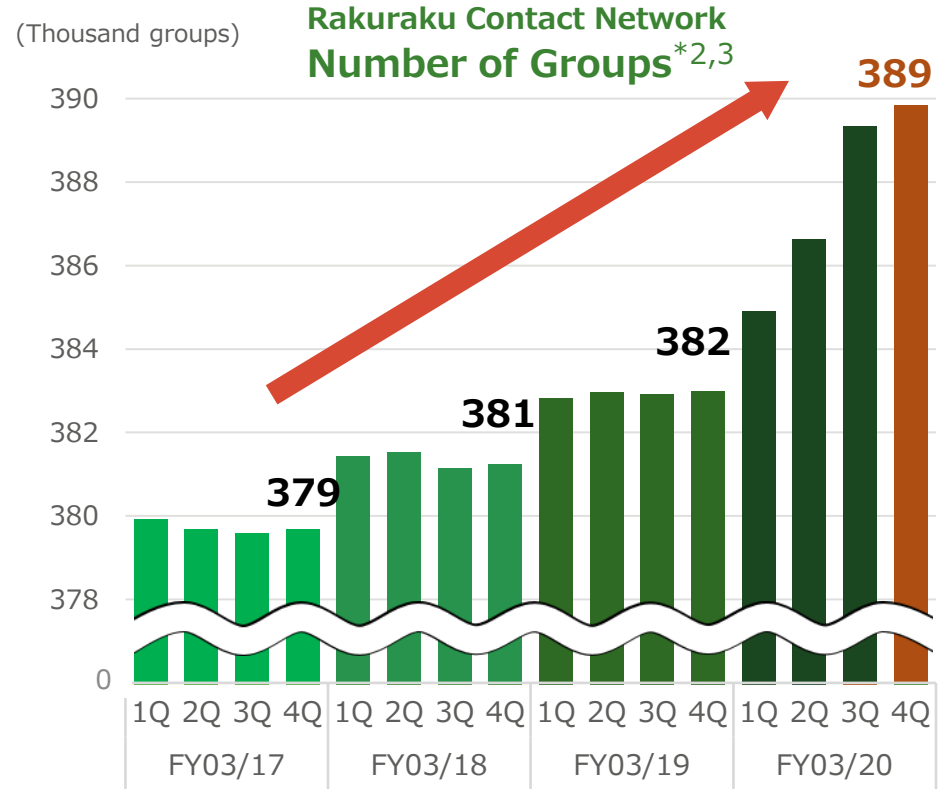
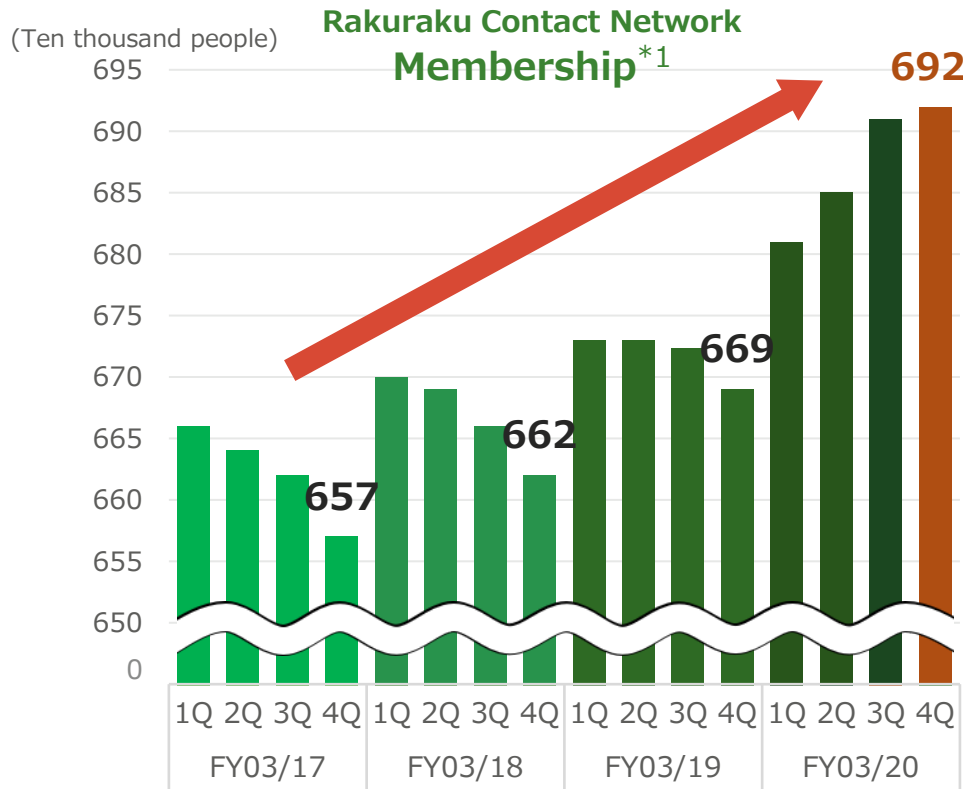
IV | FY03/20 Topics



* The number of job manuscripts is the figure listing on JOBOLE at the end of each quarter.

Increase in Membership of Rakuraku Contact Network and Number of Groups

Both the membership and number of groups of Rakuraku Contact Network increased. This is thought to be due to the termination of a similar services by another company. (Since the number of services similar to Rakuraku Contact Network is few, our service has come to possess a dominant share of contact networks in Japan.)



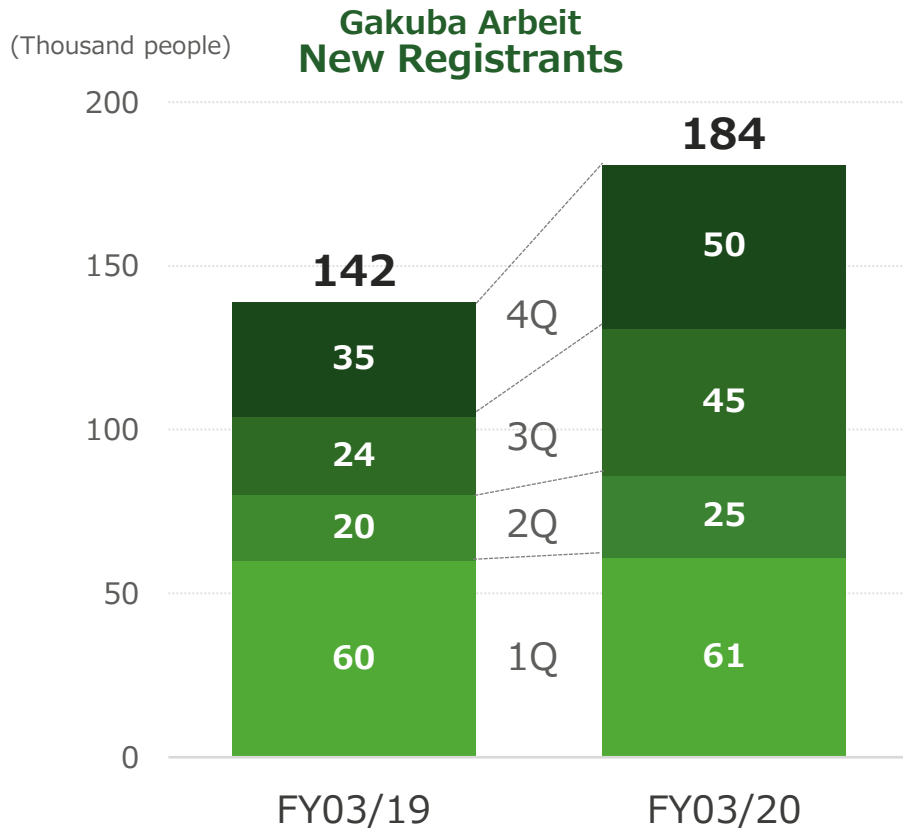
There is a seasonal change where the membership and groups tend to increase from April to June with the beginning of new semesters, while the figure tends to decrease from the end of December till the end of March with the end of semesters, etc. In FY03/20, yet the membership and groups increased as the above.

