



RareJob Inc.

Q4 Financial Results Briefing for the Fiscal Year Ending March 2022

May 16, 2022

Event Summary

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[Date]	May 16, 2022
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[Venue]	Download
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[Participants]	
[Number of Speakers]	1 Gaku Nakamura Co-Founder, CEO

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Presentation

Nakamura: Good afternoon, and welcome to the RareJob Financial Results Briefing for the fiscal year ended March 2022. I'm Gaku, CEO of RareJob.

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Today, firstly, I'll talk about the mid-term business plan. Secondly, I'll talk about financial results for the fiscal year ended March 2022, followed by this fiscal year's plan.

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Purpose/Vision for the RareJob Group

Purpose

The realization of the world where everyone can unlock their potentials to be valued.

Vision

Chances for everyone, everywhere.



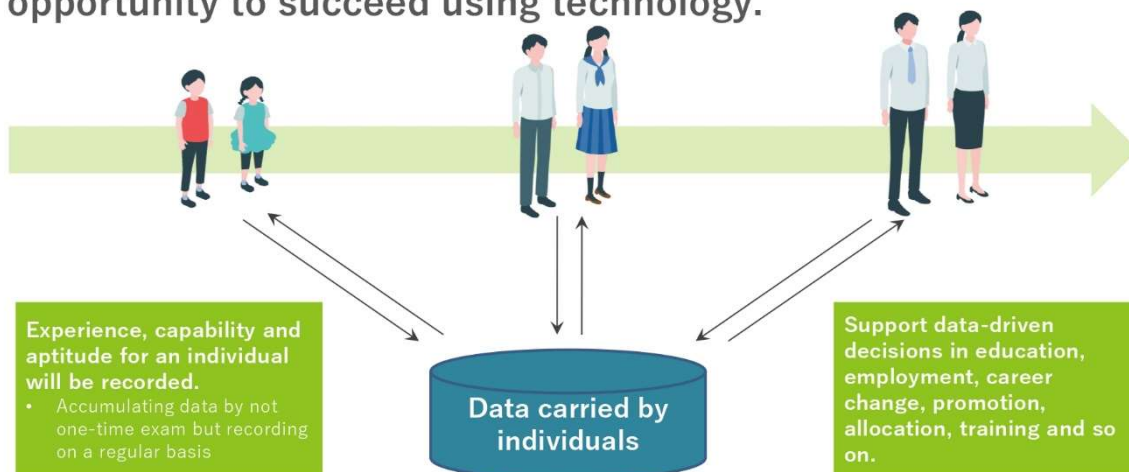
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Firstly, our mid-term business plan. Our company name, RareJob, shows our company's purpose and vision. We would like to give rare jobs to lots of people. That means we would like to upskill lots of people all over the world so that people can get jobs using those skills.

The Image of the World which RareJob Wants to Realize

What we aim for is the world that everyone can find an opportunity to succeed using technology.



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Here's the image of the world which RareJob will achieve. Data utilization is common in a variety of fields. However, data utilization has yet to progress in improving the skills of individuals. We would like to achieve a world in which everyone can carry lots of personal data, including skills, experiences and so on. Using technology, we can gather those data. Data through assessment, or data of daily life or how we decided, or

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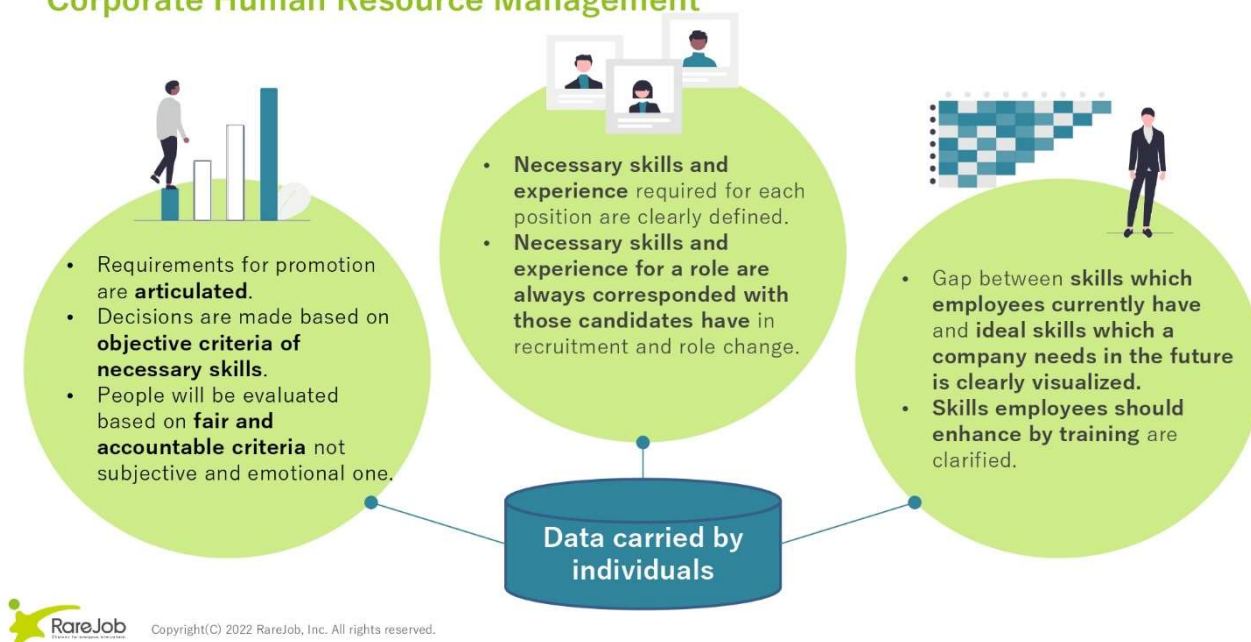
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what we did, and so on. With this data we would like to achieve the world in which everyone can use that data in education, employment, training and so on.

