

Excerpted version



Financial Results

3rd Quarter of Fiscal Year

Ending March 31, 2019 (FY2018)

eole Inc.

(TSE Mothers, Securities Code: 2334)

February 14, 2019

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.

I

Summary for FY2018-3Q

- i. Financial highlights for the consolidated cumulative FY2018-3Q
- ii. Progress of our strategy
- iii. Other business initiatives
- iv. Concept of business growth for upcoming few years

II

Reference Information

- i. BS summary
- ii. Market environment
- iii. Corporate profile

No translation

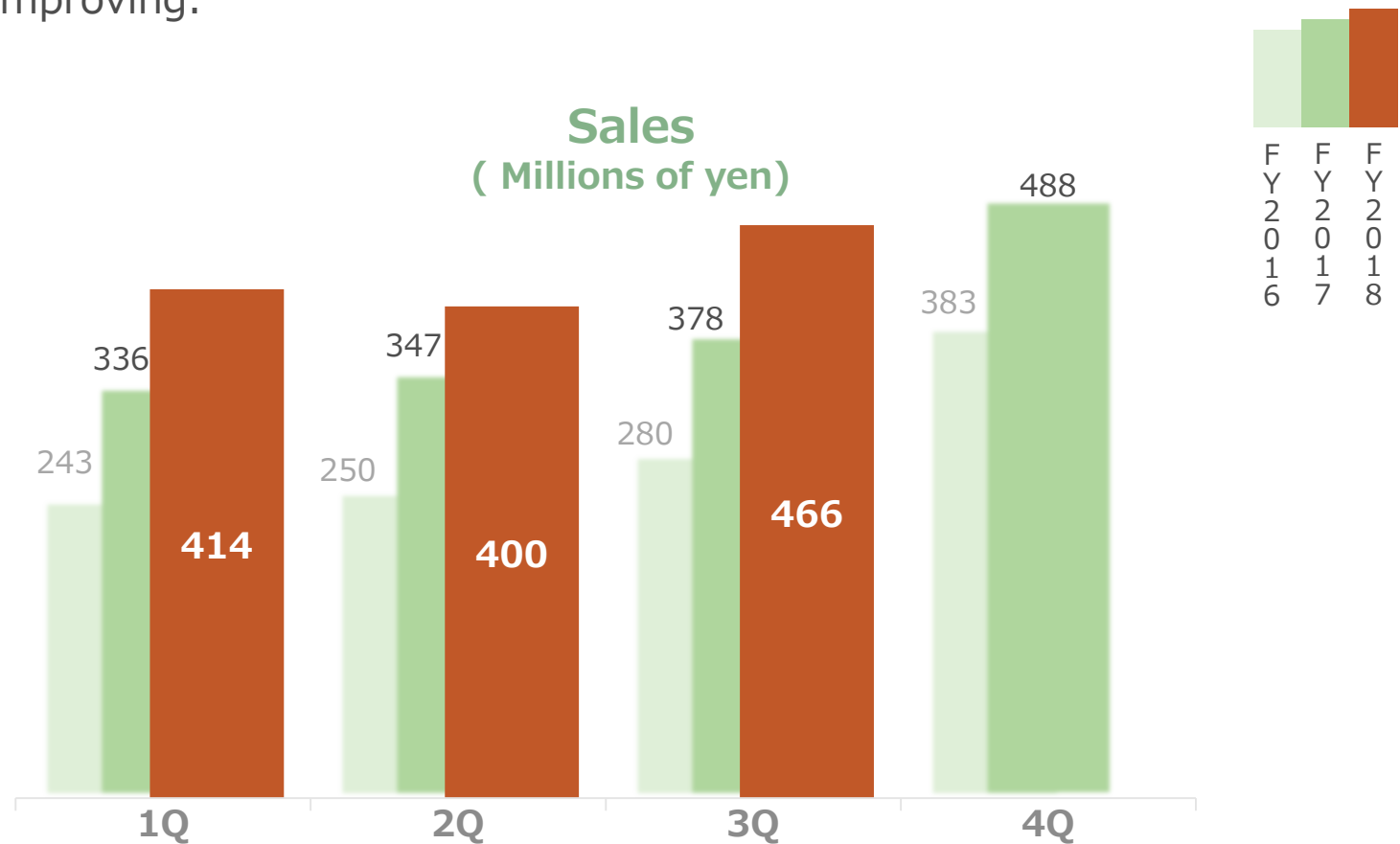
eole Inc

I | Summary for FY2018-3Q

- i. **Financial highlights for the consolidated cumulative FY2018-3Q**

Trends in business results [Quarterly sales trends]

We prioritized a shift to “pinpoint and other programmatic ads” in FY2018. By focusing on highly marketable areas while changing the service mix, sales have been steadily improving.

