



RareJob

**RareJob Inc.**

Financial Results Briefing for the Fiscal Year Ended March 2020

May 14, 2020

## Event Summary

---

|                             |  |
|-----------------------------|--|
| <b>[Company Name]</b>       | RareJob Inc.   |
| <b>[Event Type]</b>         | Earnings Announcement  |
| <b>[Event Name]</b>         | Financial Results Briefing for the Fiscal Year Ended March 2020                |
| <b>[Fiscal Period]</b>      | FY2019 Annual  |
| <b>[Date]</b>               | May 14, 2020   |
| <b>[Number of Pages]</b>    | 25   |
| <b>[Time]</b>               | 17:00 – 17:38<br>(Total: 38 minutes, Presentation: 30 minutes, Q&A: 8 minutes) |
| <b>[Venue]</b>              | Webcast  |
| <b>[Venue Size]</b>         |  |
| <b>[Participants]</b>       |  |
| <b>[Number of Speakers]</b> | 1<br>Gaku Nakamura                      Co-Founder and CEO                     |

---

### Support

Japan            03.4405.3160  
Tollfree        0120.966.744

North America    1.800.674.8375  
Email Support    support@scriptsasia.com



# Presentation

---

## FY3/20 Results Summary

- **Net sales rose 24.0% year-on-year.**
  - B2C sales increased 22.6% YoY against a backdrop of strong market needs.
  - B2B & B2School sales rose 27.1% YoY thanks to the contribution of a number of large projects, including JR East, etc.
- **Operating income increased 150.6% year on year.**
  - In addition to the effect of higher revenue, profit increased significantly due to improvements in productivity and business efficiency.
- **Both net sales and operating income have hit record post-IPO highs. Revenue growth rate of 24.0% and profit growth rate of 150.6% exceeded that of last fiscal year, when they were 22.6% and 36.9%, respectively.**
- **The cash balance rose by ¥902 million, reflecting the improvements in results and borrowings, and we have secured sufficient cash reserves.**



Copyright (C) 2020 RareJob, Inc. All rights reserved.

3

**Nakamura:** Hello everyone. I'm Nakamura, Co-Founder and CEO of RareJob Inc. Our financial results briefing for the fiscal year ended March 2020 begins now.

First of all, I will explain the results of the fiscal year ended March 2020 with a summary of financial results.

Net sales rose by 24%. B2C sales increased by 22.6%, on the back of strong market demand. B2B & B2School sales rose by 27.1%, thanks to large-scale projects with JR East and others.

In terms of operating income, we recorded a positive 150.6% increase. In addition to the effects of sales increase, we achieved this significant increase in profits by improving productivity and improving business efficiency. Both net sales and operating income reached record highs since listing. The sales and profit growth rates exceeded those of the previous fiscal year, respectively.

---

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Summary of Financial Results for the Fiscal Year Ended March 31, 2020

Net sales rose +24.0% and Operating income increased 150.6% year on year. Achieved both net sales growth and profitability improvement.

(In JPY MM)

|  | FY 2019/3 | FY 2020/3 | YOY     |
|--|-----------|-----------|---------|
| Net sales                                      | 3,639     | 4,512     | +24.0%  |
| Gross profit                                   | 2,236     | 2,829     | +26.5%  |
| Operating income                               | 178       | 446       | +150.6% |
| Ordinary income                                | 169       | 415       | +145.4% |
| Net Income<br>attributable to owners of parent | 124       | 205       | +64.7%  |
| Operating margin                               | 4.9%      | 9.9%      | +5.0pt  |
| ROE  | 9.9%      | 15.2%     | +5.3pt  |



Copyright(C) 2020 RareJob, Inc. All rights reserved.

4

This is a summary of the financial results for the fiscal year ended March 2020.

Net sales amounted to JPY4.512 billion, YoY increase of 24%. Gross profit was JPY2.829 billion, an increase of 26.5%. Operating income was JPY446 million, an increase of 150.6%. Ordinary income was JPY415 million, an increase of 145.4%. Net income was JPY205 million, an increase of 64.7%. The operating income margin was 9.9%, an improvement of 5 percentage points over the previous year. ROE was 15.2%.

## Actual vs Revised Forecast for the Fiscal Year Ended March 31, 2020

Net sales were in line with the revised forecast during the fiscal year, while operating income exceeded the revised forecast by +11.6%.

(In JPY MM)

| FY 2020/3   | Initial forecast* | Revised forecast ** | Actual | Actual vs Revised forecast |
|---|-------------------|---------------------|--------|----------------------------|
| Net sales   | 4,400             | 4,500               | 4,512  | 100.3%                     |
| Operating income                                      | 300               | 400                 | 446    | 111.6%                     |
| Ordinary income                                       | 250               | 350                 | 415    | 118.8%                     |
| Profit attributable to owners of parent<br>Net income | 130               | 200                 | 205    | 102.6%                     |
| Operating margin                                      | 6.8%              | 8.9%                | 9.9%   | +1.0pt                     |
| ROE   | 9.9% or more      | 9.9% or more        | 15.2%  | +5.3pt                     |



\* Announced on 5/15/2019\*\* Announced on November 14, 2019  
Copyright(C) 2020 RareJob, Inc. All rights reserved.

5

Our earnings estimates were revised upward during the fiscal year.

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

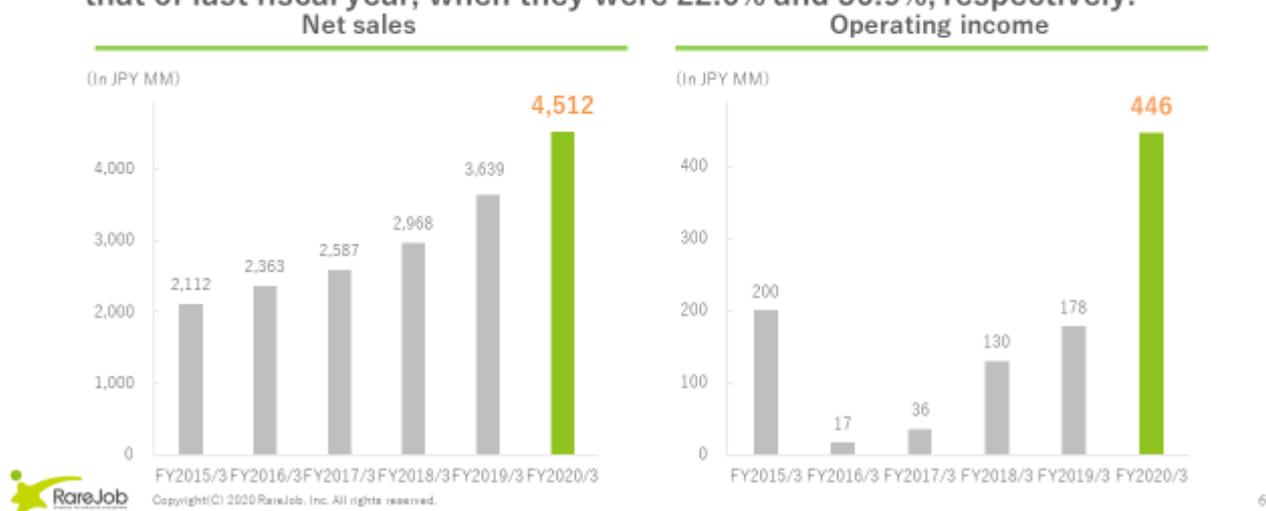
North America 1.800.674.8375  
Email Support support@scriptasia.com