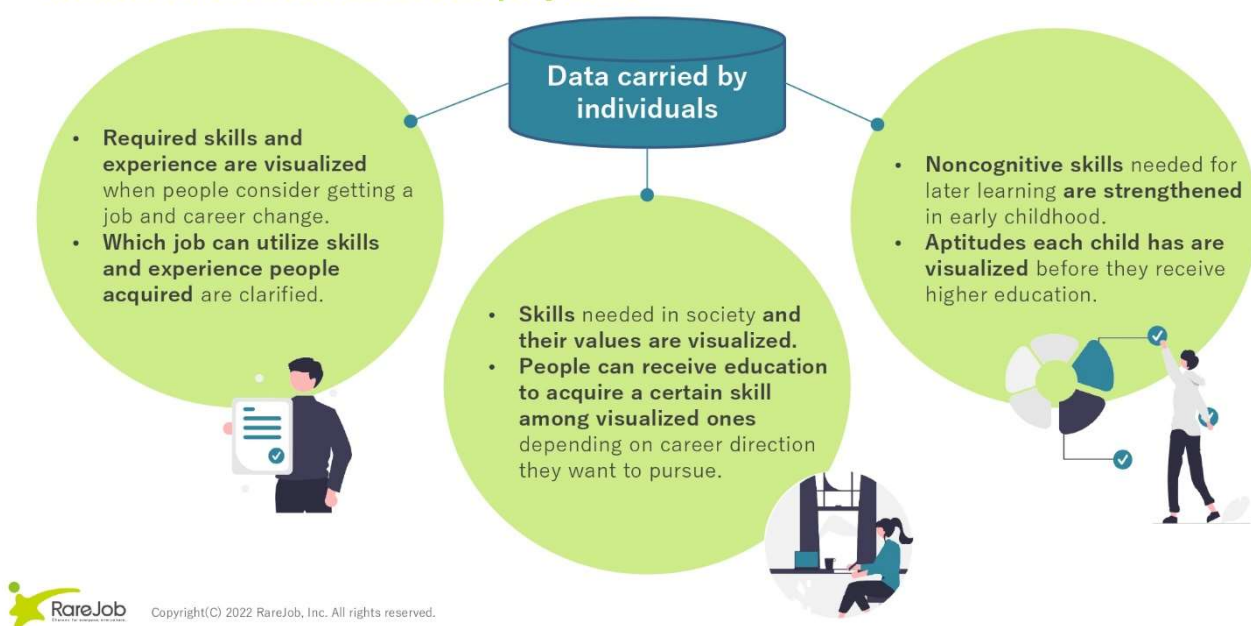
The Image of the World which will be realized by RareJob Vision: Corporate Human Resource Management



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Once we get lots of skill and personality-related data, we can use them in various fields. For example, in the human resource management area with this data, the gap between skills which employees currently have and ideal skills which companies need is clearly visualized.

The Image of the World which will be realized by RareJob Vision: Individual Education and Employment



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For example, in the education and employment scene, with those data required skills and experience are visualized when people consider getting a job or career change.

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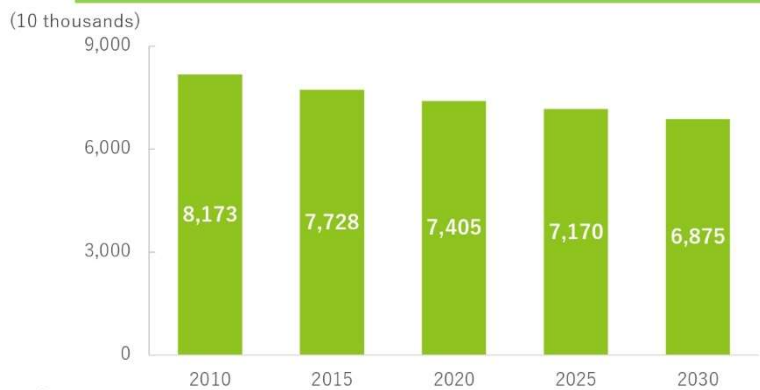
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Market Environment: Decline in Japanese Working Age Population (1/4)

It is inevitable to hire more foreign people due to decline in Japanese working age population.

Japanese labor population will be decreased by 7 million people in 2030 compared to 2020



Source: National Institute of Population and Social Security Research, "Population Projections in Japan", 2017



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Companies should take some measures to accept foreign workers.

- Language is one of the biggest issues to hire them.

A skill enabling individuals to work with foreign people will be valued more.

- English skill as a global language
- Skill of managing global team

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Next is market environment.

The Japanese population is decreasing nowadays, especially the Japanese working age population, which will decrease rapidly. To tackle with this situation, lots of companies need to hire foreign workers. To do that, communication and language is one of the biggest issues to solve. That means we assume that there will be more Japanese who have to speak English.

As for individuals, skills such as communication in English or managing foreign people will become a must-skill for people who would like to increase their wage.

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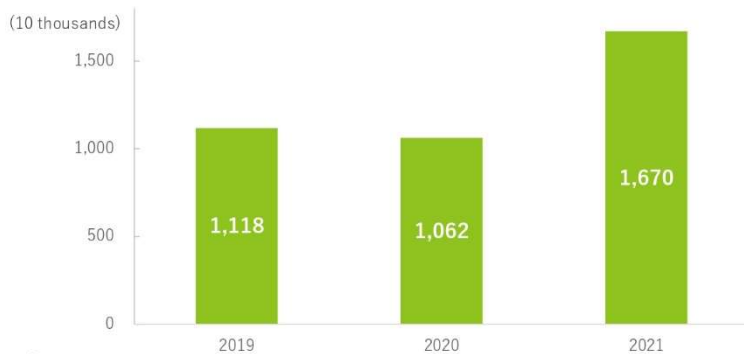
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Market Environment: Expansion of Diverse Work Styles (2/4)

The number of freelance is increasing and diverse work styles are prevailing in response to the need for diverse people in companies.

The number of freelance is currently increasing.



Source: Lancers, "Freelance Survey 2021"



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Companies need to evaluate their staff based on the skills required for each role and the degree of fulfillment of those skills to promote diverse people rationally.

People will choose their jobs or be hired based on their skillsets.

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With the remote work environment, the number of freelance is increasing in Japan. In this environment, companies need to evaluate them based on the result only. That means skill is getting more important than before.

Market Environment: Gap between Demand and Supply of Human Resources (3/4)

Companies and individuals will need to acquire skills again to fill a gap between demand and supply of human resources caused by AI and robotic technologies.

2.1 million excess and 1.7 million shortage jobs will be expected in 2030

0.9 million workers in production will be excessive

- Automation by AI, robots and so on

1.2 million office workers will be excessive

- Automation by specialized AI

1.7 million professional workers will be shorted

- Talents to lead innovation and apply it to business are needed.

Companies are trying to fill the gap between overstaffing and understaffing jobs by encouraging employees to learn needed skills again.

Individuals will try to acquire needed skills to build their own careers.

Source: Mitsubishi Research Institute, "HR Strategies to Overcome the Great Job Mismatch Era", 2019



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With AI and automation, it is said that in 2030 0.9 million production workers will disappear and 1.2 million office workers will disappear. On the other hand, it is said that there will be a shortage of 1.7 million professional workers, such as innovation leaders. Companies and individuals need to fill this gap.