*1 Figures are rounded down to the nearest thousand.

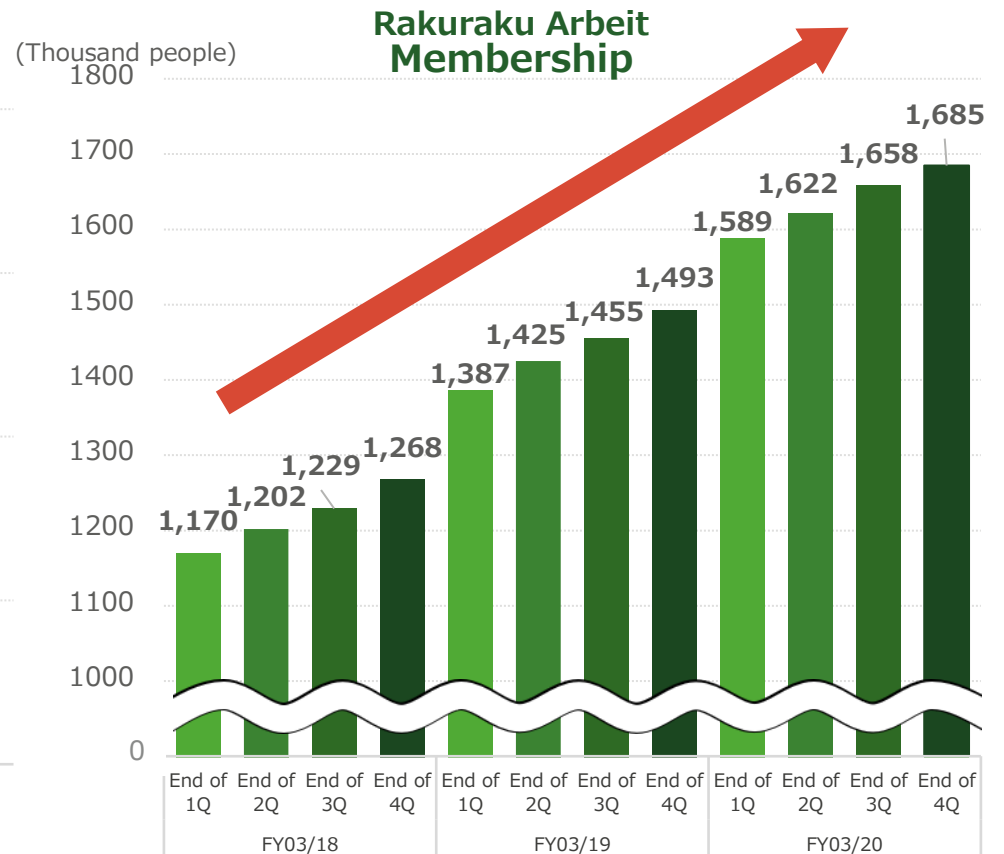
*2 Figures are rounded down to the nearest thousand.

*3 A group is a group with more than three members.

The number of new registrants for Gakuba Arbeit increased by 29.1% year on year due to the simplification of membership registration in the site renewal in May 2019 and the release of the new function that allows users to apply for a job and register on the site simultaneously in October 2019. Membership for Rakuraku Arbeit increased by 12.9% year on year due to the increase in new registrants in accordance with the increase in membership for Rakuraku Contact Network.



Note: Figures are rounded down to the nearest thousand.



Note: Figures are rounded down to the nearest thousand.

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**v | Our Response and
Business Impact to the
Spread of COVID-19**


We are investigating and implementing countermeasures according to the infection situation, while prioritizing the safety of our employees and clients. Telework has also accelerated.

Work system

- Late February: Implemented staggered working hours by expanding flexible working hours
- Late March: Implemented a work system based on teleworking
- Early April: Implemented temporary leave in some departments

Workstyle and environment

- Implement teleconference and internet conference, prohibit non-urgent business trips and maintain a hygienic environment, such as by wearing masks.
- We have been promoting the acquisition of potential clients through websites since last year and using new sales methods such as online sales negotiation.



Economic decline due to prolonged influence of COVID-19

Decline in willingness to post job listing manuscripts by clients

Restraints on behavior

Temporary suspension of ad distribution

Consumer Advertising

Reduction of advertising expenses in accordance with the downturn in business

Reduction of advertising expenses in accordance with restrictions on people's activities during a state of emergency

Due to the expansion of teleworking during a state of emergency, sales activities are restricted, for example, the delay in sales opportunities and the constrained sales activities to acquire new clients

Suspension of ad distribution from industries that were directly affected due to the voluntary restraint in activities such as travel, eating and events

Job Advertising

Decline in the ratio of available jobs to effective job seekers. Reduction in clients' hiring budget due to the decrease in hiring.

Decline in willingness to hire during a state of emergency

Due to the expansion of teleworking during a state of emergency, sales activities are restricted, for example, the delay in sales opportunities and the constrained sales activities to acquire new clients

Suspension of ad distribution by companies that cannot perform recruitment activities because of teleworking

As is the case in the online advertising market, the shift from conventional fixed-fee-based advertising to programmatic advertising will gather momentum in the job advertising market. However, amid the COVID-19 crisis, the outlook remains extremely uncertain. Even in Japan, the timing of its end, including the lifting of the state of emergency, is unforeseeable as is the impact on economic activities.

In the job advertising market on which we focus, the structural issues of the labor shortage remain in the overall market due to the aging of the population with a declining birth rate. However, in the near future, the pandemic will have a massive impact on the slowdown of recruitment processes and motivation for recruitment at individual companies, making it very difficult to create an outlook. Because it is difficult to reasonably estimate business results, our business forecast for FY03/21 has yet to be determined. We will announce the business forecast as soon as it becomes possible to do so.