Compared to the estimates, sales achieved 100.3% as expected. Operating income achieved 111.6%, exceeding our expectations. Ordinary income achieved 118.8% and net income achieved 102.6%, both higher than the estimates.

## Consolidated Result since Listing

**Both net sales and operating income have hit record post-IPO highs. Revenue growth rate of 24.0% and profit growth rate of 150.6% exceeded that of last fiscal year, when they were 22.6% and 36.9%, respectively.**



Here are our consolidated business results after listing.

Net sales have been increasing since the company's establishment, and operating income has risen for four consecutive years, both marking a record high. In addition, both the rate of increase in sales and profits exceeded those of the previous fiscal year, and I feel that the pace of growth is accelerated rapidly.

## Breakdown of net sales for the year ended March 31, 2020

**B2C sales increased +22.6% due to user increase.**  
**B2B & B2School sales increased +27.1% due to client and user increase.**  
**A sale to JR East contributed to increasing sales since October.**

(In JPY MM)

|  | FY 2019/3        | FY 2020/3        | YoY    |
|--|------------------|------------------|--------|
| Net sales                                      | 3,639            | 4,512            | +24.0% |
| B2C Sales<br>(constituent ratio)               | 2,510<br>(69.0%) | 3,077<br>(68.2%) | +22.6% |
| B2B & B2School<br>Sales<br>(constituent ratio) | 1,129<br>(31.0%) | 1,435<br>(31.8%) | +27.1% |

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

This is a breakdown of net sales.

Dividing into two categories: B2C and B2B & B2School, B2C sales were JPY3.077 billion and B2B & B2School were JPY1.435 billion in the fiscal ended March 2020. Looking at proportions, B2C sales was 68.2% and B2B & B2School was 31.8%, which is higher for B2C. On the other hand, looking at the rate of increase or decrease from the previous year, we see that B2B & B2School sales grew more with an increase of 27.1% than B2C with an increase of 22.6%.

### Expenses (Cost of Sales and SG&A) Breakdown for the year ended March 31, 2020

**Cost of sales increased by +20% due to user increase and team reinforcement. SG&A to net sales ratio decreased due to increased productivity and efficiency.**

(In JPY MM, expenses sales ratio in parentheses)



Copyright(C) 2020 RareJob, Inc. All rights reserved.

8

Here is the breakdown of expenses.

Cost of sales increased by 20%, due to an increase in the number of users and the team reinforcement. We controlled an increase in SG&A by improving cost efficiency while increasing productivity and business efficiency, which contributed to the increase in the operating income margin.

#### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Consolidated Balance Sheet for the Year Ended March 31, 2020

The cash balance rose by ¥902 million, reflecting the improvements in results and borrowings.

(In JPY MM)

| Assets                           | FY 2019/3 | FY 2020/3 | Increase/<br>Decrease |
|----------------------------------|-----------|-----------|-----------------------|
| Current Assets                   | 1,727     | 2,698     | +970                  |
| Cash and Deposits                | 1,251     | 2,153     | +902                  |
| Others                           | 476       | 545       | +69                   |
| Fixed Assets                     | 794       | 859       | +64                   |
| Total Assets                     | 2,522     | 3,557     | +1,035                |
| Liabilities and Net Assets       | FY 2019/3 | FY 2020/3 | Increase/<br>Decrease |
| Liabilities                      | 1,172     | 1,955     | +783                  |
| Current Liabilities              | 789       | 1,174     | +384                  |
| Long-term Liabilities            | 382       | 781       | +399                  |
| Net Assets                       | 1,350     | 1,602     | +251                  |
| Total Liabilities and Net Assets | 2,522     | 3,557     | +1,035                |
| Capital Ratio                    | 53.1%     | 38.4%     | △14.7pt               |



Copyright(C) 2020 RareJob, Inc. All rights reserved.

9

Here is our consolidated B/S.

Balance of cash and cash equivalents increased by JPY902 million for business performance improvement and borrowings.

## Consolidated Statement of Cash Flows for the Year Ended March 31, 2020

Free CF increased by ¥267 million, due to strengthening capability to acquire CF.

(In JPY MM)

| CF   | FY 2019/3 | FY 2020/3 | Increase/<br>Decrease |
|--|-----------|-----------|-----------------------|
| Cash Flows from operating activities                               | 370       | 577       | +207                  |
| Income before Income Taxes and Others                              | 202       | 379       | +176                  |
| Depreciation and Amortization (including Amortization of Goodwill) | 164       | 239       | +75                   |
| Others   | 2         | △42       | △45                   |
| Cash Flows from Investing Activities                               | △230      | △170      | +60                   |
| Acquisition of intangible fixed assets                             | △243      | △132      | +111                  |
| Others   | 13        | △38       | △51                   |
| Cash Flows from Financing Activities                               | 67        | 440       | +373                  |
| Proceeds from long-term loans payable                              | 150       | 600       | +450                  |
| Others   | △82       | △159      | △76                   |
| Cash and cash equivalents at end of year                           | 1,317     | 2,166     | +849                  |
| Free CF  | 139       | 406       | +267                  |



Copyright(C) 2020 RareJob, Inc. All rights reserved.

10

This is our consolidated statement of cash flows.

Free cash flow increased by JPY267 million and our ability to generate cash flow is improved.