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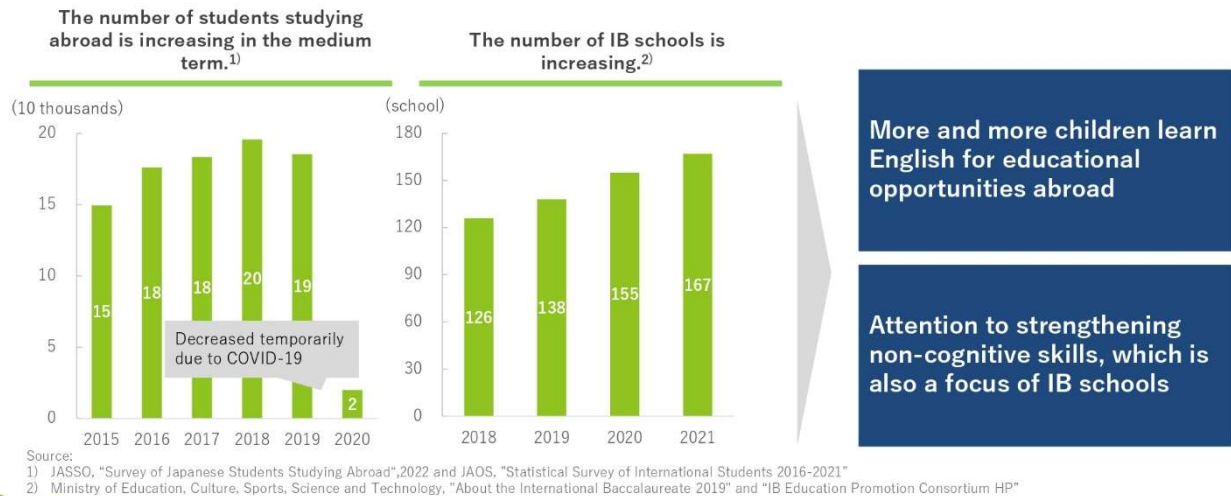
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Market Environment: Change in Education for Children(4/4)

The number of students studying abroad and International Baccalaureate (IB) schools are increasing due to an increase of families who wish to let their children have a global education.

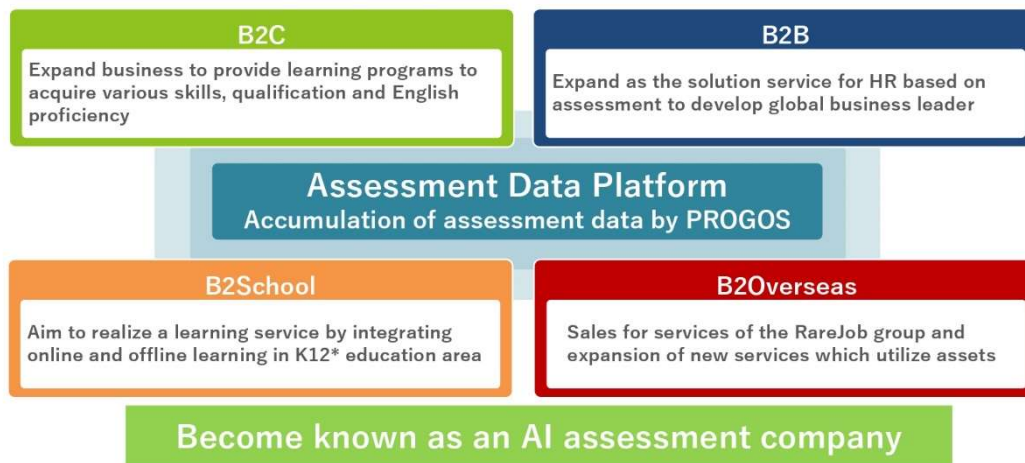


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Though the number of children in Japan is decreasing, the number of students starting abroad was increasing until the pandemic happened. And the number of IB schools is increasing. We can see that there are huge demand to become a global leader. Considering this market environment, the skill acquisition market, including the English learning market, is promising.

Growth Strategy Summary

Business strategies are built in each area with PROGOS as a source of our competitive advantage.



*K12 : The period of education from preschool (kindergarten age) to high school.



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Next is growth strategy. We put our PROGOS assessment data platform as the center of our strategy. Firstly, people use PROGOS and assess their skills. Based on that, we will recommend suitable training to improve their skills. We will also create training programs to improve each skill. With this concept, we provide service

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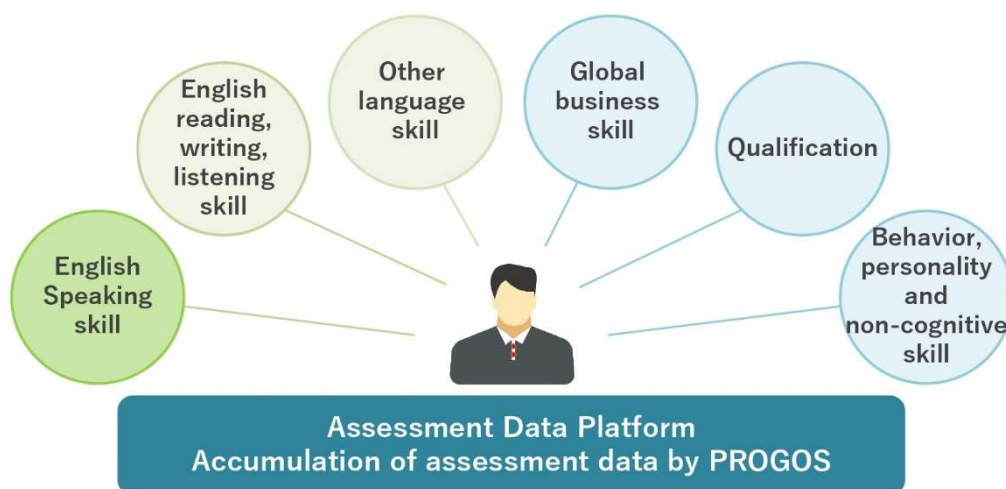
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to consumers, corporate clients, schools and overseas. Considering this, we will become an AI assessment company.

The Strategy for the Assessment Data Platform

Expanding the target of assessments from not only speaking but also reading, listening and writing English skills to global business skills.



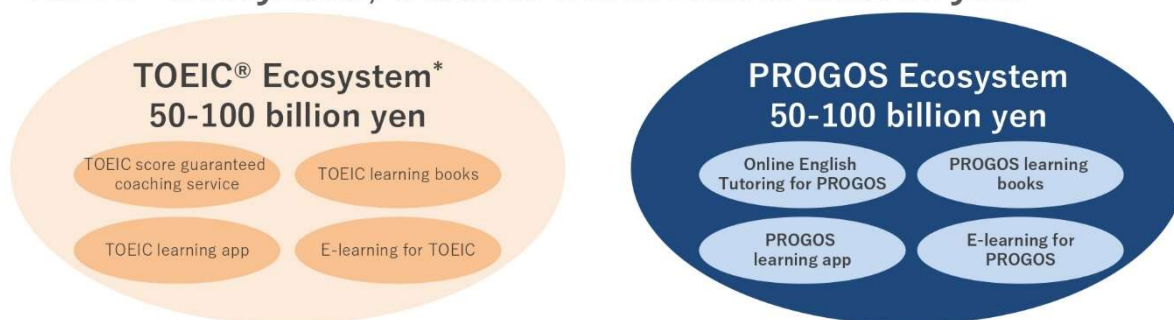
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Currently, we gather data, like English-speaking skills. But not only that. We will gather other skills, such as global business skills, qualifications, and so on.