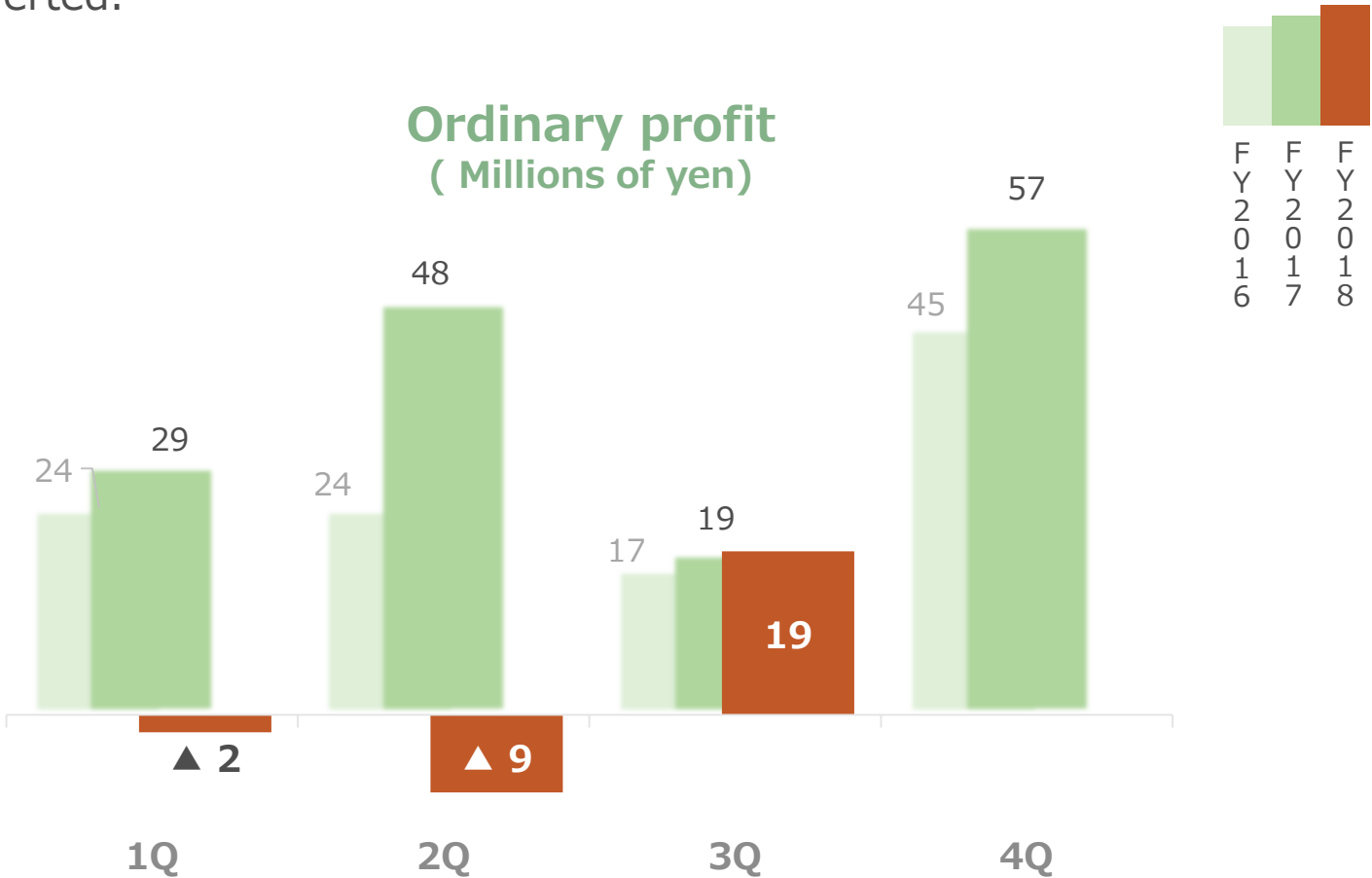


Note: All FY2016 figures in this document are for reference purposes only, as quarterly financial statements for FY2016 have not been prepared, while also not yet audited by an auditing firm.

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.

Trends in business results [Quarterly ordinary profit trends] **eole Inc.**

In conjunction with this growth in new sales, ordinary profits recovered from the third quarter (October to December 2018), and the business structure was successfully converted.



Note: All FY2016 figures in this document are for reference purposes only, as quarterly financial statements for FY2016 have not been prepared, while also not yet audited by an auditing firm.

Financial highlights for the consolidated cumulative FY2018-3Q

We forecast higher revenues yet lower income for FY2018 compared to FY2017, due in part to the strategic shift to “pinpoint and other programmatic ads.” However, as already described, sales, operating, ordinary and net profits(losses) during the consolidated cumulative FY2018-3Q steadily improved.

(Millions of yen)	Consolidated cumulative FY2017-3Q Actual results	Consolidated cumulative FY2018-3Q Actual results	Year on year
Sales	1,061	1,281	+20.6%
Operating profit	111	9	▲91.4%
Ordinary profit	97	7	▲92.2%
Net profit	79	4	▲94.1%

FY2018	
Forecast	Changes from the previous announcement
1,900	—
30	—
27	—
15	—

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I | Summary for FY2018-3Q

ii. Progress of our strategy

[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.

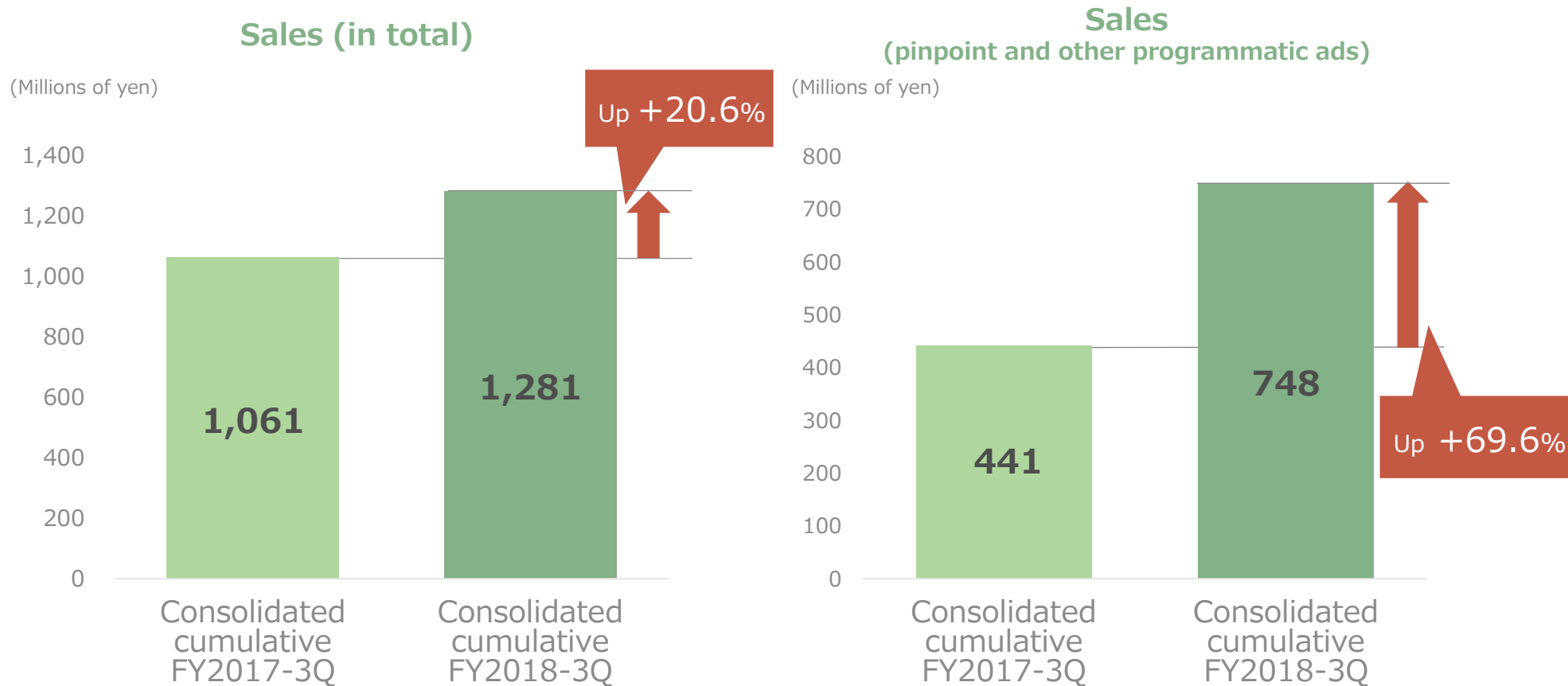
3. Promotion of ad technology through alliances with third parties' data