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**VI | Business Strategy for
FY03/21**

1. Launch of HR Ads Platform

2. Expansion of “pinpoint And Other Programmatic Ads”

3. Expansion of New Graduate Recruitment Sales

4. Development Status of Our Media

1. Launch of HR Ads Platform

We will develop “HR Ads Platform,” which is the first platform for programmatic ads in Japan, realizing next-generation programmatic job listings from conventional fixed-fee-based postings.

Present



HR ad platform



Advertiser

Maximize advertising effect

Reduce efforts and costs for ad posting



Medium

Reduce sales cost

Reduce efforts and costs for ad posting



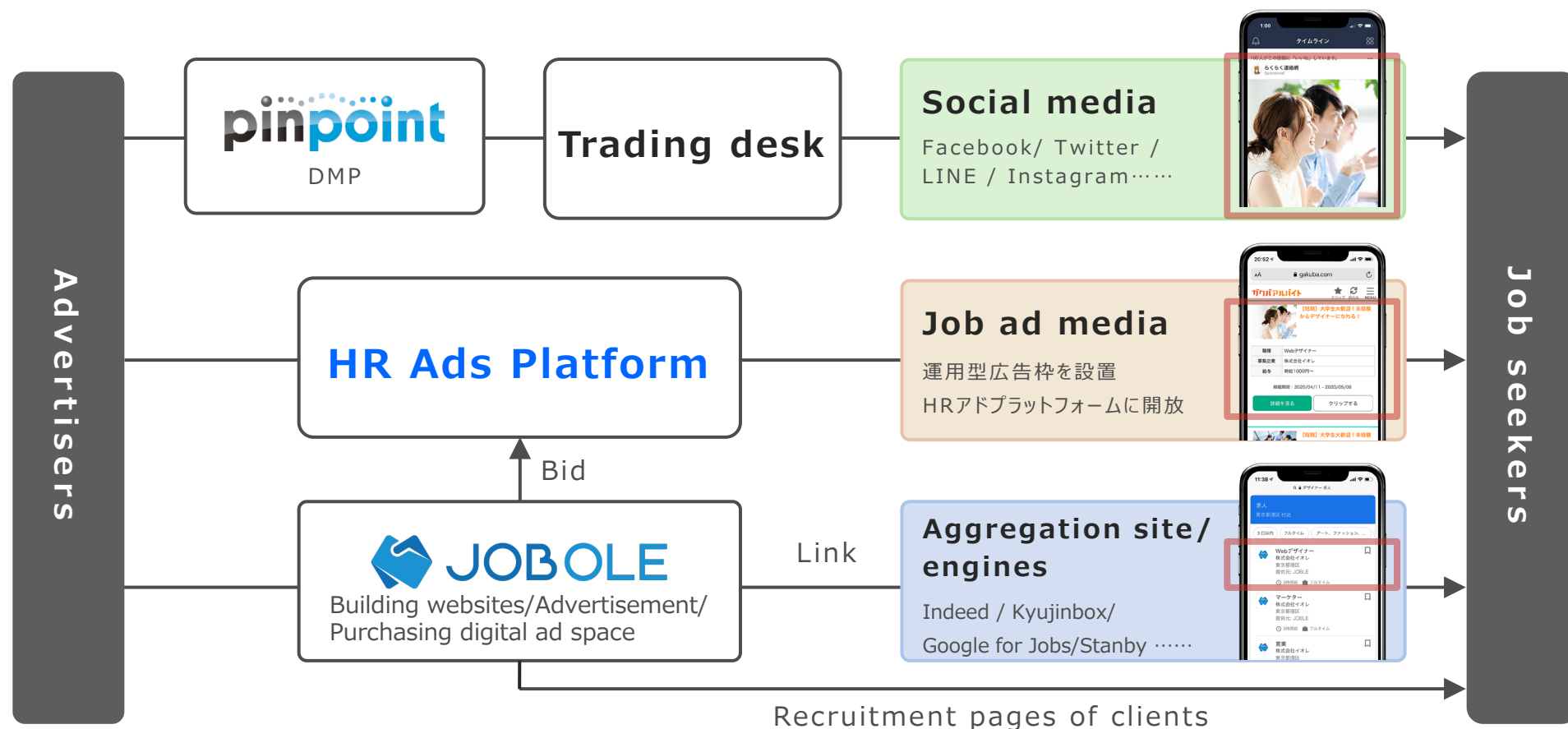
Job seeker

Increase job options

Get information more instantaneously

1. Strategic Concept for Reform of the Job Ad Market

We forecast that job ad media will provide a portion of the advertisement space, which enables 3PAS (third-party ad serving) like job ad media. JOBOLE will become a system enabling to connect to job ad media, aggregation sites/engines and client recruitment web pages.