Creation of PROGOS Ecosystem

PROGOS is expected to create a market of the same size as TOEIC® ecosystem, which is worth tens of billions yen.



Expect to earn approximately 20% (10-20 billion yen) of the PROGOS ecosystem as the revenue of the RareJob group

Notes:

* Estimated by RareJob using the average cost of language learning for TOEIC examinees (4,000 yen per month) and the number of TOEIC examinees (2 million persons per year)
*TOEIC® is the registered trademark of the U.S. Educational Testing Service (ETS).



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We are focusing on our PROGOS English-speaking assessment using AI. PROGOS will surely change the market. There is a huge market around TOEIC. TOEIC learning books, TOEIC learning apps, et cetera. We can estimate that the TOEIC-related market is around JPY50 billion to JPY100 billion. If we can make PROGOS the standard

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of English assessment, then we can also create the same market, with online English tutoring for PROGOS, PROGOS learning books, PROGOS learning, apps, et cetera. We expect to earn approximately 20% of the market, and JPY10 billion to JPY20 billion from the PROGOS ecosystem.

Growth Strategy for B2C

In English-related services, we are aiming for growth by price increases and products with high value while it takes some time for the market to recover.

Online ESL market

- Temporal demand soar for online English learning in 2020 disappeared and the demand has strangled due to international travel restriction.
- We assume that it will take until the end of this fiscal year to lift international travel restriction.
- Weakening yen is likely to cause an increase in tutor fees, which could lead to deterioration in profitability.

Actions for growth

- ✓ **Price revision: price increase**
 - Assumed that there is room for a price increase about 30%, given the improvement in service during the 8 years when the price has left unchanged.
 - There are still some price differences with offline English schools, which makes us decide that a price increase is possible.
- ✓ **Services with higher value**
 - By adding innovative functions which are not available in other competitors, we maintain and improve our competitive advantage.



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For B2C, currently, we are not in a good situation. Due to the Japanese government's policy, foreigners cannot enter Japan easily and the Japanese cannot go to overseas countries easily. That reduced adults' motivation for learning English. And also, the yen weakened rapidly in this year. That affected our cost.

To solve these issues, we decided to increase the price of our package with service improvement. We have to completely change the service image. It's not just a place to speak English. It's a place to improve your English-speaking skills. We will add some functions to achieve that.

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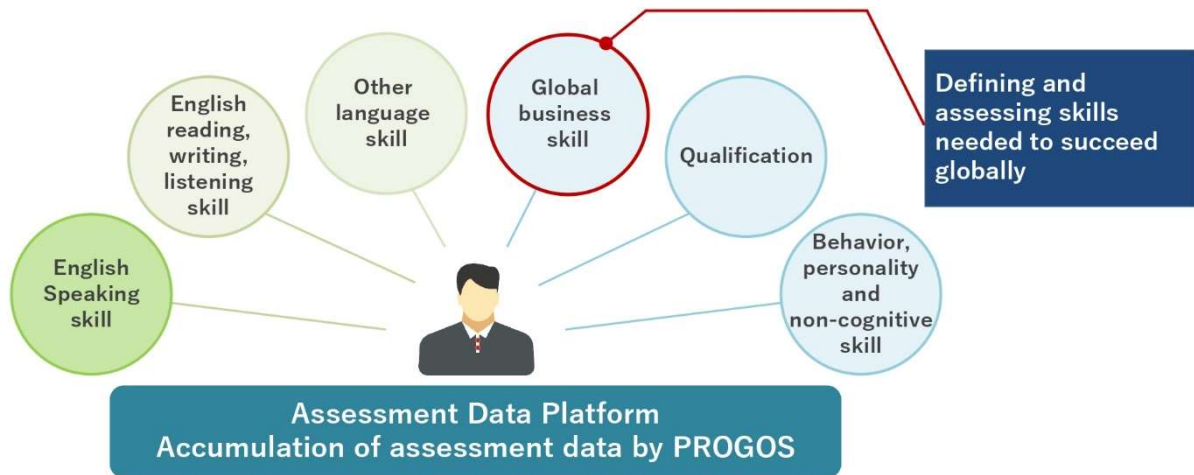
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Growth Strategy for B2B (1/2)

We evolve PROGOS and try to visualize business skills of workers.



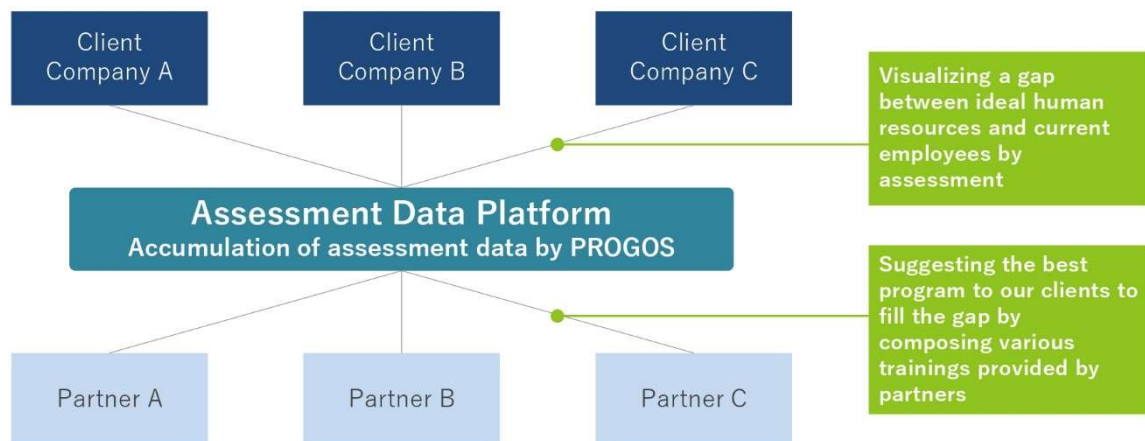
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For B2B PROGOS is the key for growth. Firstly, we focus on English-speaking skills. In a few years, PROGOS will be the standard assessment of English-speaking skills. And also, the PROGOS score will be used in many fields. For example, the PROGOS score based on CEFR will be written in LinkedIn or some other CVs.

Growth Strategy for B2B (2/2)

By specializing in assessing skills of human resources, we aim to fill an advisory position in corporate training for companies.



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Other than English-speaking skills, we gradually gather other data, such as global business skills. By gathering lots of skill-related data and the companies' data, we can analyze lots of things. With that analyzed data, we can provide suitable recommendations for further growth of the company. It means we can become an advisory position in corporate training.

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Growth Strategy for B2School (1/2)

The current PROGOS just for business people will be expanded for students as well.

	Current PROGOS	PROGOS for students (interim)
Target users	Business person	Senior elementary school students to high school students
Skill to measure	Speaking	Speaking <ul style="list-style-type: none">4 skills will be added based on customer needs
Subject of test	Business situation	A daily situation that even elementary school students can understand

AI assessments for English proficiency are utilized officially for entrance exams in the US and China, so we are aiming for the same opportunity in Japan.