<Reason>

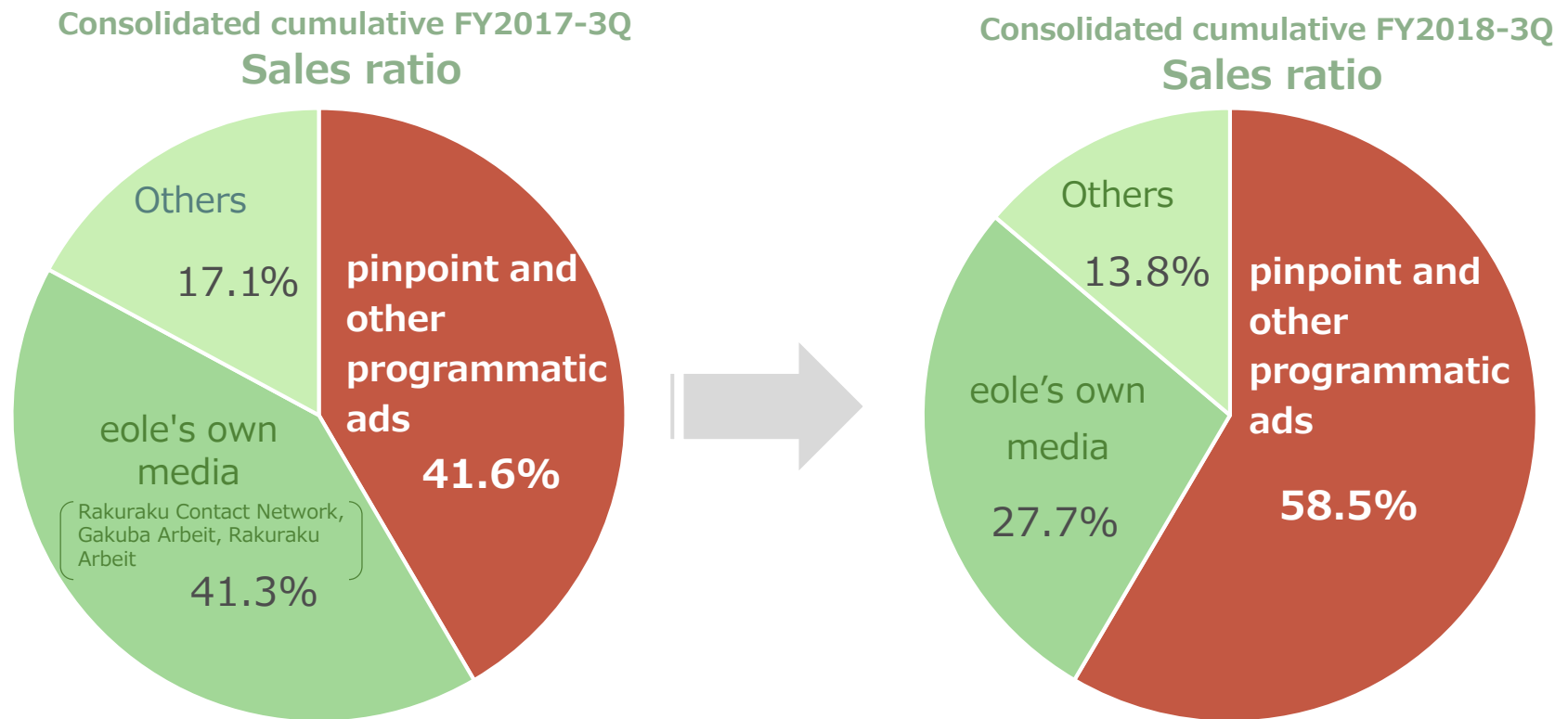
- Enrich our DMP to develop new clients through alliances with third parties' data.

Growth of “pinpoint and other programmatic ads”

Sales were favorable, increasing 20.6% in comparison to the same period in the consolidated cumulative FY2017-3Q. In particular, sales of “pinpoint and other programmatic ads” saw significant growth.