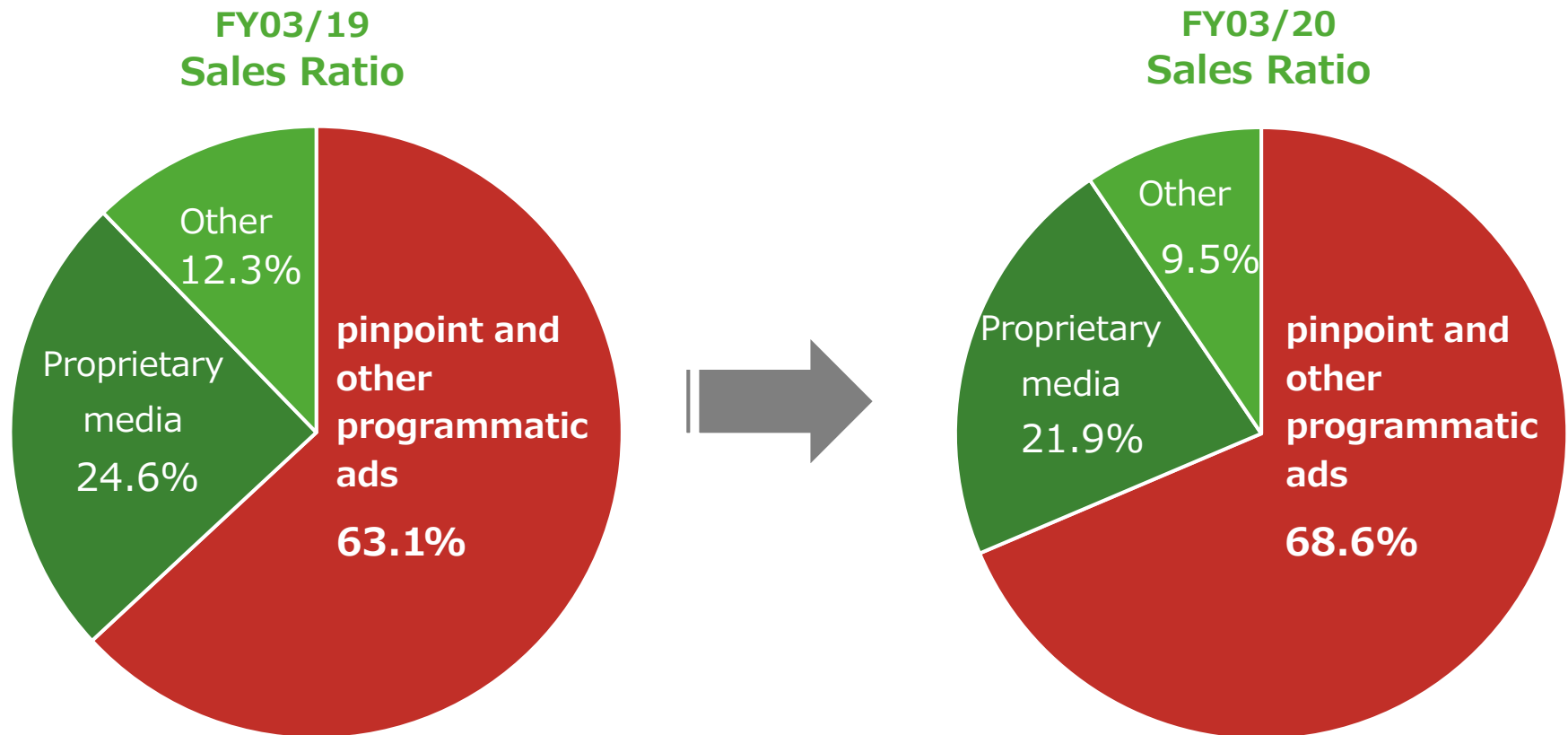


2. Expansion of “pinpoint and Other Programmatic Ads”

What is necessary to succeed	Content	Strengths	Future development	
1.	Competitive data (DMP)	Hold high-quality audience data including attribute data, which is most important, in volume.	Holding high quality data through the “Rakuraku Contact Network.” This data is very important in the job ad market.	In addition to the measures to increase membership for Rakuraku Contact Network, we advocate alliances with other data suppliers and finding new partner companies, thus expanding our data.
2.	Operation know-how	Accumulate know-how of programmatic ads in the job ad market (including linkage with large social media and job search engines).	On “Indeed,” which is a programmatic job ad, JOBOLE has the unique operational method and know-how to achieve a high conversion rate. Also, it has considerable experience for linkage with large social media.	We will demonstrate our presence in the process transferred from the sales power game to the operational power game (effect) such as the era of search advertising expansion in the 2000s.
3.	Number of Job Listing Manuscripts	Market share by handling the number of manuscripts	By utilizing JOBOLE as a pump-priming tool, we can acquire job seekers through “pinpoint and other programmatic ads.”	We aim for the expansion of JOBOLE and the launch of the HR Ads Platform.

2. Expansion of “pinpoint and Other Programmatic Ads” (Continued)

Since the beginning of FY03/19, we’ve shifted the main focus of our resources to “pinpoint and other programmatic ads.” We will continue to focus on job advertisements.



Review of recruitment approach due to the impact of COVID-19

- Cancellation of internship
- Cancellation of large-scale events such as joint corporate information sessions for job hunting

Discontinue hiring guideline for new graduates in 2021 due to the decision by Keidanren

- Diversification of recruitment schedules (all-year recruiting activities for new graduates)
- Global recruitment



A big change in hiring new graduates

- Trend of earlier recruitment activities
- Diversification of recruitment activities and approaches

We will aggressively expand our share of new graduate recruitment, such as gathering job seekers through websites using pinpoint DMP, which has abundant data on university students.

4. Development Status of Our Media

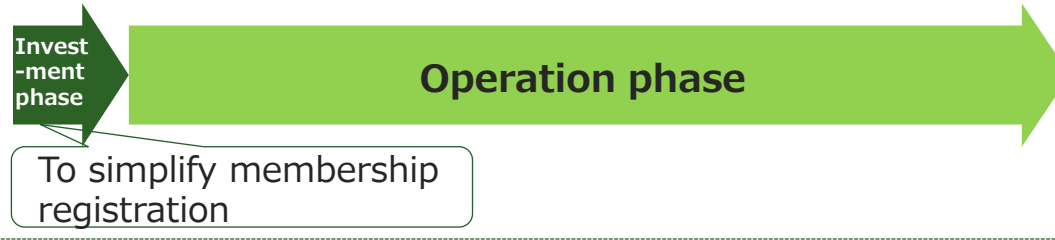
Development of Gakuba Arbeit was finished in January 2020, and development of Rakuraku Arbeit was finished except for linkage in April 2020. Both are in the maintenance phase. A new app for Rakuraku Contact Network will be released between July and August to reduce operating costs. Through these developments, future maintenance and operation costs can be reduced.

FY03/20 4 Q	FY03/21 1 Q	2 Q	...
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Gakuba Arbeit



↑ Development finished in Jan.



Rakuraku Arbeit



↑ Development finished except for linkages in Apr.



Rakuraku Contact Network



↑ A new app will be released between Jul. and Aug.



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VII | **Reference Information
– Corporate profile**

Company Name	eole Inc.		
Established	April 25, 2001	Stock Market	The Mothers section of the Tokyo Stock Exchange (Securities code: 2334)
		Head Office	9F KDX Takanawadai Building, 3-5-23 Takanawa, Minato-ku, Tokyo 108-0074, Japan
Capital	737 million yen *As of March 31, 2020	TEL	+81-3-4455-7092
Number of Employees	82 *As of March 31, 2020	FAX	+81-3-5793-3533
Board Members	President: Makoto OGAWA Chairperson: Naohito YOSHIDA Director: Yoko NAKAI Director: Takehisa ICHIJO External Board Director: Suguru TOMIZUKA Corporate Auditor: Minoru AKIMOTO Auditor: Toru OYAMA Auditor: Masahiro TAJIMA	Lines of Business	<ol style="list-style-type: none"> 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
		Main Banks	Mizuho Bank Sumitomo Mitsui Banking Corporation

- 2001 ● eole Inc. established in Roppongi, Minato Ward, Tokyo (Paid-in capital: 10 million yen)
Head office moved to Nishihara, Shibuya Ward, Tokyo
- 2003 ● Head office moved to Okusawa, Setagaya Ward, Tokyo
- 2005 ● **'Rakuraku Contact Network' launched**
- 2007 ● Rakuraku Contact Network subscribers exceeds 1,000,000 users.
- 2009 ● Rakuraku Contact Network subscribers exceed 3,000,000 users, while the number of groups exceeds 200,000 in total.
- 2010 ● **'Gakuba Arbeit (former Daigakusei Arbeit.com)' launched**
- 2011 ● Rakuraku Contact Network subscribers exceeds 5,000,000 users, while the number of groups exceeds 270,000 in total.
- 2013 ● **'Rakuraku Arbeit' launched**
Head office moved to Takanawa, Minato Ward, Tokyo.
Smartphone app 'Rakuraku Contact Network' released.
- 2014 ● **Started provision of private DMP*1 , pinpoint DMP*2**
Delivery to Google's "DBM (Double-Click Bid Manager)" utilizing pinpoint DMP started.
- 2015 ● Delivery to Facebook, Twitter, Instagram and YouTube utilizing pinpoint DMP started.
Business partnership with Mainichi Comnet Co., Ltd. concluded.
- 2016 ● Rakuraku Contact Network app surpasses 1 million downloads
Delivery to LINE through FreakOut's "Red" utilizing pinpoint started.
- 2017 ● Delivery to LINE's "LINE Ads Platform" utilizing pinpoint DMP started.
Capital and business partnership with Toppan Printing Co., Ltd. concluded.
Listed on Tokyo Stock Exchange Mothers Section
- 2019 ● **Recruitment support network 'JOBOLÉ' launched**
Paid-in capital increased to 737 million yen
Rakuraku Contact Network app surpasses 2 million downloads
Business partnership with DM SOLUTIONS Co., Ltd. concluded.