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Lots of schools would like to assess students' English-speaking skills. But due to lots of difficulties, not so many schools are assessing students English-speaking skills efficiently.

That is also the same for university entrance exams, and that's why English-speaking tests were not used in the common test for university admissions. If humans need to evaluate all the tests, it is not scalable, and it's difficult to be accurate.

To solve that issue, speaking tests should be done using AI. PROGOS started from business users, but in the future, we could use the same methodology and enter the K-12 field. With our AI assessment technology, we will change schools' English-speaking assessments, and also university entrance exams. That is like Duolingo English tests.

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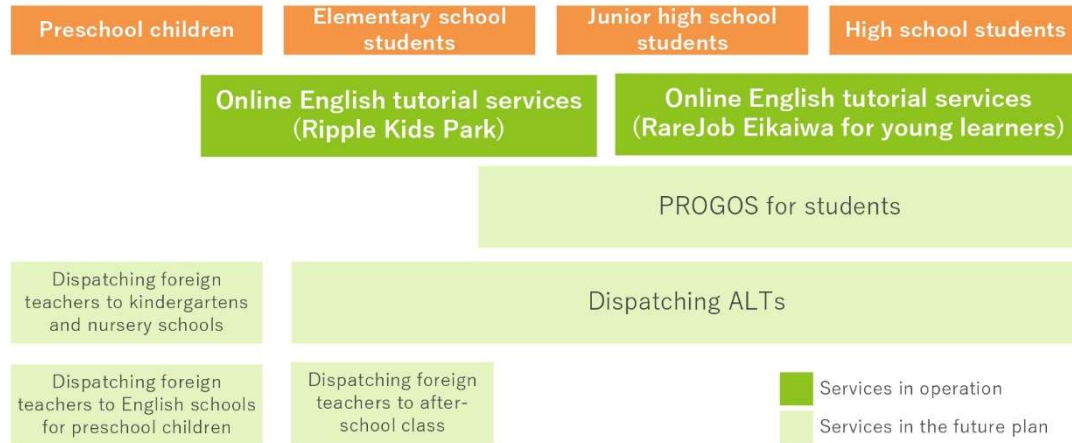
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Growth Strategy for B2School (2/2)

Our business will be expanded in entire K12 area including online English tutorial and offline services.



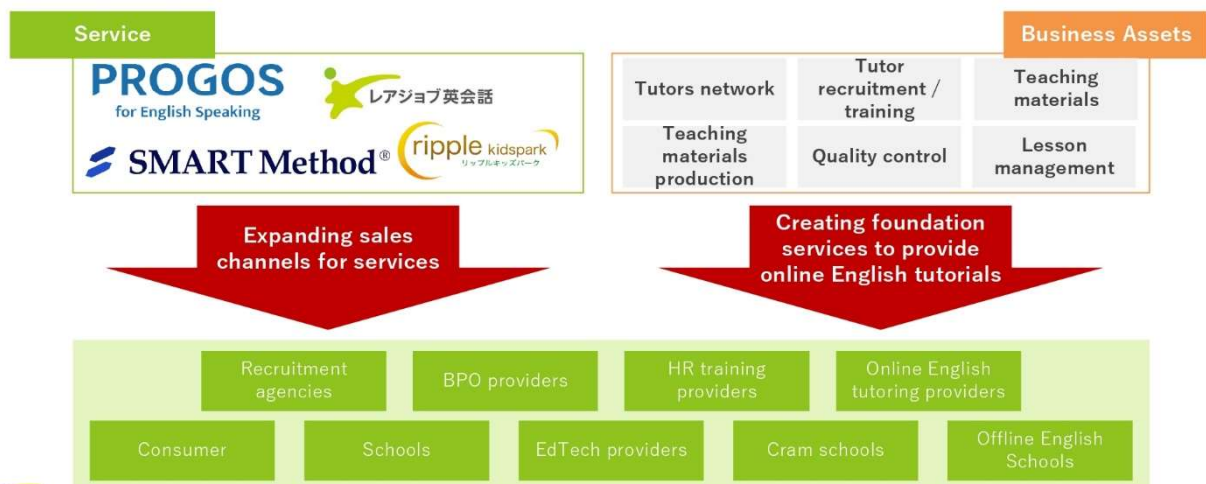
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For K-12, we will provide not only online English tutorials, but also other services. One is ALT, our assistant language teacher service. We invested in Borderlink, and they send lots of English teachers to schools. We will extend this business more.

Growth Strategy for B2Overseas

Services of the RareJob Group will be sold overseas and new services that utilizes our business assets will be developed.



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For overseas business, firstly, we will sell our core business, such as PROGOS, online ESL, or our assets like tutors.

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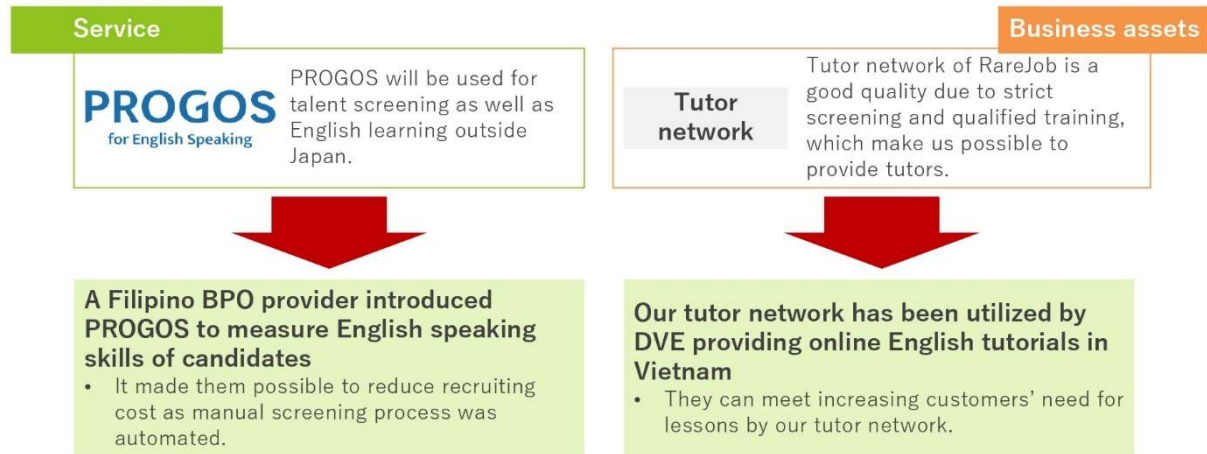
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(Reference) Examples for Overseas Business

The introduction of PROGOS to the Filipino BPO provider and the provision of tutors to the Vietnamese online English tutoring provider were already carried out.



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PROGOS has already been used in some other countries, like Cambodia, Thailand, the Philippines and so on. Various companies have used PROGOS, such as call-center agencies, or recruitment agencies to screen applicants. And universities also used it.