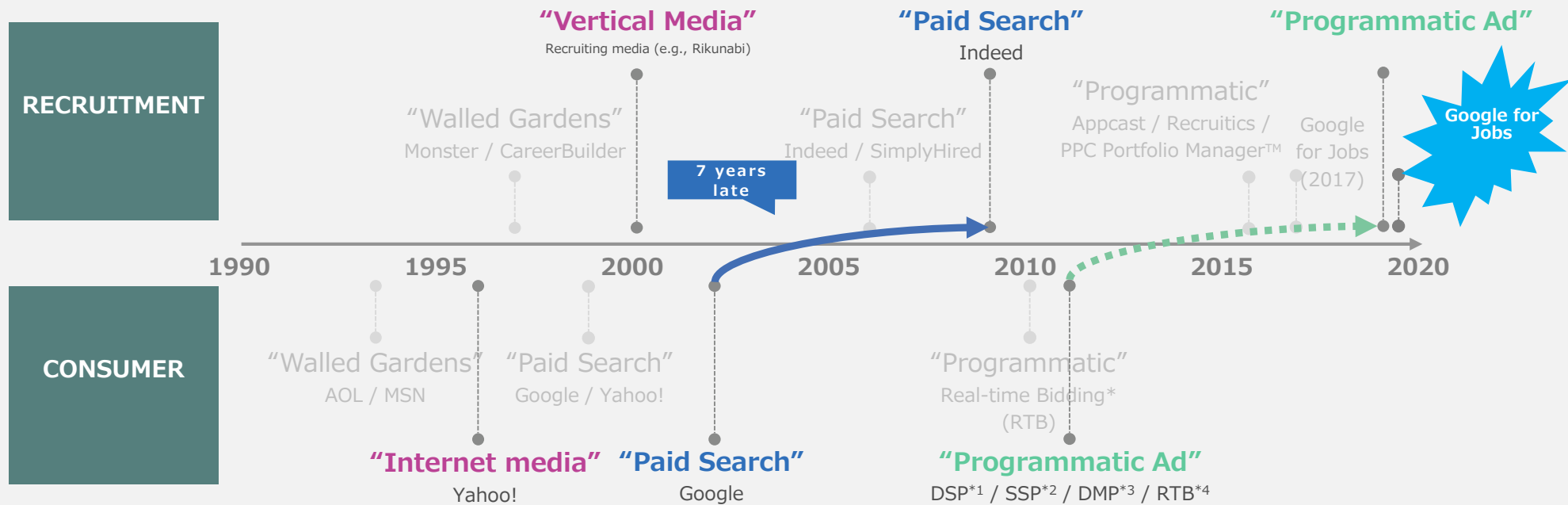


The shift to “pinpoint and other programmatic ads,” which result in longer-term contracts, starting from the beginning of FY2018, has steadily progressed with the change to the business structure successfully completed.



Trends toward programmatic ads in job advertising market

Following trends in the US, a transition to programmatic ads in the Japanese job advertising market is making rapid progress, which had been anticipated at the beginning of the FY2018. The entrance of "Google for Jobs" will further accelerate this transition.



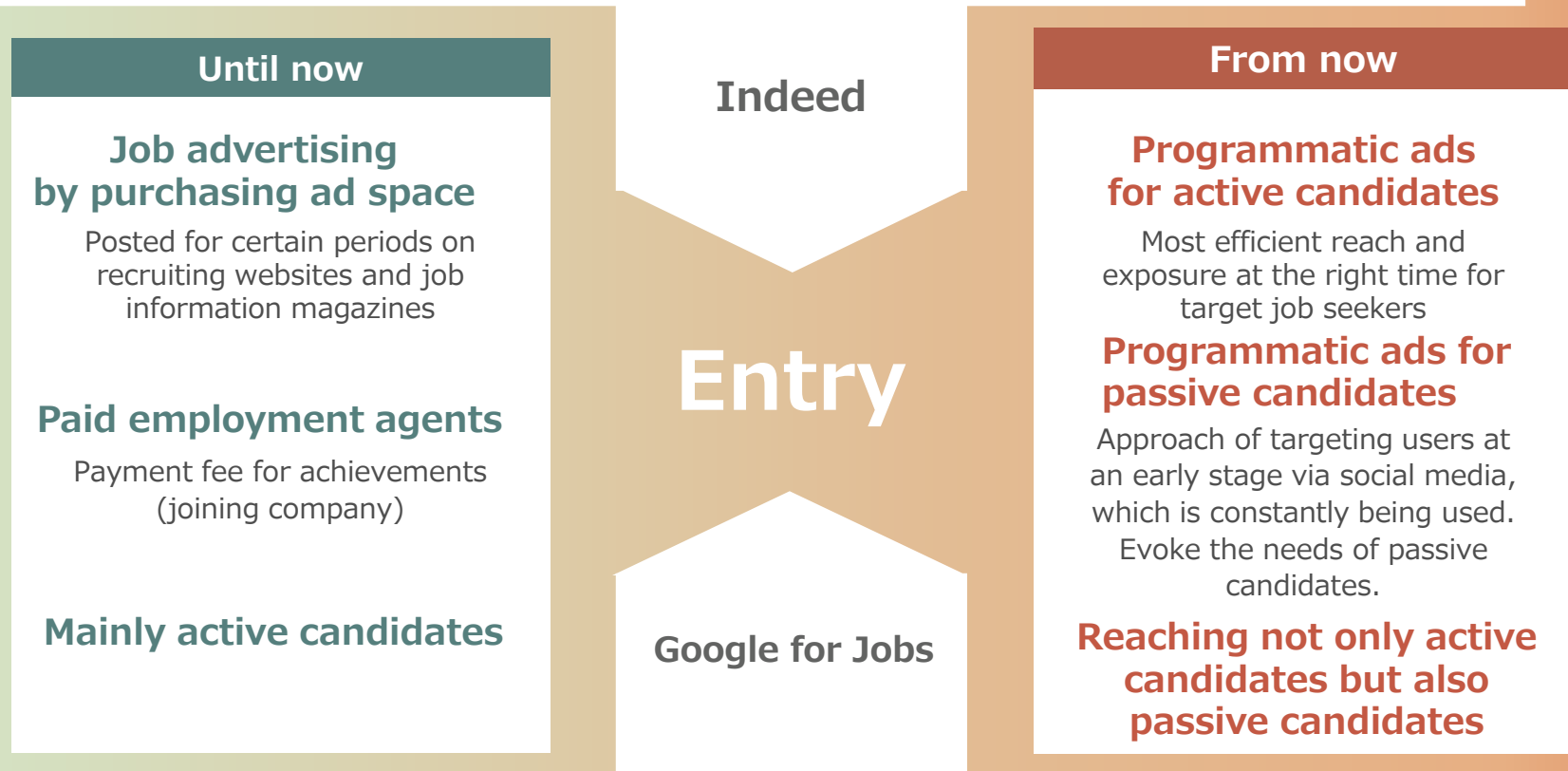
- Employment market tightening up.
- Entrance of "Google for Jobs"
- Keidanren decided to do away with new graduates hiring guidelines, which will enhance diversifying recruitment channels and schedules.
- A number of Internet ad agencies started to enter job advertising area.
- Indeed gaining popularity in Japanese market.

Background to changes in market

*1,2,3,4 Refer to "Glossary" at the back of this material . Source: Prepared by eole based on "Shinsuke Hirose, (2018). *Textbook of Ad Technology*, Shoeisha."

Trends toward programmatic ads in job advertising market (continued)

From the beginning of FY2018, we shifted to programmatic ads, promoting the securement of additional market share, while striving to accumulate results.