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

Business	Service	Overview	Revenue model
Programmatic ads		DSP*2 advertisement service in cooperation with pinpoint DMP*1 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*3.
	Other programmatic ads	“Indeed” and other agency services for media advertisements/programmatic ad business utilizing JOBOLE	Programmatic ad services
Proprietary 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 exclusive to college and university students.	Posting fees
		Portal site for part-time job seekers.	Result reward (PPA)
Other	Other	Other main services include <ol style="list-style-type: none"> 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

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

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

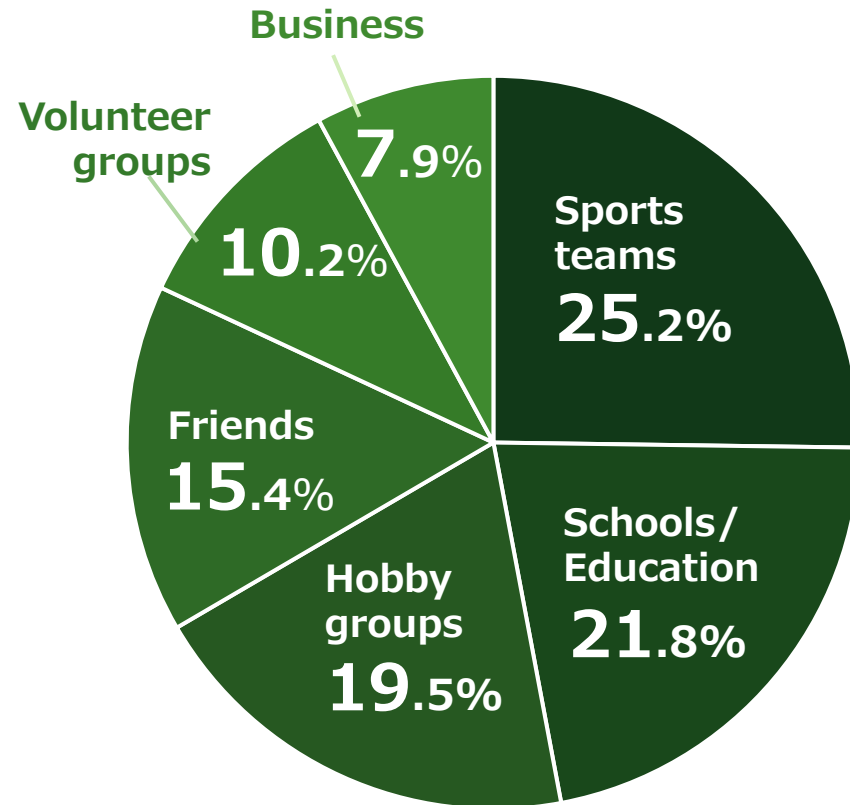


Used by **389,000 groups** and **6,920,000 members***1

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

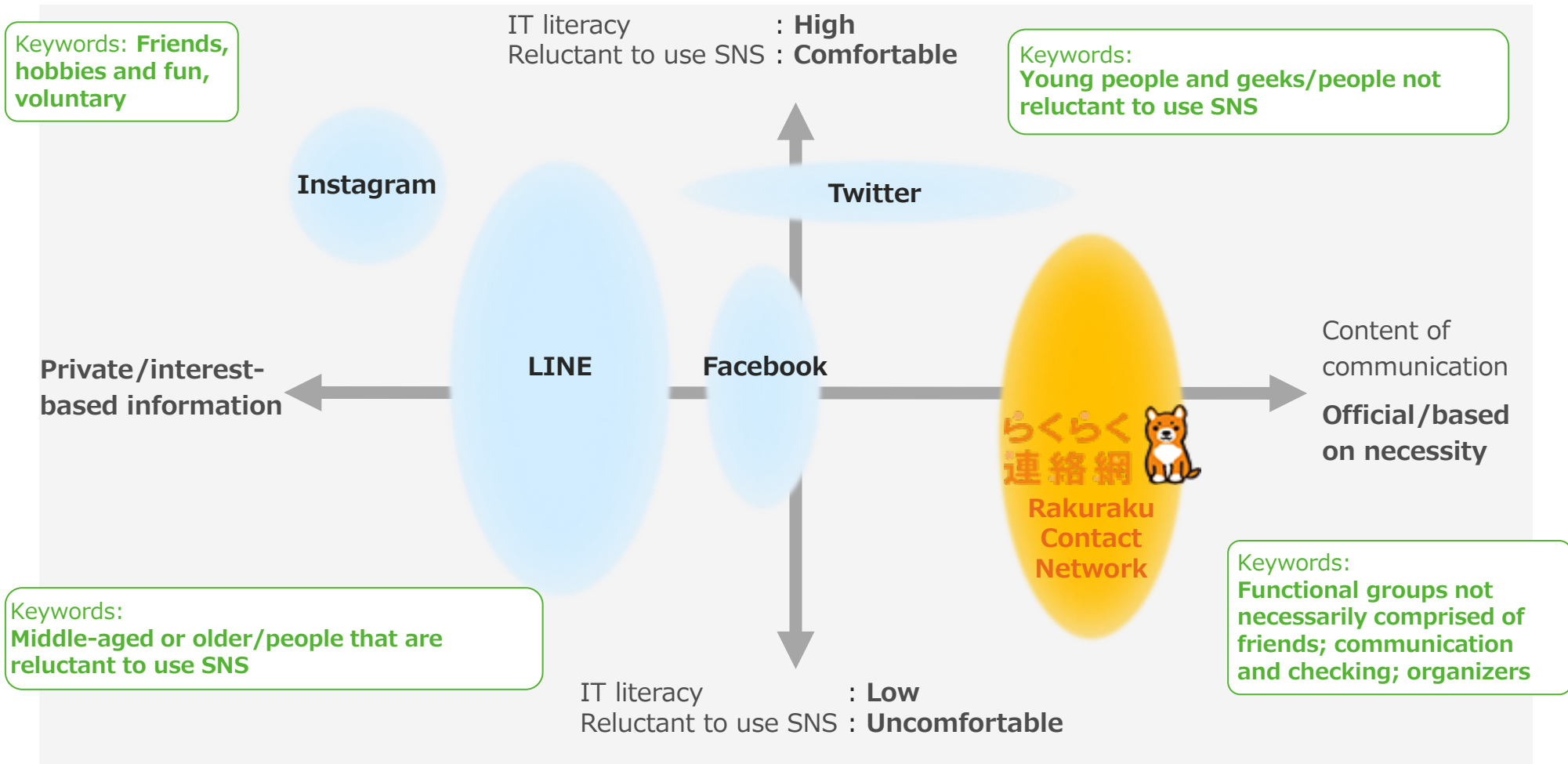
*1,2 As of March 31, 2020

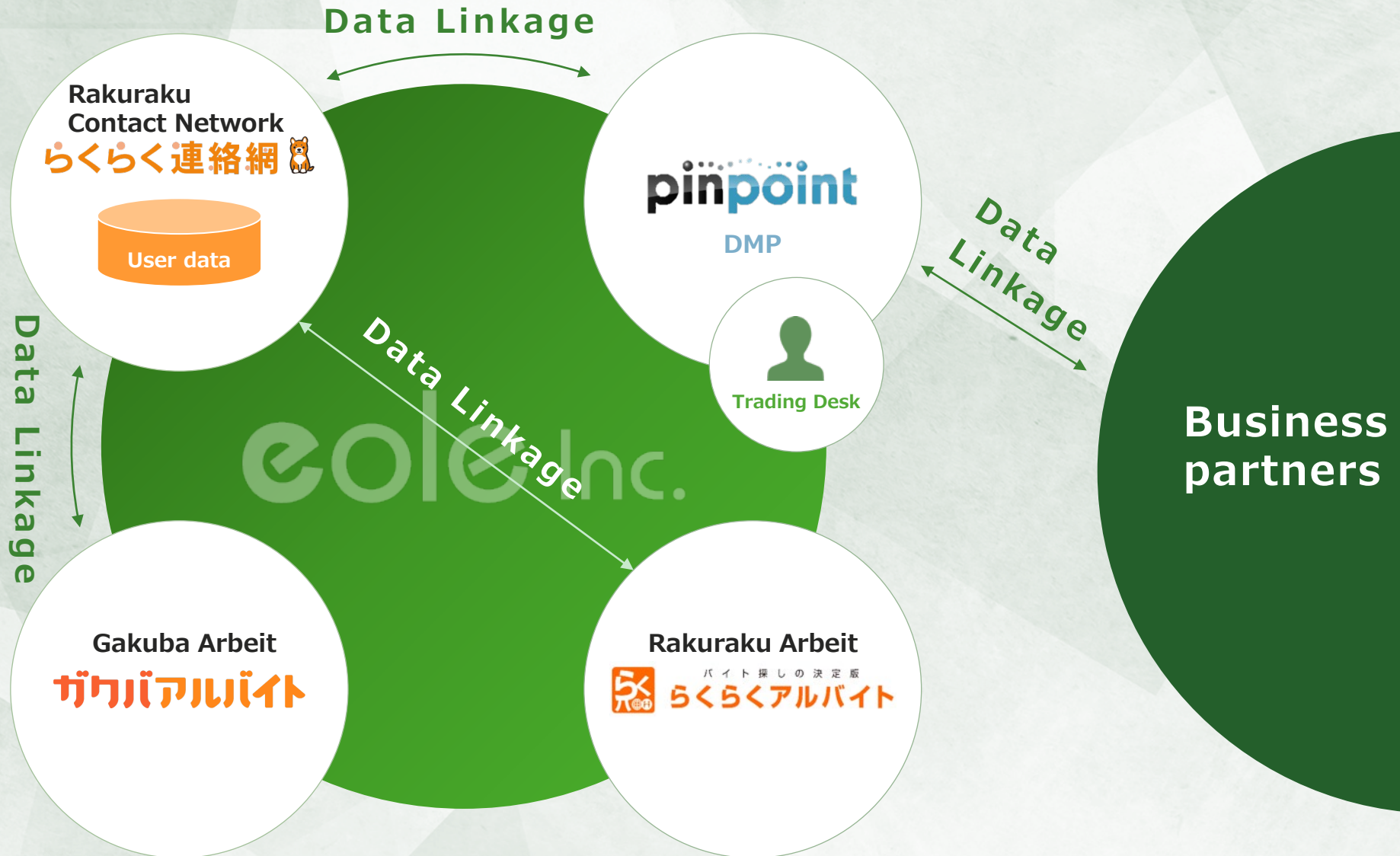
Attributes of clubs and activities*2



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.





“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 for college and university students based on the Rakuraku Contact Network
- Revenue model: **Posting fee**