### Support

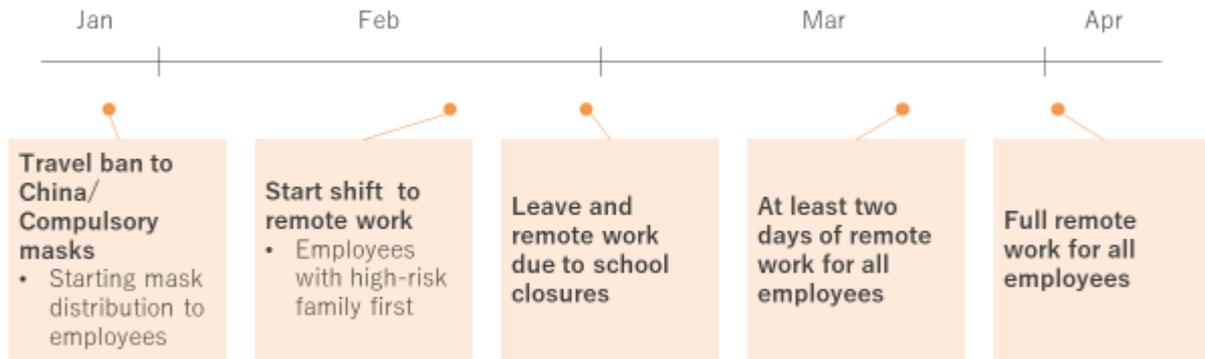
Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Responses to COVID-19: Employees

Starting from late January 2020, responses to COVID-19 have been implemented stepwise, with a shift to full remote work.



Filipino and Singaporean subsidiaries are shifting to full remote work



Copyright (C) 2020 RareJob, Inc. All rights reserved.

12

Next, I would like to explain our responses to COVID-19.

First of all, I would like to talk about our measures for our employees. Since the end of January 2020, we have been gradually responding to the risks of COVID-19. In January and February, we began to ask them to use a mask and work from home, and from the beginning of April all our employees work from home. In our subsidiaries in the Philippines and Singapore, our employees in the Philippines have been working from home since mid of March, while our people in Singapore are now working from home. All group companies promote working from home.

## Responses to COVID-19: Business Partners

Shift to business operations that maintain business continuity while also committing to business partner safety.

### Independent Contractor Tutors

- ✓ The lockdown in the Philippines prohibits office work, with the exception of certain industries.
- ✓ RareJob tutors **continue to receive work** if they are able to provide lessons from home under these circumstances.
- ✓ We saw tutors who had provided lessons in the past **come back** and tutors providing lessons on the side now **have more opportunities** to do so.

### Partners providing lessons

- ✓ Some lessons have previously been provided by outsource lesson centers.
- ✓ With the lockdown, some of the lesson centers' tutors **have switched to** work from home.
- ✓ Corporate clients **are understanding of** the lessons provided from tutors' home as a temporary measure.



Copyright (C) 2020 RareJob, Inc. All rights reserved.

13

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America  
Email Support

1.800.674.8375  
support@scriptasia.com

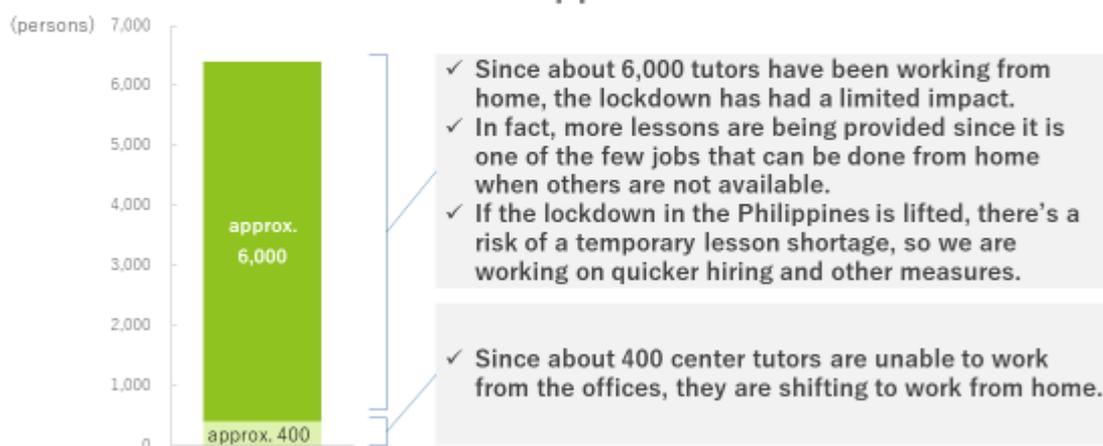


Concerning our partners, including independent contractor tutors and lesson providers, we are shifting to business management that gives consideration to the safety of our business partners while realizing stable business continuity. As for our tutors, most of them originally give a lesson from home, so even if the Philippines are on lockdown and people have no freedom to go out, they can continue their jobs without any problems. In addition, since people stay at home, the number of lessons given by those who used to be a tutor or want to be a tutor is increasing.

Also, regarding our lesson providers, some lessons are provided from their lesson centers. Regarding these lesson centers, due to lockdown, some lesson centers are unable to provide lessons, and they switched to lesson provision from home. When lessons can be provided from the lesson centers, they provide lessons from the lesson centers. We can continue business without problems.

## Responses to COVID-19: Lesson Supply

### Lesson supply currently meets increased demand, partly due to the lockdown in the Philippines



Copyright(C) 2020 RareJob, Inc. All rights reserved.

14

Next, I will explain the status of supplying tutors.

In particular, demands from our students have increased since March, and many customers take lessons. Along with this, we have to increase the number of lessons. In the Philippines, their lockdown restrictions are more severe than those of Japan, and many people are staying at home now. More people stay at home, more people want to work from home. Therefore, more tutors than usual give lessons and we can offer more lessons. This is the present situation. For this reason, even if the number of students increases, the number of lessons also increases, enabling a stable supply of lessons.

In addition, there are about 400 tutors who teach from the centers, but there are some places where work in offices is banned, so instead of doing lessons from the centers, we are shifting to work from home. In such a way, we ensure our tutor supply.

#### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Responses to COVID-19: Other Business Operations

### Business operations in Japan and the Philippines have all shifted to remote work, so the impact has been small

|             |                  |   |
|-------------|------------------|---|
| Japan       | Corporate sales  | All corporate sales have also gone remote. We have previous experience of a remote business style, so the shift was smooth.                 |
|             | Customer support | The rapid increase in user numbers has also increased inquiries. We are adjusting to this by strengthening the relevant resources.          |
|             | Other            | Other departments have also shifted to full remote work, but there have been no major issues.   |
| Philippines |                  | Shift to full remote work due to the lockdown from late March. Collaboration with Japan has always been remote, so this had a small impact. |



Copyright (C) 2020 RareJob, Inc. All rights reserved.

15

Now, I will talk about other business operations in general.

All our corporate sales are remotely operated now. Since we have adopted a remote sales style for some time, we are able to make the transition smoothly. With regard to customer support, the number of inquiries is increasing due to the increase in the number of users. We are responding to it by increasing resources.

In the other divisions, we fully shifted to work from home, but no major problems have occurred. In the Philippines, where our staff has worked from home since March, there is no negative effect on our work, and we are now able to complete our work in most of our divisions, and the impact on our business is currently small.

---

#### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Group Vision

# Chances for everyone, everywhere.

Building a platform for people to play active roles globally



Copyright(C) 2020 RareJob, Inc. All rights reserved.

17

Next, I would like to take a look at what RareJob is aiming for.

Our Group Vision is, “Chances for everyone, everywhere.” Then, we will build a platform for people play active roles globally. With this in mind, we are engaged in business.

## The “With Corona, After Corona” Business Environment



We are seeing **accelerated online learning**, which has been a goal of RareJob, and new opportunities due to a shift to **skill-based work styles**.



Copyright(C) 2020 RareJob, Inc. All rights reserved.

18

As we are engaged in such businesses, COVID-19 is changing our business environment in various ways. Here is a summary on individuals, corporations, and educational institutions that we have business with.

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



Regarding individuals, people are remotely working. More people work from home, and this has become the new normal to a certain extent. Even after the outbreak of COVID-19, I believe that remote work or work from home will continue to a certain extent. Also, we believe that worsening employment environment will make more people look to second jobs.

Currently, as we also see in our services, the number of people who want to learn during spare time, commuting, or staying at home since they are not allowed to go out is dramatically increasing. I believe that opportunities to learn a variety of things online at home will increase in the future, and the market for such opportunities will probably expand.

Regarding corporations, a variety of things will become available online to make work from home possible. In addition to their operations, recruitment and training will be also handled online. We believe that hiring freelancers will be accelerated in order to adapt to remote working.

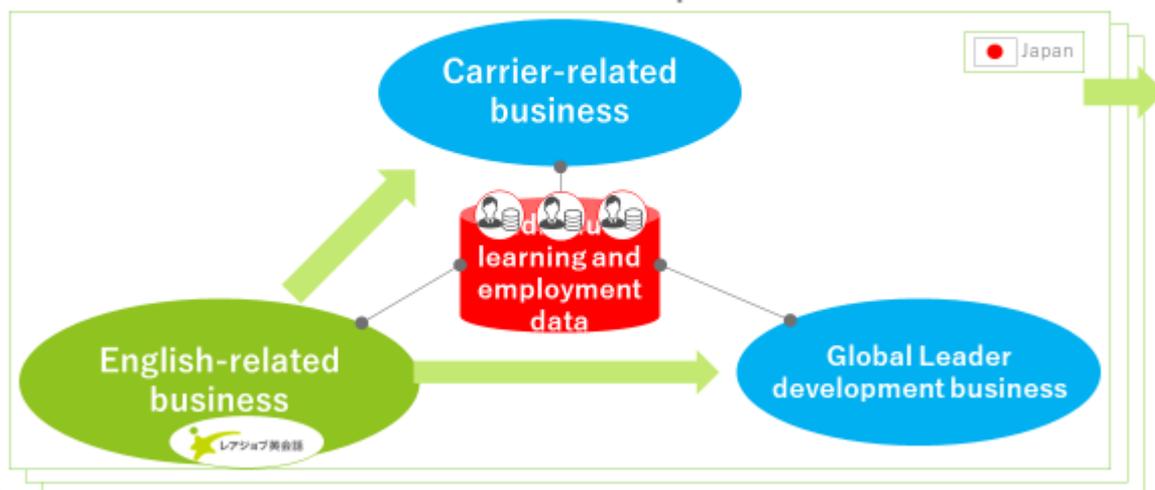
Today, travelling abroad and visiting Japan from abroad are not allowed. Companies that have overseas operations are therefore not able to make business travels, so they need to manage their business remotely. To this end, they will remotely manage local personnel in overseas. Of course, it will be managed in English. In such areas, English language skills will be required even more. It will also be necessary for them to have advanced skills like negotiation skills rather than simple English language skills. I believe that business environments will change like this.

Next is about educational institutions. As educational institutions have been closed, we believe that online education and learning with ICT will increase to a certain extent. In addition, in households, there is a movement to make up for the shortage of learning opportunities at schools by using online services offered by private sectors.

As this movement further progresses, we believe that the shift to online learning, which we have been aiming for many years, will be accelerated. In addition, I believe that the shift to skill-based work styles will lead to new opportunities.

### Future business development

With the advancement of online and skill-based work style, we are building on our English-related business. Developing global leader business and carrier-related business in Japan and overseas



Copyright (C) 2020 RareJob, Inc. All rights reserved.

19

Next, I will explain our business development in the future.

#### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



With the advancement of online learning and the shift to skill-based working, we will develop our global leadership development business and career-related business based on our existing English-related business and expand our operations not only in Japan but also overseas. With those businesses, we want to increase the number of people who can play active roles globally.

## Service mission of RareJob English conversation

English-related  
business

# Encourage 10 million Japanese to Speak Fluent English.



Copyright(C) 2020 RareJob, Inc. All rights reserved.

20

The current service mission of our English-related business is to encourage 10 million Japanese to speak fluent English.

When this business was established, we focused on creating more opportunities for people to speak English, and we mainly did provision of opportunities.