Active candidates: Job seekers currently searching recruitment websites, retrieving company information and registering to recruitment sites. Job-hunting third and fourth-year university students

Passive candidates: People conscious of career and career step-ups. People dissatisfied with current jobs. First and second-year university students feeling anxious about job hunting

We are going to release a new software service "JOBOLE" to support programmatic recruitment ads and satisfy the needs of companies.
(Beta version release: March 1, 2019)

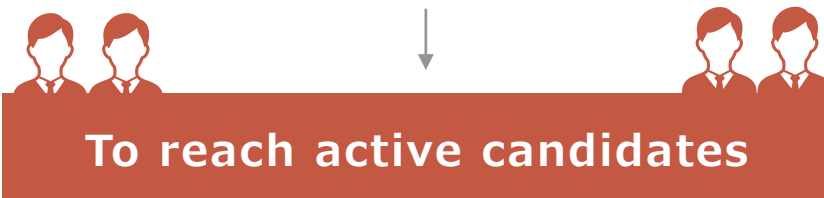
Accelerating cost-effective recruiting with various SNS delivery utilizing our original data



Linking with job search engines, such as indeed, Google for Jobs, etc., will increase recruiting efficiency.

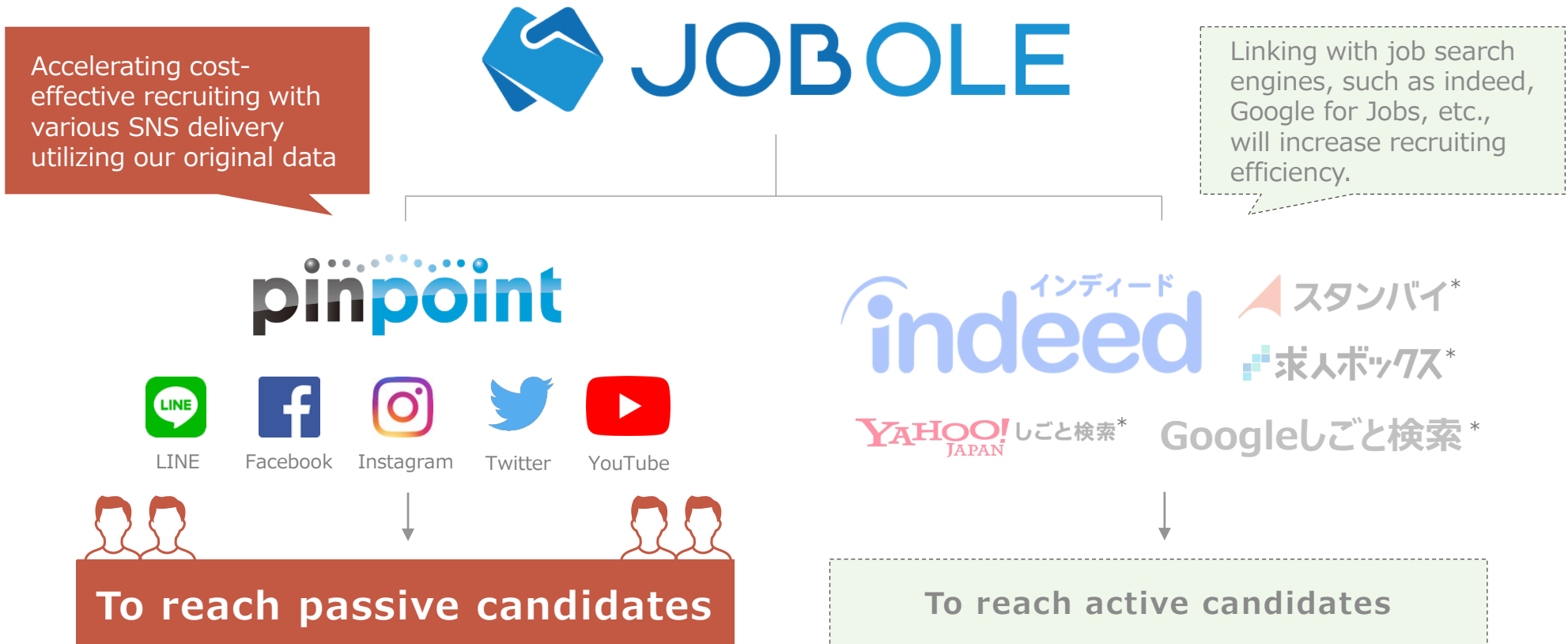


To reach passive candidates



* To be connected by FY2019-1Q

By combining with pinpoint DMP, JOBOLE has an advantage of being reachable to passive candidates.



* To be connected by FY2019-1Q

[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

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2. Enhancement of sales support arrangement to strategic sales partners

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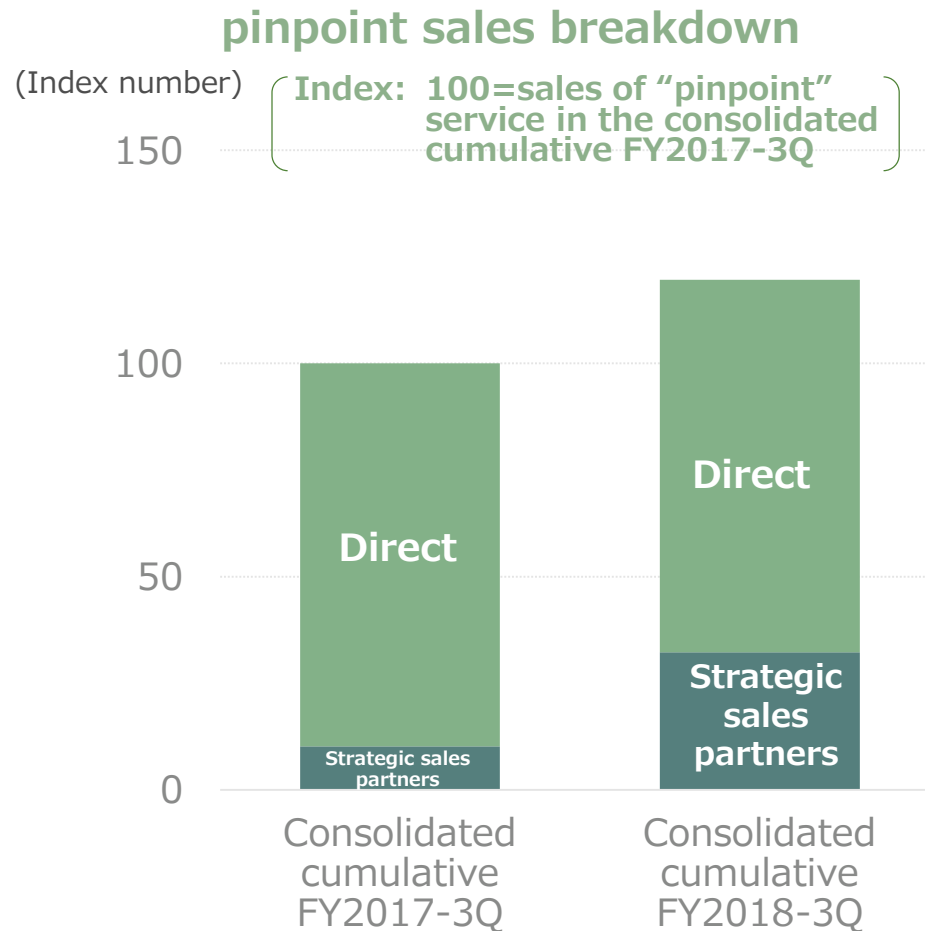
- To boost our market share of programmatic ads in the job advertising market for grad hiring
- To build efficient sales scheme, in addition to direct sales by eole.