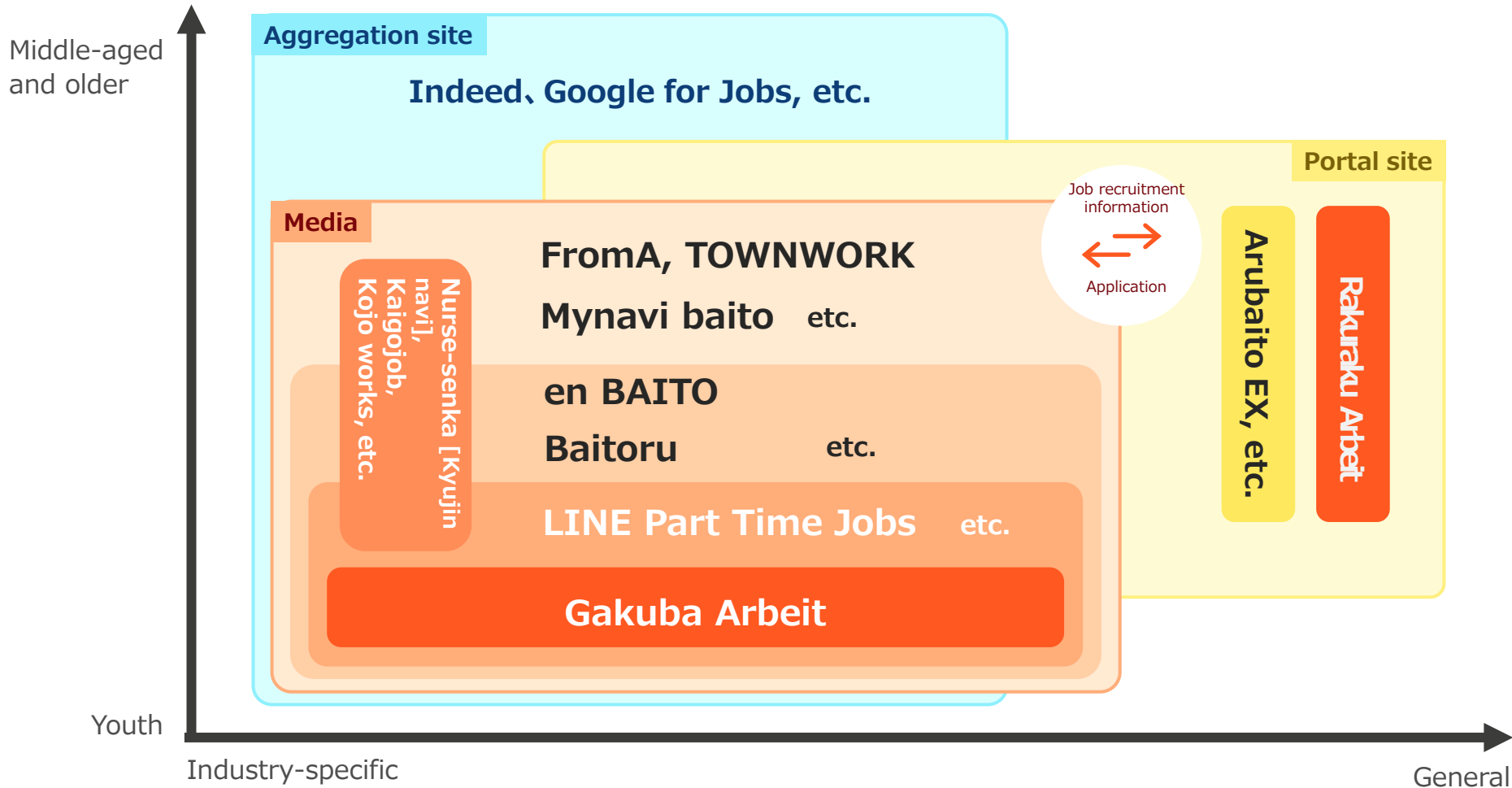
Rakuraku Arbeit

- 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

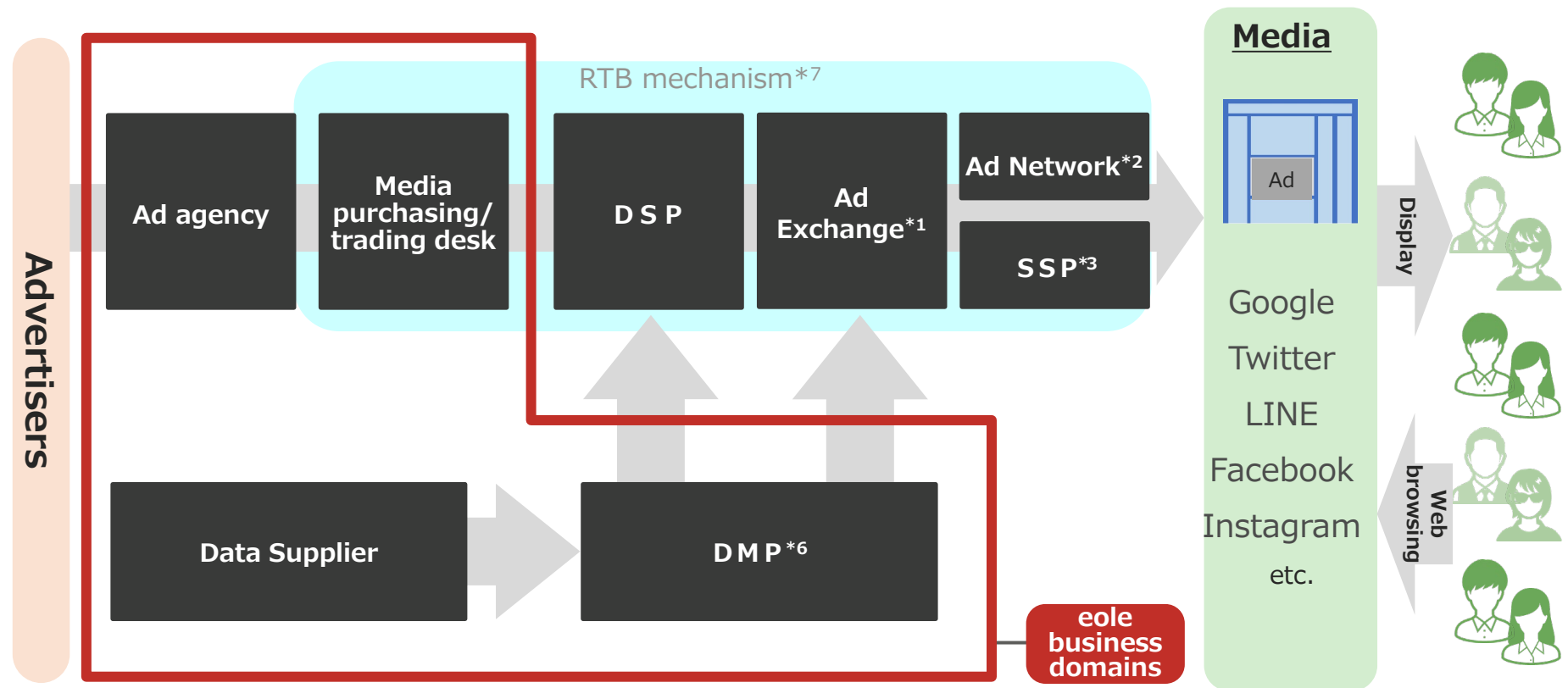
— Proprietary media: Gakuba Arbeit, Rakuraku Arbeit (Continued)