We see lots of potential in PROGOS, and we plan to sell PROGOS all over the world. As for using our assets, together with our investment in Vietnamese start-up, Kyna, we provide our Filipino tutors, and they provide online ESL to kids in Vietnam.

We would like to expand this kind of business model. In the future, we will be aggressively using our M&A.

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Sustainability for the RareJob Group

Everyone in the world can have an opportunity
to get a “Rare Job”.

This founding philosophy of RareJob is to
realize a sustainable world.



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Sustainability for the RareJob Group. Everyone in the world can have the opportunity to get a rare job. This philosophy of RareJob is to realize a sustainable world.

Human Capital of the RareJob Group to Support Sustainability

We encourage our employees to embody our vision,
“Chances for everyone, everywhere.”

Perspectives to be taken as human capital		KPI	As of March 31, 2022
Opportunities	Promoting diversity	Ratio of female managers	22.9%
		Ratio of female members of board of directors in the group	34.5%
	Localization of overseas subsidiaries	Ratio of locals in the board of directors in overseas subsidiaries	80.0%
Providing training to take a next step	Providing training mainly for English speaking	Training hours per employee*	10.1 hours
Visualizing the current situation	Enhancing English speaking skills to succeed globally	Ratio of PROGOS score B1 or higher	48.4%

*April 2021 through March 2022



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Our vision is chances for everyone everywhere. So, we would like our employees to achieve this vision, too. In terms of opportunities, our female managers’ ratio is 22.9%. And our female members’ ratio among the Board of Directors in the Group is 34.5%. And two overseas subsidiaries have Filipino CEOs. One KPI that human capital should have is the ratio of global mindset employees. We define that as CEFR B1 or higher. In Japan, at our company, 48.4% of our employees have CEFR B1 or higher, based on PROGOS.

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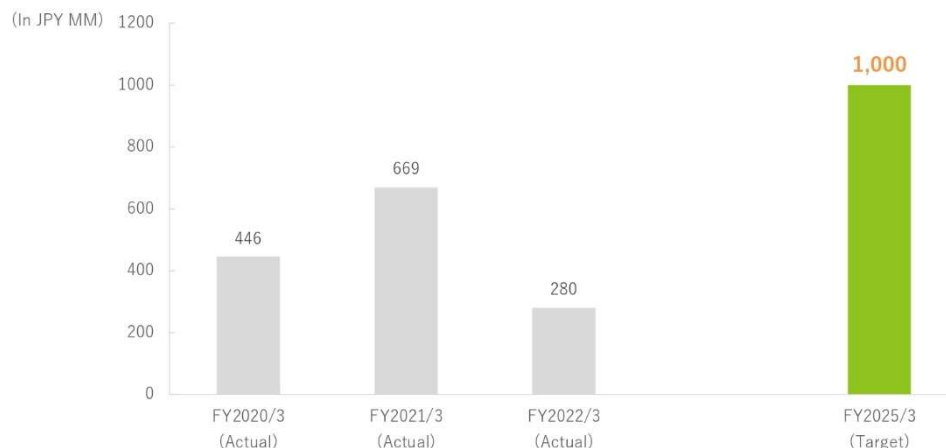
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Target: Operating Income

We set 1 billion yen operating income for FY 2025/3 as the management target to aim for increasing corporate value by profit generation over the next three years.



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Next is the target. We are investing in PROGOS and other services right now. With these investments, we will achieve JPY1 billion operating income three years later. That's our target.

Compliance with TSE Prime Market Listing Maintenance Criteria

The criterion for "tradable share market cap" has not been met on 31st March, 2022.

	The number of tradable shares (units)	Tradable share market cap (In JPY MM)	Tradable share ratio (%)
RareJob (As of March 31, 2022)	51,082	4,181	52.9
Listing Maintenance Criteria	20,000	10,000	35
Current compliance	Pass	Fail	Pass

Note: All figures are based on our calculations.



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Currently, we are not meeting the Tokyo Stock Exchange prime market criteria. Our tradeable share market capital is below JPY10 billion.

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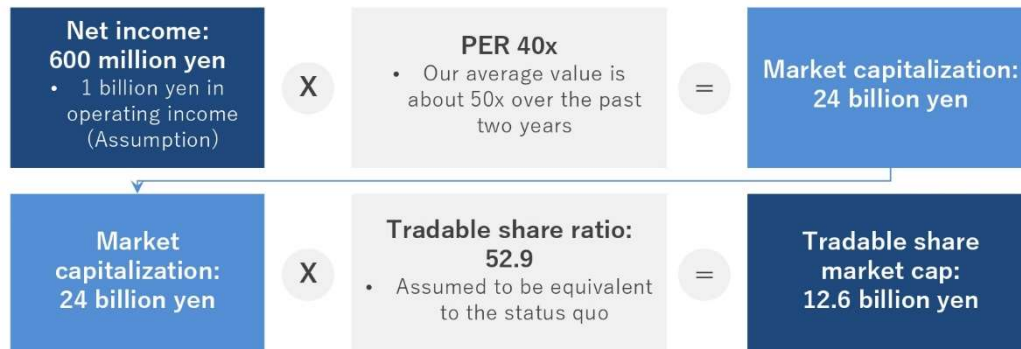
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Path for Meeting Listing Maintenance Criteria

If we achieve operating income of 1 billion yen in FY2025/3, the requirement of 10 billion yen in tradable share market cap, which is the criteria for maintaining prime market listing, will be met.



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To meet that criteria, once we meet JPY10 billion operating income three years later, which is our target, our tradable share market capitalization will be bigger than JPY10 billion, assuming that PER is 40 times.

Dividend Policy

This is a part of our policy to realize stable and continuous dividends to our shareholders and aim for 20% dividend payout ratio.

	FY 2021/3 (Actual)	FY 2022/3 (Scheduled)
Dividend per share	10 yen	11 yen



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Next is our shareholder return policy. We aim for 20% dividend payout ratio. As for last fiscal year, we planned to pay a dividend of JPY11.

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FY2022/3 Results Summary

The AI automated scoring exam PROGOS for English speaking have received more than 1.2 million applications in FY2022/3.

- We received more applications than expected, which means demands from HR departments of companies are high
- Need to focus on increasing the number of examinees by implementing PROGOS to client's systems

Net sales hit record highs and rose by 5.0% year on year

- B2C sales increased by 4.0% due to sales generated by shikaku square, Inc. which joined in December 2021.
- B2B & B2School sales increased by 7.2% which was driven by sales growth in B2B sector.

Operating income fell by 56.4% year on year.