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

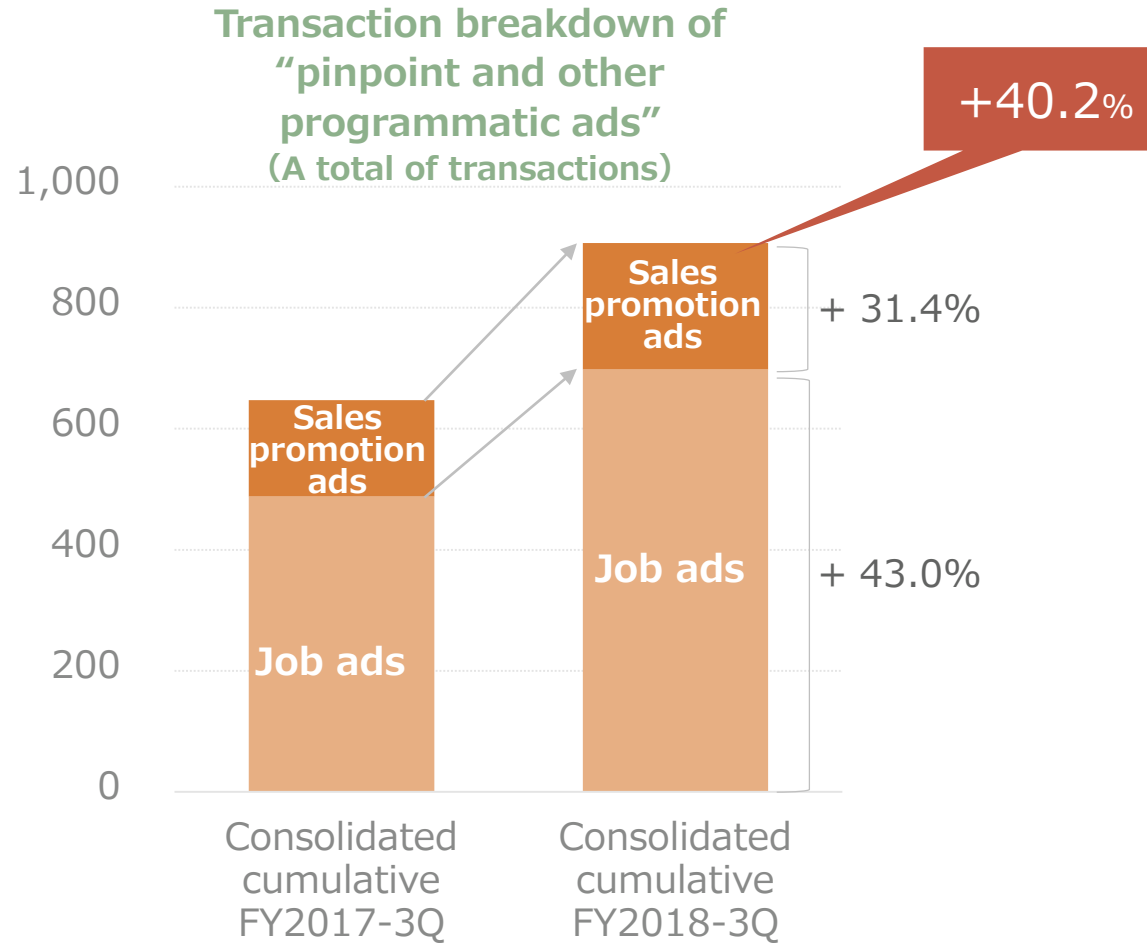
<Reason>

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

As a result of the selection and concentration of sales resources to strategic sales partners, the proportion of sales by strategic sales partners has been steadily increasing.



Due to the sales efforts by eole and our strategic sales partners, including Toppan Printing Co., Ltd. (Shufoo!), the transaction of “pinpoint and other programmatic ads” has increased mainly with distribution and consumer goods manufacturers.



[FY2018 as a turning point for eole.]