---

### Support

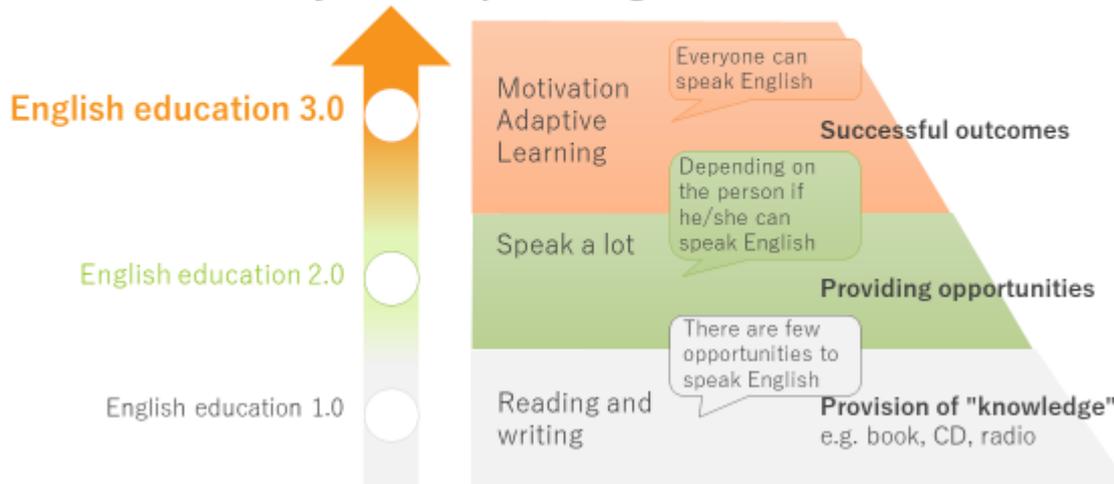
Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



### What RareJob Tries to Deliver in English Training

Aiming for delivering "English language education 3.0" that will make everyone to speak English.

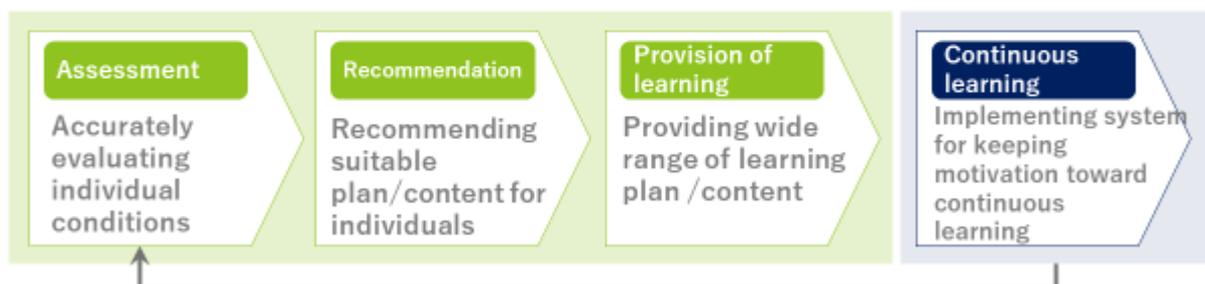


Copyright(C) 2020 RareJob, Inc. All rights reserved.

Today, not just providing opportunities, we also will make sure that all customers are able to speak English.

We will provide a variety of content tailored to each customer considering their level. We will provide appropriate methods to deliver results. And everyone will be able to speak English. We are working to develop a variety of services toward the coming English Education 3.0, where everyone will be able to speak English.

### Concept of Learning Results



Copyright(C) 2019 RareJob, Inc. All rights reserved.

This is our mindset on results of learning.

#### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



In English learning, we think that it is calculated by multiplying learning efficiency with volume of learning, that is, quality and quantity. In terms of the quality, we can categorize into three. The first is assessment to accurately evaluate the status for each individual. We then make recommendations based on the assessment. We will recommend learning plans and contents tailored to each individual. We will then provide the recommended contents and services to start learning. We need to encourage people to continue learning. Provision of a mechanism is required to make them motivated to continue learning.

## Leveraging technology

English-related business

### Using technology to significantly improve learning results



Copyright(C) 2020 RareJob, Inc. All rights reserved.

23

We will use technologies in each phase to dramatically improve learning results.

For assessment, we are working on auto-scoring of speech tests by combining AI and voice recognition technologies. At the earliest, it will be released in this summer. Based on this assessment, we would like to provide a wide range of learning plans and contents. We would like to make sure that they will receive feedbacks from their tutor or coach, which make them motivated. We want to show this cycle will keep delivering results.

#### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Direction of Business Development

As work styles change, we aim to provide services that accommodate the needs of those new work styles.

| Global leader development business  | Career-related business   |
|---|---|
| <ul style="list-style-type: none"> <li>English is a tool, and the aim is to <b>acquire skills for working on the global level.</b></li> <li>Creating new business with <b>low cost</b> by leveraging Filipino tutors and learning platforms in online English conversation business.</li> </ul> | <ul style="list-style-type: none"> <li><b>Matching</b> individuals with English fluency and global skills with companies in need of global talent.</li> <li><b>Dramatically improving human-resource matching precision</b> by using speaking-test results and global-skills assessment results.</li> </ul> |



Copyright(C) 2020 RareJob, Inc. All rights reserved.

24

Now, let me talk about our global leadership development business and career-related businesses.

Regarding our global leadership development business, first of all, we will utilize Filipino tutors of our online English conversation business and our learning platform to provide the services at low cost.

In our career-related business, we plan to develop a system that matches individuals who have acquired English conversation skills and global skills through our global leadership development business, with corporations that need such individuals. We would like to use our assessment data and other data to make the matching more accurate.

## FY 2021/3 Plan

Factoring in the impact of COVID-19, we expect higher revenue and profit for five consecutive fiscal years.

(In JPY MM)

|   | FY3/20 Results | Guidance for FY3/21 | Change YoY |
|---|----------------|---------------------|------------|
| Net sales                                   | 4,512          | 5,300               | +17.5%     |
| B2C Sales                                   | 3,077          | 3,761               | +22.2%     |
| B2B & B2School Sales                        | 1,435          | 1,538               | +7.2%      |
| Gross margin                                | 2,829          | 2,996               | +5.9%      |
| Operating income                            | 446            | 500                 | +12.0%     |
| Ordinary income                             | 415            | 450                 | +8.2%      |
| Net income Attributable to owners of parent | 205            | 270                 | +31.5%     |
| Operating margin                            | 9.9%           | 9.4%                | △0.4pt     |
| ROE   | 15.2%          | At least 10.0%      | -          |



Copyright(C) 2020 RareJob, Inc. All rights reserved.

25

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



This is our plan for the fiscal year ending March 2021.

For the fiscal year ending March 2021, we made the plan taking into account the impacts of the outbreak of COVID-19. It may look conservative. Nevertheless, we are targeting five consecutive year growth in sales and profits. Net sales is JPY5.3 billion, the gross profit is JPY2.996 billion. We will also aim for operating income of JPY500 million.