- In addition to outsource expenses for system development, personnel expenses increased due to the promotion of recruitment activities for B2B sales team, which aims for net sales growth



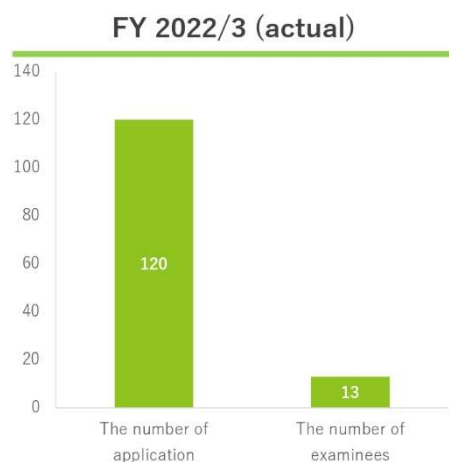
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Next is about financial results of the fiscal year ended March 2022. Here is the financial results summary. Last fiscal year, we invested in PROGOS and achieved more than 1.2 million applications. That means HR departments would like their employees to take an English-speaking assessment and want to know their levels. On the other hand, actual examinees were much less than we expected. Our issue is to increase the number of actual examinees. Net sales saw just a 5% growth YoY. This low growth was mainly due to the poor performance of B2C business. This also affected the operating income.

PROGOS Situation and Issues

PROGOS has received more than 1.2 million applications in FY2022/3, but the number of examinees is still 0.13 million. We need to implement PROGOS to client's system.



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Issues and actions

- ✓ **Employees have little incentive to be assessed, though HR want them to take the exam.**
 - Needs from companies trying to make them international organizations are clearly seen as 1.2 million applications show.
 - Because employees are encouraged to take the exam spontaneously, the number of examinees wasn't increasing as expected.
- ✓ **We try increasing the number of examinees by the introduction of PROGOS to client's system.**
 - Making 100% of employees take the exam by the introduction to client's system
 - Aiming to become the de facto standard for English assessment in the corporate world by introducing it to leading companies

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As for PROGOS, we invested a lot last year and acquired more than 1.2 million applications. But the number of examinees was just 10%. This was a big issue, and we are trying to solve it. What we have found so far is

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that employees do not like to be assessed. But HR or management want their employees to take assessments. What we are trying to do is to let major companies use CEFR or PROGOS in their job descriptions. For example, overseas division members need B2 or above. Another example is that newly hired fresh graduates take PROGOS, and a company knows their English-speaking level. With this procedure, since they are newly hired, most members take PROGOS.

Financial Results for FY 2022/3

Net sales rose by 5.0% and operating income fell by 56.4% year on year.
Operating income fell due to upfront investment for future growth.

(In JPY MM)

	FY 2021/3	FY 2022/3	Change YoY
Net sales	5,331	5,598	+5.0%
EBITDA*	920	581	-36.9%
Operating income	669	291	-56.4%
Ordinary income	628	242	-61.5%
Net income attributable to owners of parent	391	184	-52.7%
Operating profit ratio	12.5%	5.2%	-7.3 pt
ROE	24.4%	9.1%	-15.3pt

*Operating income + Depreciation + Depreciation on goodwill



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Financial results for the fiscal year ended March 2022. Net sales were JPY5.598 billion, which is a just 5% increase YoY. Operating income was JPY291 million, which is 56.4% decrease YoY.

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FY 2022/3 Forecast and Results

Profits exceeded forecasts.

(In JPY MM)

	FY 2022/3 Revised forecast*	FY 2022/3 Results	Actual vs Revised forecast
Net sales	5,650	5,598	99.1%
EBITDA	-	581	-
Operating income	250	291	116.6%
Ordinary income	200	242	121.1%
Net income attributable to owners of parent	120	184	154.1%
Operating profit ratio	4.4%	5.2%	-
ROE	-	9.1%	-

*Published on 11/11/2021



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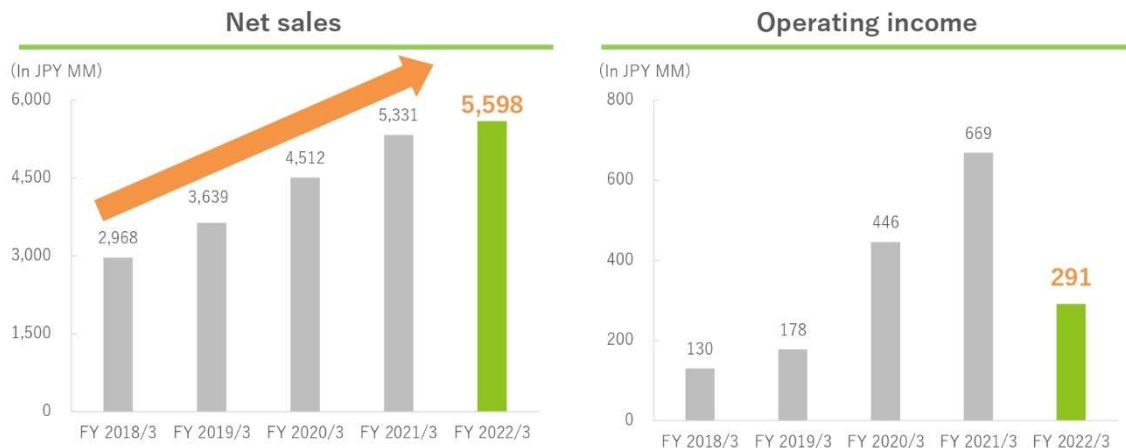
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Compared with our guidance on last November, profits exceeded the forecast.

Consolidated Financial Results Trend

Sales reached record highs since the foundation.

Operating income fell due to upfront investment for future growth.



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Consolidated financial results trend. Net sales have increased for 14 consecutive fiscal years since the foundation. Operating income decreased, due to investment for future growth and the weak Japanese yen.

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Breakdown of net sales for FY 2022/3

B2C sales increased by 4.0% due to sales generated by shikaku square, Inc. which joined in December 2021.

B2B and B2School sales increased by 7.2% which was driven by sales rise per corporate client

(In JPY MM)

	FY 2021/3	FY 2022/3	Change YoY
Net sales	5,331	5,598	+5.0%
B2C (constituent ratio)	3,742 (70.2%)	3,894 (69.6%)	+4.0%
B2B & B2School (constituent ratio)	1,589 (29.8%)	1,704 (30.4%)	+7.2%



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Breakdown of net sales. B2C sales have increased just 4%. This includes shikaku square, which newly joined the RareJob Group last December. B2B & B2School sales increased 7.2%.

Expenses (Cost of Sales and SG&A) Breakdown for FY 2022/3

As the number of employees has increased in B2B and shikaku square, Inc., labor cost increased. Outsourcing cost for engineers and depreciation on goodwill also increased.



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Expenses. Labor costs increased due to an increase in the number of employees as a result of the B2B business and the acquisition of shikaku square as a subsidiary. In addition, subcontracting costs for engineers and amortization of goodwill also increased.

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Breakdown of Quarterly Net Sales and Expenses (Cost of Sales and Selling, General and Administrative Expenses)

Despite of the seasonal factor, B2B sales maintain the increase momentum.