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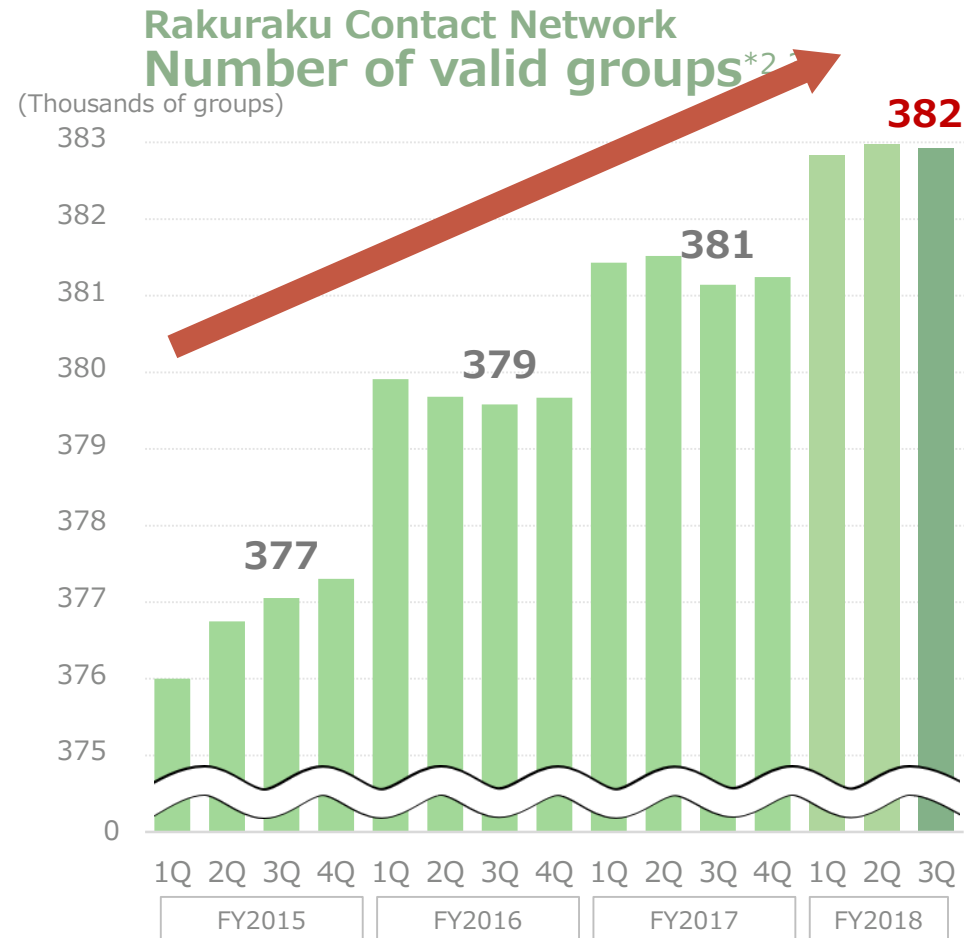
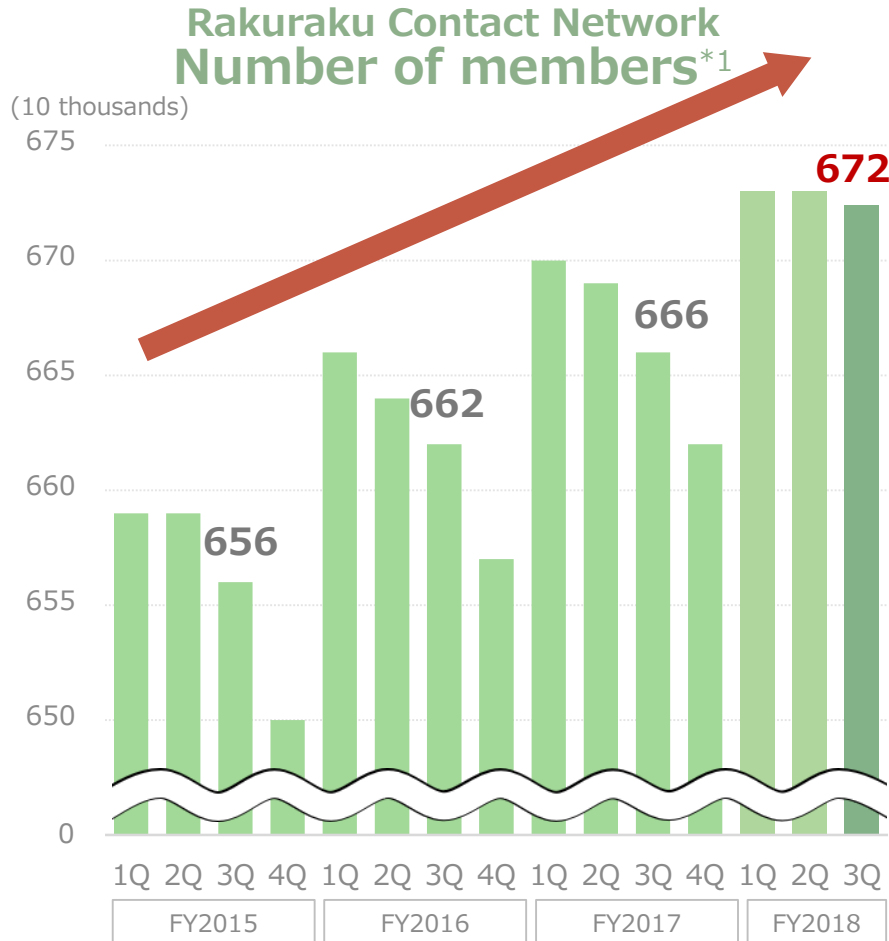
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Both the number of members and that of valid groups joining Rakuraku Contact Network increased during FY2018-3Q compared to the same period in previous year though there are seasonal trends.



☞ There are seasonal trends in variations pertaining to the number of members and groups. The number of members and 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.

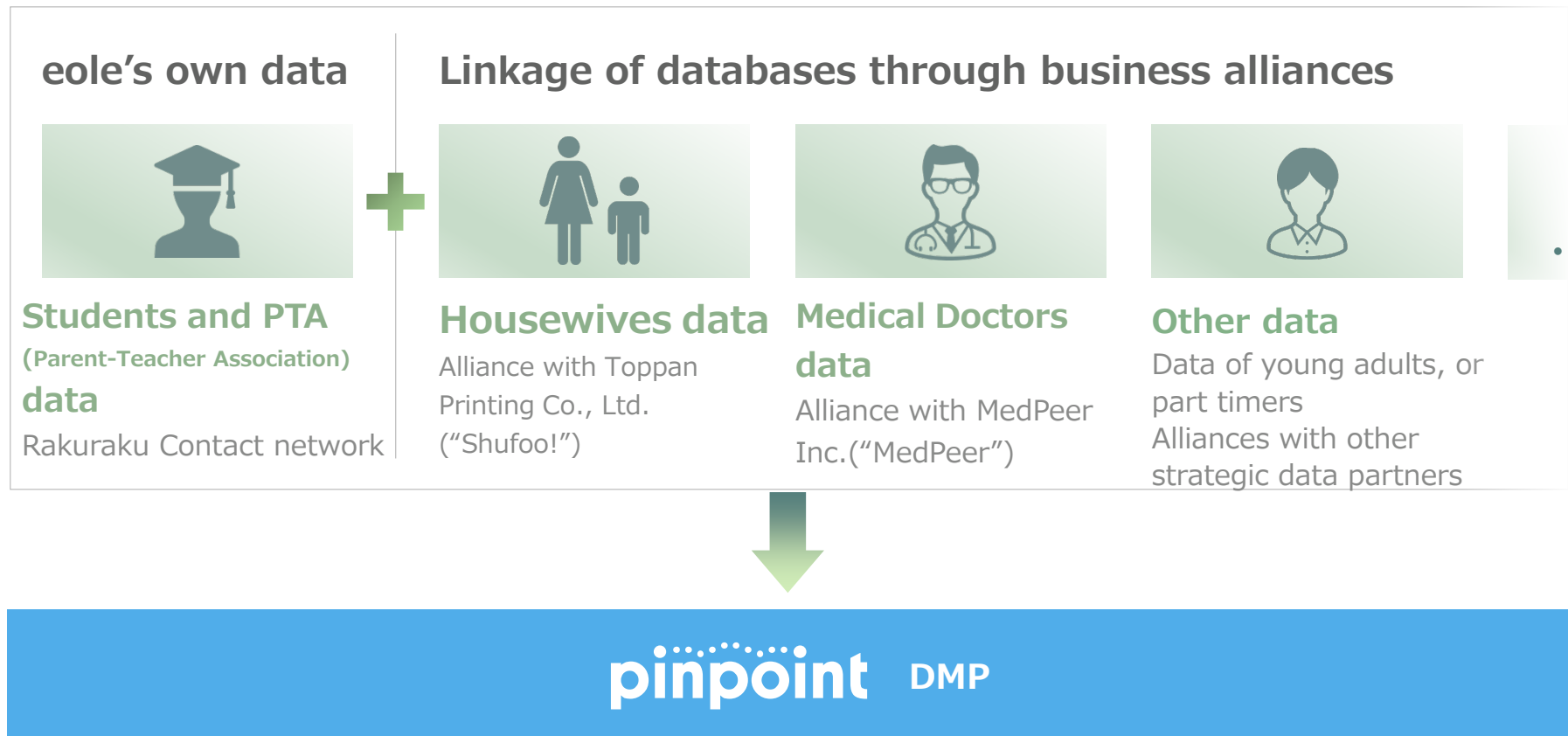
*1 The number of members is rounded down to one thousand.