## Impacts associated with the spread of COVID-19 – Impacts on results

Associated with the spread of COVID-19, a substantial impact particularly on cost of sales is expected, but profit will be secured by reducing SG&A expenses.

| Assumption  |               | The current situation is expected to last until the the end of this fiscal year. Positive impacts have been incorporated in results for April and May only. Negative impacts are conservatively presumed that the current situation will last throughout this fiscal year. |   |
|---|---------------|--|---|
| Impacts on results from the spread of COVID-19 and the response |               |  |   |
| Impact  | Net sales     | B2C  | ✓ We expect 22.2% higher revenue as acquisition of new users remains steady due to the increase in time spent at home resulting from the voluntary ban on leaving home and school closure.  |
|   |               | B2B  | ? Growth is expected to remain at 7.2% as there are uncertainties regarding business for corporation and schools. <ul style="list-style-type: none"> <li>• It is assumed that some companies may reduce a budget for the training program due to uncertainty regarding business performance.</li> <li>• Introduction of the training program into classes is expected to be postponed due to the closures.</li> </ul> |
|   |               | B2School   |   |
|   | Cost of sales | ✗ Mainly for individual customers, an increase in the number of lessons taken is expected to increase until the end of the fiscal year associated with the increase in time spent at home.   |   |
|   | Gross margin  | ✗ The increase in gross margin remains small due to a rise in cost of sales along with an increase in net sales.   |   |
|   | SG&A expenses | ?  | Maintain the increase in expenses, including postponement of hiring, etc.   |
| Operating income  |               | ✗ Although the cost of sales ratio rises, we secure higher profits by keeping SG&A expenses in check.  |   |

 Copyright(C) 2020 RareJob, Inc. All rights reserved. 27

Let me explain the background of this plan in detail.

Looking at the current situation with the data of March, April, and May, until today, we can see various changes relating to our services as more people work from home due to the outbreak of COVID-19.

Regarding our service for individuals, the number of users of our services, including Ripple Kidspark for small children and RareJob Eikaiwa, is increasing rapidly. The sharp increase in the number of users seems to come as many customers want to learn during staying at home. Specifically, in March it increased by about 140% compared to the previous year, and in April it increased by about 220%, showing a significant increase.

About our business with corporations, although there are no signs of significant impacts at present, some corporations have postponed their training due to uncertainty of the economy. On the other hand, some have been trying to switch from offline language training, which became unavailable, to online training, and we are receiving inquiries from such companies and convert to orders. Given the considerable uncertainty about the outlook for the future, the rate of business growth for corporations are conservatively expected to remain at 7.2%.

With regard to our business for educational institutions, due to the effects of school closure in March, April, and May, the introduction of classes has been postponed, and a decline in sales is expected. However, our sales for educational institutions are still very small, and the impact is thought to be small.

Now, I will explain cost of sales. Previously, there were no major changes in our cost of sales even though there were seasonal fluctuations. However, with the outbreak of COVID-19, many people stay at home and take more lessons. As a result, the number of lessons each member takes has increased by about 20% to 30%.

### Support

|          |              |               |                        |
|----------|--------------|---------------|------------------------|
| Japan    | 03.4405.3160 | North America | 1.800.674.8375         |
| Tollfree | 0120.966.744 | Email Support | support@scriptasia.com |



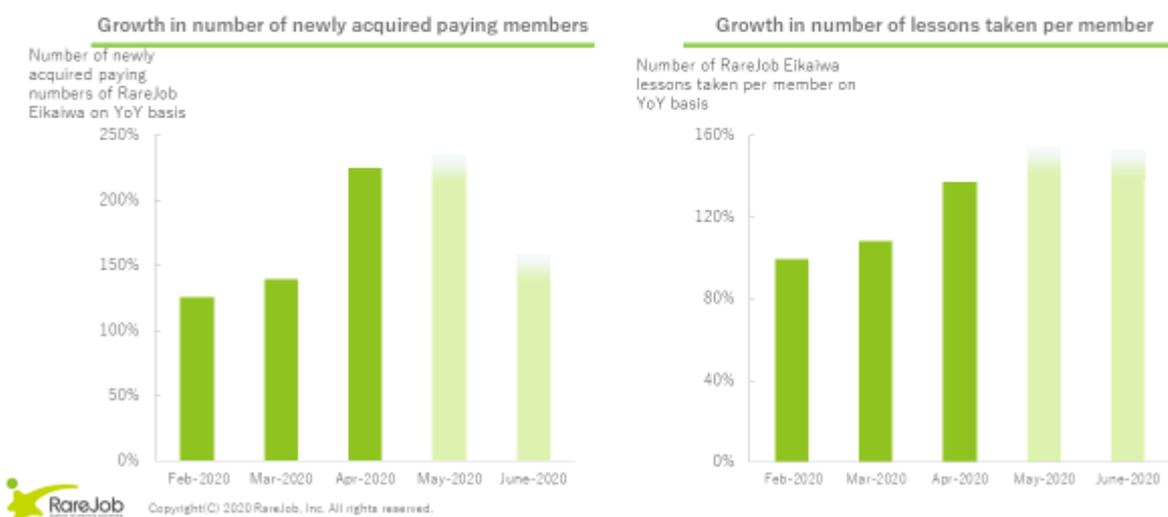
Our cost of sales is mostly tutor’s cost, so the cost of sales has risen temporarily, and our gross profit margin rate has been deteriorated.

According to our data and for the nature of our service, if our customers have more lessons a month, they tend to stay on our service longer. In other words, more lessons improve the retention rate and the lifetime value. Therefore, in a short term, our gross profit margin will decline, and our profit margin rate will be deteriorated. However, in a long term, we believe that profits will increase, and therefore advantages differ between the short-term and long-term perspectives. We believe that in the long run we will have positive results.

In addition, with regard to SG&A, we will maintain a certain level of operating income margin by postponing hiring and controlling increases in expenses.

### Impacts associated with the spread of COVID-19 – Growth in the numbers of paying members and lessons taken

Growth in the number of newly acquired paying members is expected to return to the normal level in June and onwards, but it is conservatively assumed that the number of lessons taken will remain at a high level in June and beyond.



These charts show our assumptions used to make the forecasts for the current fiscal year.