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

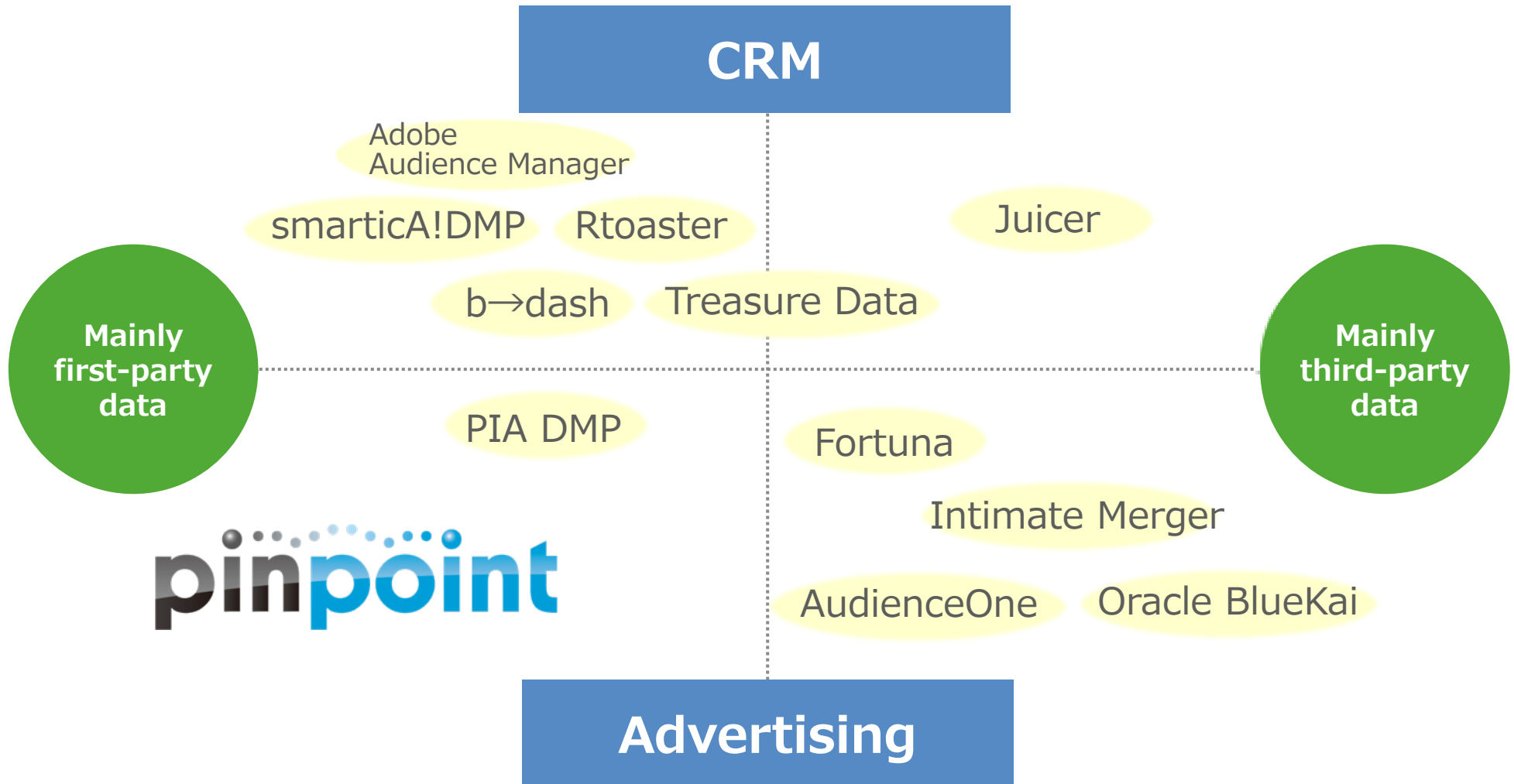


eole's business domain in internet advertisement (Conceptual diagram)

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).



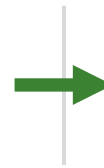
* Refer to "glossary" (at the end of this material).

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.

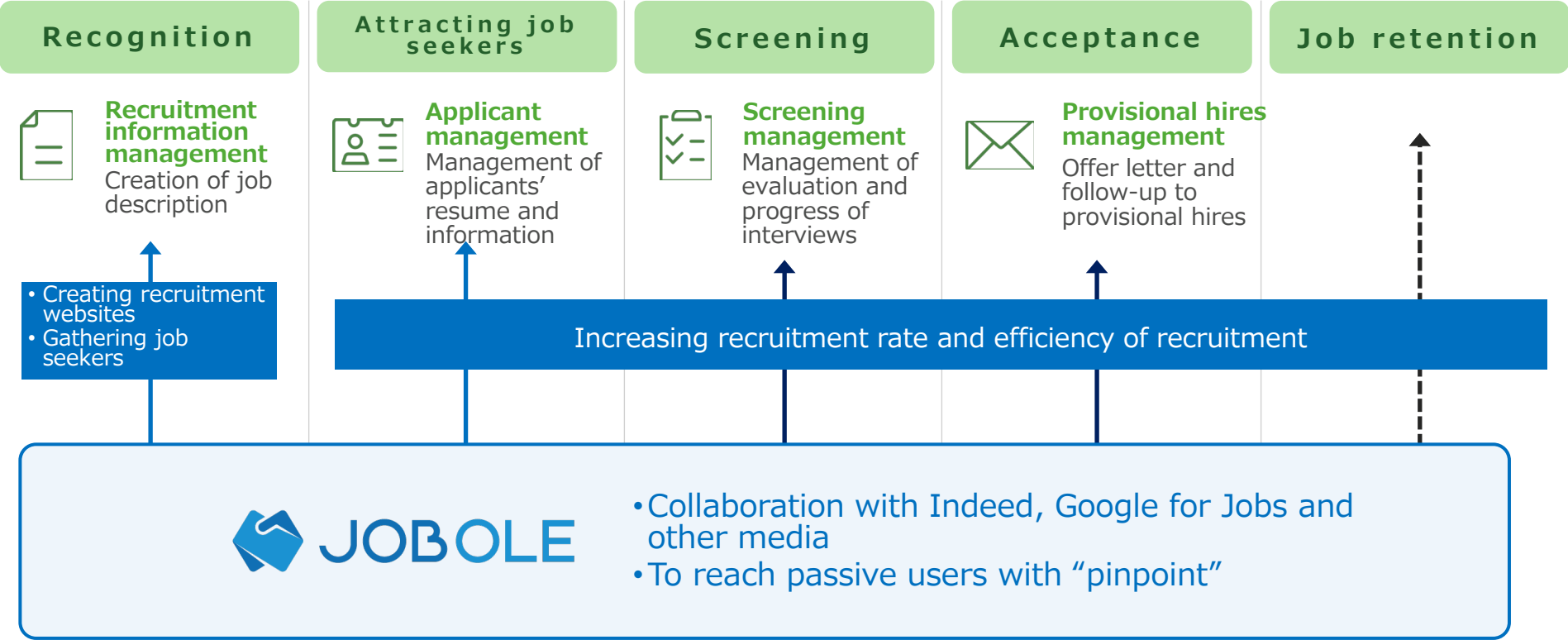


With the growth of web advertisement and smartphone advertisement markets, advertisement exposure taking advantage of technology (ad-tech) and with pinpoint targeting has become the mainstream.



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.

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.



(Millions of yen)	End of FY03/19 (Mar. 31, 2019)	End of FY03/20 (Mar. 31, 2020)	Change
Assets			
Current assets			
Cash and cash equivalents	761	802	41
Accounts receivable-trade	312	170	(141)
Other	10	22	12
Total current assets	1,083	995	(88)
Non-current assets			
Tangible fixed assets	7	4	(3)
Intangible fixed assets	292	353	61
Investments and other assets	89	74	(14)
Total non-current assets	389	433	43
Deferred assets	0	–	0
Total assets	1,473	1,428	(45)

(Millions of yen)	End of FY03/19 (Mar. 31, 2019)	End of FY03/20 (Mar. 31, 2020)	Change
Liabilities			
Current liabilities			
Account payable-Trade	182	165	(17)
Current portion of corporate bonds	20	–	(20)
Other	125	109	(16)
Total current liabilities	328	274	(53)
Total liabilities	328	274	(53)
Net assets			
Shareholders' equity	1,142	1,150	8
[Retained earnings]	[(268)]	[(267)]	[(0)]
Share options	2	2	–
Total net assets	1,145	1,153	8
Total liabilities and net assets	1,473	1,428	(45)

Term	Definition
ATS (Applicant Tracking System)	A unified management system for supporting the recruitment process of companies, from job application to hiring.
CPC (Cost Per Click)	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.
CPM (Cost Per Mille)	Cost of 1,000 ad reach or exposure.
DMP (Data Management Platform)	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.
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 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.
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 websites, apps, etc. An advertisement offering 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 for ad distributable media such as websites, social media, and 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.
Trading desk	An agency service which manages digital advertisements using DSP and the other platforms, etc.

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