*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.

We will enhance alliances with third parties' data, thereby improving both the quantity and quality of accessible data, apart from the Rakuraku Contact Network...we have more than 20 million accessible users' data through both of Rakuraku Contact Network and our partners.

[Data linkage with pinpoint DMP*]



* Refer to "Glossary" at the back of this material



I | Summary for FY2018-3Q

iii. Other business initiatives

● Gakuba Arbeit

Remodeling Gakuba Arbeit
(To be released in the first half of FY2019)



Increasing usability and internal operation performance

● Aggregation portal for mid-carrier full time jobs

Based on 'Rakuraku Arbeit' (Aggregation portal for part time jobs), we are planning to develop an aggregation portal for mid-carrier full time recruiting, linking with JOBOLE (FY 2019).



Expanding business domain

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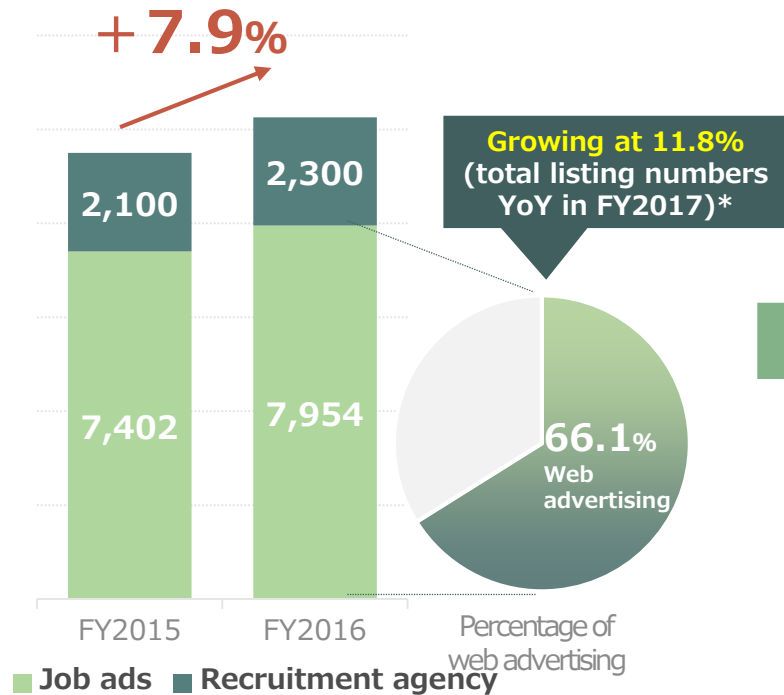
I | Summary for FY2018-3Q

- iv. **Concept of business growth for upcoming few years**

Concept of programmatic ads growth in job advertising market

In particular, we will target programmatic ads in the job advertising market and establish a track record with “pinpoint and other programmatic ads service,” grabbing market share at an early stage, while expanding the business scale.

Market trends for job advertisements and recruitment agencies (Billions of yen)



Potential market for programmatic ads in job advertising market (Billions of yen)

Will be more than **180 billion yen**.
Forecast based on penetration ratio (25%) in the US as of the fall of 2018**

$$\begin{aligned}
 & \text{Job advertising market} \quad \text{Percentage of web advertising} \quad \text{Recruitment agency market} \quad \text{Penetration ratio} \\
 & (7,954 \times 66.1\% + 2,300) \times 25\% \\
 & = \mathbf{188.9 \text{ billion yen}}
 \end{aligned}$$

Source:

- Recruitment agency: Yano Research Institute Ltd (October 25, 2017) “Research for Human Resources Business”
- Job ads: ASSOCIATION OF JOB INFORMATION OF JAPAN (December 28, 2017) “Market Scale of Job Information Service in FY2016”
- * Calculated by eole based on the ASSOCIATION OF JOB INFORMATION OF JAPAN “Results on the number of running job advertisements” (March 2018).

** Industry Dive (DEEP LIVE) “How programmatic recruitment marketing could get more bang for your hiring buck”
[<https://www.hrdiver.com/news/how-programmatic-recruitment-marketing-could-get-more-bang-for-your-hiring/531995/>] (Accessed February 4, 2019)

Concept of programmatic ads growth in job advertising market (continued)

We aim to establish a robust presence in the job advertising market at an early stage, being a leading company in the market.

Concept of business growth

The market share of a leading company in the Internet advertising market is approximately 10%. We aim to be a leading company with a 10% target share for programmatic ads in the job advertising market.

Concept of programmatic ad growth in the job advertising market



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 job advertising market becomes equivalent to that of the Internet advertising market.

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.
Trading desk	An agency service which manages digital advertisements using DSP and the other platforms, etc.

Disclaimer

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