In April and May, an extremely large number of customers became paid members. This may be said to be a special demand for the outbreak of COVID-19. In terms of this specific demand, we believe it will become stable after June, and we made a conservative forecast.

On the other hand, the number of lessons taken by users marked 120% to 130% in April and May, and we made the plan based on the assumption that this trend will continue.

Therefore, we have formulated a plan based on a very conservative approach, and we will work on to surpass this plan.

#### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Impact on results by the spread of COVID-19 – Summary

Although the cost of sales ratio is anticipated to rise due to the spread of COVID-19 in the short-term, expansion of the market size and enhancement of the retention rate of customers are expected in the medium-term.

Short  
-term

- B2C Sales steadily increase.
- Growth of B2B and B2School Sales slows.
- The cost of sales rate rises with an increase in the number of lessons taken.

Medium/  
Long-term

- The market size expands due to the expansion of online education.
- Improvement in the retention rate and enhancement of learning results accelerate with an increase in the number of lessons taken by customers.



Copyright(C) 2020 RareJob, Inc. All rights reserved.

29

This is a summary of the possible impacts of outbreak of COVID-19 on our business.

The cost of sales ratio is expected to rise in a short term due to the outbreak of COVID-19. However, in a medium term, we expect the market to expand and our customer retention rates to improve. We believe that this trend will be favorable in a medium to long term.

In a short term, B2C sales will grow steadily, and B2B & B2School sales will slow down slightly. In addition, the cost of sales ratio may increase with increasing number of lessons taken.

In a medium to long term, we believe that the scope of online education will expand, and the market size will grow considerably. We also believe that the retention rate will improve with increasing number of lessons taken by our customers and that the improvement in learning results will accelerate.

---

### Support

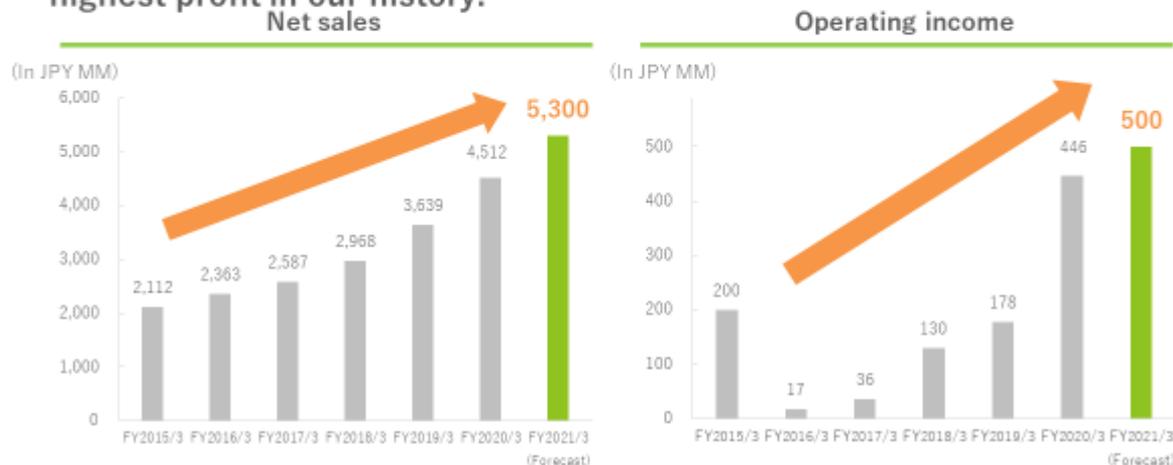
Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Post-IPO consolidated results

We expect net sales to increase for 13 consecutive fiscal years, operating income to increase for 5 consecutive fiscal years and the highest profit in our history.



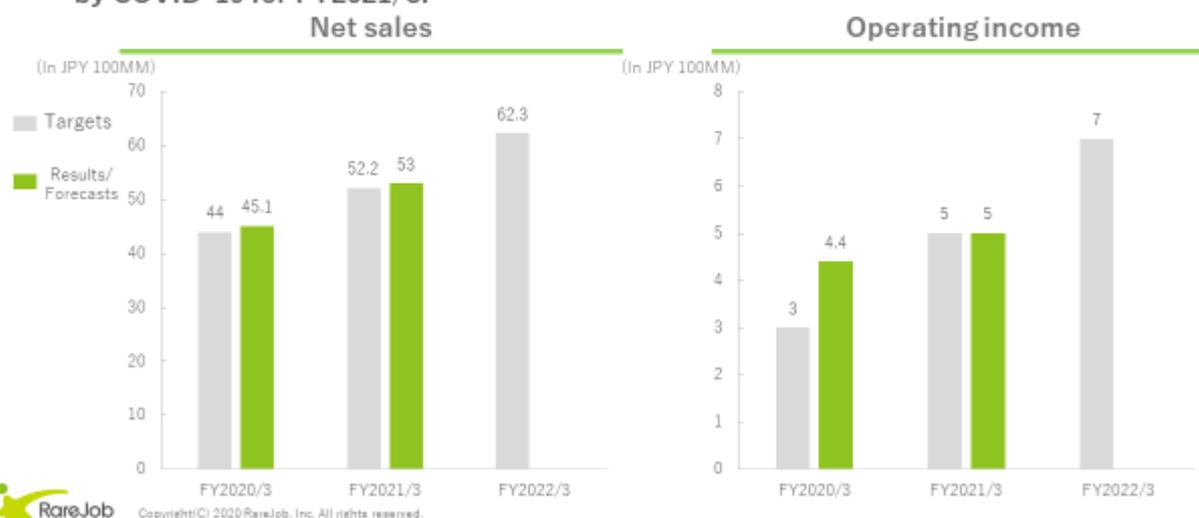
Copyright(C) 2020 RareJob, Inc. All rights reserved.

30

Here are our consolidated business results after listing. Net sales have increased for 13 consecutive years since the establishment of our company. Operating income has increased for five consecutive years. We also expect record-high profits.

## Progress towards medium-term performance targets from FY2020/3 through FY2022/3

Net sales and operating income went over the targets for FY2020/3, and we expect that we will hit the performance targets for the medium-term, despite being affected by COVID-19 for FY2021/3.



Copyright(C) 2020 RareJob, Inc. All rights reserved.

31

Here is the latest status of our business progress to our medium-term performance targets from the fiscal year ended March 2020 through the fiscal year ending March 2022.

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



In the fiscal year ended March 2020, both net sales and profits exceeded their targets. In the fiscal year ending March 2021, we expect to achieve our three-year performance goal despite being affected by the outbreak of COVID-19.

## FY2021/3 Initiatives

Carry out business operations focusing on improvements in profitability, expansion of net sales, system development, and R&D eyeing the use of technology.

### Improvement of profitability

- There is enough human resource to operate the business, and the growth rate of employees, excluding Filipino tutors, has been kept in check.
- Continue to enhance productivity and business efficiency.

### Expansion of net sales

- As for B2C sales, aim for growth in net sales by meeting growing demand from adults and students for training programs due to impact of COVID-19 (increase in time spent at home and school closures).
- As for B2B sales, aim for net sales growth by capturing demand for replacements for offline training and studying abroad.

### System development

- Implement a major system replacement for sales expansion and service enhancement going forward.

### R&D eyeing the use of technology, including data and AI

- Aim to launch sales of an automated scoring system for speaking tests by combining AI and speech recognition technology.
- Continue to analyze massive amounts of lesson data and research methods to improve learning efficiency and increase the learning retention rate.



Copyright (C) 2020 RareJob, Inc. All rights reserved.

33

Here are our things to do in the fiscal year ending March 2021.

We will focus on improving profitability, expanding sales, system development, and R&D to utilize technologies. With regard to the improvement of profitability, the pace of increase in the number of employees has been restrained since our business management system is about to be established. We will also work to improve productivity and business efficiency.

With regard to sales expansion, we will strive to capture current demands and achieve sales growth. In B2B, we will strive for further sales growth by capturing demand for switching from offline training and study abroad.

Regarding system development, we are currently making large-scale replacements. We consider this to be a necessary measure to expand sales and service in the future.

In the area of research and development, we will start selling auto-scored speaking tests that combines AI and voice recognition technologies. We will also continue to research ways to analyze massive amounts of lesson data and increase learning efficiency and learning continuity rates.

---

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Shareholder return policy

Investments for business growth in the fast-growing online education market take precedence and we aim to enhance shareholder value by maximizing EPS, therefore, we will not pay dividends for the present.

After getting listed on the first section of the Tokyo Stock Exchange, we will consider payment of dividends based on growth investments and retained earnings.

(In JPY)

|                        | FY3/18<br>(Results) | FY3/19<br>(Results) | FY3/20<br>(Results) | FY3/21<br>(Forecast) |
|------------------------|---------------------|---------------------|---------------------|----------------------|
| Net income per share * | 4.68                | 13.63               | 22.67               | 29.97                |



\*Figures after considering the stock split (1:2 stock split) executed on June 1, 2019 and December 6, 2019.

Copyright(C) 2020 RareJob, Inc. All rights reserved.

35

Finally, this is our policy on shareholder return.

For the time being, we will invest in business growth in the fast-growing online education market. In order to increase shareholder values by maximizing EPS, we have a policy of not paying dividends yet.

Once getting listed on the First Section of the Tokyo Stock Exchange, we will consider paying dividends looking at growth investments and retained earnings.

That's all for our financial results briefing for the fiscal year ended March 31, 2020.

---

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Question & Answer

---

**Nakamura:** From this point on, we will move on to the question-and-answer session, but it will take about two to three minutes to sum questions, so please keep open the live screen. Please pose questions.

Thank you for your questions. I would like to answer each question.

The first question is about specific marketing activities implemented in the previous fiscal year and the detail of our efforts to strengthen sales.

Regarding marketing activities, we conducted general marketing activities efficiently. For example, there are various types of advertising, such as online advertising, affiliate advertising, content marketing, and YouTube. We will efficiently carry them out and get outcome properly.

And in terms of the detail of our sales enhancement, the major point is that we are increasing the number of sales personnel. By increasing the number of sales personnel, our sales will increase. By improving capabilities of each and every sales member staff, we will increase the potential for acquiring new clients.

In particular, we have SMART Method, one of the products we focused on in the previous fiscal year. In order to strengthen our sales capabilities for this product, each salesperson has learned the knowledge and methods to sell SMART Method course. I believe their sales skills have been improved.

Here is the next question. It is about the increase in demands from individuals associated with COVID-19. Today many people stay at home. Are the number of users and usage time increasing? Are there many people who switched from their face-to-face lessons? How do we see these?

Also, about the attribute of newly acquired paid members. Are there other characteristics, such as age groups that differ from those for existing paid members?

In addition, the number of lessons taken per person has been increasing. Are there any trends on day of week and time of day for their lessons?

Now, let me answer them. Firstly, with regard to new individual customers, especially in March, the number of young students, such as high school students and elementary school students, dramatically increased.

We usually have more male users at ages late 20s to early 30s for our service. However, this March to April, we saw more female new customers and their age group becomes younger from around 10 years of age to early 20s. This is the current trend. This is because since schools are closed and they stay at home, people try to learn with this opportunity.

Concerning when our users have their lessons, our lessons are fairly evenly taken throughout a day. However, we saw an increase in the utilization rate during daytime hours, when normally not so busy, but it is higher than usual.

I think this increase is because more students and adults study or work from home and have time to take lessons at home during daytime or lunch breaks. This is something new to us.

I believe that there are a certain number of people who switched from their face-to-face lessons. But many of our new users are, I think, those who want to learn, stay at home now, and have time to learn.

---

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



Nest question is about recruitment of new tutors. Regarding new recruitment, currently the number of applicants is unchanged or even increasing. However, with regard to the quality of applicants, there are online demonstration lessons or tests, and we see the rate of passing becomes lower. In other words, applicants are diversified, which make the pass rate lower. I believe that we will be able to hire more tutors by introducing a variety of measures to deal with these trends.

In addition, at present, our full-time staff in the Philippines and staff who conduct such interviews, etc., are also working from home. Therefore, operation improvement does not progress compared to before. Giving demonstration lessons, etc., is difficult. So, we are frustrated for that matter. We know these bottlenecks, so we believe that we will be able to eliminate them and acquire new tutors in the future.

As for the next few months, there will be some changes in the situation in the Philippines, but I do not think there will be any major problems in general.

These are my answers to three questions we got.

Then, it is time for closing. There seems to be no more questions, so our financial results briefing live streaming ends now. Thank you for today.

[END]

---

#### **Document Notes**

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

---

#### **Support**

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2020 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

---

### Support

Japan 03.4405.3160  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support [support@scriptsasia.com](mailto:support@scriptsasia.com)