* Due to the difference in closing dates of overseas subsidiaries and to comply with transfer pricing taxation, there was an increase in expenses for lecturers (cost of sales) and other SG&A expenses in 1Q and a decrease in expenses in 3Q compared with the previous quarter.
 **Bonuses linked to business performance were expensed in a lump sum, resulting in a large increase in personnel expenses (SG&A expenses).
 ***Consideration of change in display method has been made.



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In spite of the seasonal factor, B2B sales maintained their increased momentum.

Consolidated Balance Sheets for FY 2022/3

Cash and cash equivalents increased by 256 million yen year on year to prepare for future M&A opportunities.

(In JPY MM)

Assets	End of March 2021	End of March 2022	Change
Current assets	3,214	3,503	+288
Cash and deposits	2,860	3,116	+256
Others	353	386	+32
Fixed assets	1,254	2,840	+1,585
Total assets	4,468	6,343	+1,874
Liabilities and Net Assets	End of March 2021	End of March 2022	Change
Liabilities	2,351	3,864	+1,512
Current liabilities	1,037	2,529	+1,492
Fixed liabilities	1,314	1,334	+20
Net assets	2,116	2,479	+362
Total liabilities and net assets	4,468	6,343	+1,874
Capital ratio	41.2%	35.0%	-6.2 pt



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Consolidated balance sheet. Cash and cash equivalence increased by JPY256 million YoY to prepare for future M&A opportunities.

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Consolidated Statement of Cash Flows for FY 2022/3

Due to two M&A cases, FCF is temporarily deficit.

(In JPY MM)

CF	FY 2021/3	FY 2022/3	Change
Cash Flows from operating activities	1,089	292	-797
Income before Income Taxes and Others	612	267	-344
Depreciation and Amortization (Including amortization of goodwill)	250	289	+38
Other	226	-264	-491
Cash Flows from Investing Activities	-335	-1,507	-1,171
Purchase of shares of subsidiaries and associates	0	-961	-961
Purchase of shares of subsidiaries resulting in change in scope of consolidation	0	-278	-278
Other	-335	-267	+67
Cash Flows from Financing Activities	-54	1,464	+1,519
Proceeds from long-term loans payable	300	1,450	+1,150
Other	-354	14	+369
Cash and cash equivalents at end of year	2,866	3,121	+255
FCF	754	-1,214	-1,969



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Cash flow. We executed two M&As last year. That's why free cash flow is temporarily deficit.

FY 2023/3 Plan

Sales will increase due to growth of B2B and shikaku square business. Operating income will fall due to investment and deteriorating exchange rate.

(In JPY MM)

	FY 2022/3 Results	Guidance for FY 2023/3	Change YoY
Net sales	5,598	6,000	+7.2%
B2C Sales	3,894	4,100	+5.3%
B2B & B2School Sales	1,704	1,900	+11.5%
EBITDA	581	386	-33.4%
Operating income	291	50	-82.9%
Ordinary income	242	80	-67.0%
Net income attributable to owners of parent	184	0	-100.0%
Operating margin	5.2%	0.8%	-4.4pt
ROE	9.1%	0%	-9.1pt



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Next is this fiscal year's plan. For this fiscal year, we plan to achieve net sales of more than JPY6 billion, a 7.2% increase YoY. B2C sales is expected to reach JPY4.1 billion, a 5.3% increase YoY. Last December, shikaku square joined the RareJob Group, and that sale was added to B2C sales. B2B and B2School sales are expected to reach JPY1.9 billion, an 11.5% increase YoY. As for profit, due to a weak yen, our profit margin deteriorated significantly. EBITDA is expected to reach JPY386 million, operating income, JPY50 million, net income, JPY0.

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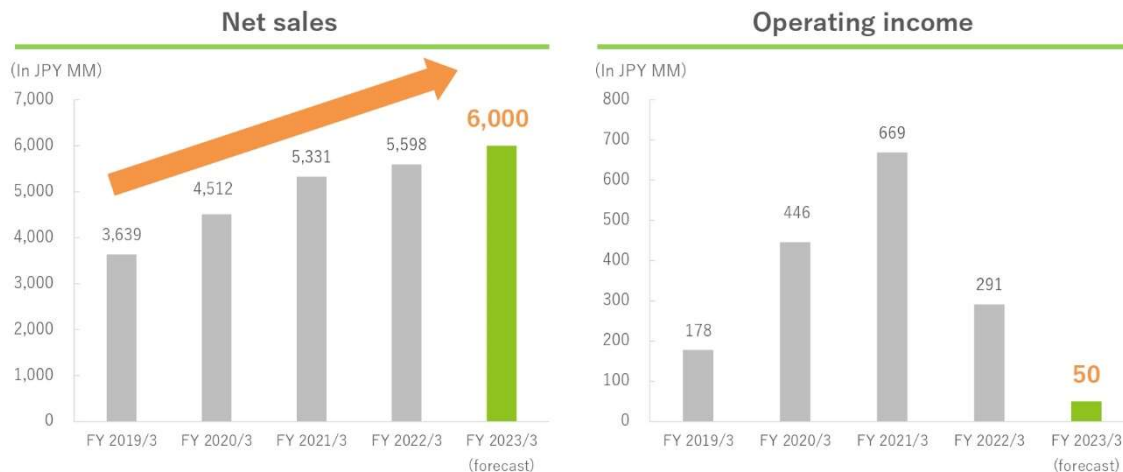
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Consolidated Financial Results

Net sales are expected to increase for the 15 consecutive fiscal years since the foundation.



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Net sales are expected to increase for the 15th consecutive fiscal year since the foundation.

Transition of SG&A to Sales Ratio

Investments in R&D and S&M will be carried out for the growth strategy while making G&A expenses efficient.



*Research and Development Expenses including personnel expenses for engineers involved in research and development and common expenses. Figures do not take into account transfers to intangible assets.

**Sales and Marketing Personnel expenses for sales promotion and corporate sales personnel, and expenses including common costs

***General and Administrative Corporate department personnel costs and expenses, including common costs

****The classification of R&D and S&M has been changed for some expenses in FY2021/3 and FY2022/3 from this document.



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Since we are investing in our service, our R&D ratio will increase. At the same time, we are working to improve operational efficiency. So, our G&A ratio will decrease.

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Actions for FY2023/3

The acceleration of penetration of PROGOS

- Making cases that major companies introduce PROGOS to standardize the exam

Price revision

- We will increase our product price with service improvement

Service development for PROGOS evolution

- Global Business skill assessment

Evolving a business model for B2B

- Suggesting training programs from a neutral point of view by collaboration with partners



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Actions for the fiscal year ending March 2023. Our top priority is PROGOS. We invest in PROGOS more and more to spread PROGOS to the world. This is our core, so we continue to invest and make PROGOS the standard of English-speaking assessment. To do that, we will make lots of use cases of PROGOS and CEFR in famous corporate clients.

Next is price revision. Due to weak yen, our cost has increased a lot. So, we will increase our product price around 20% to 30% with service improvement and service development for further PROGOS evolution. We improve not only English-speaking skill assessment. We will also develop a global business skill assessment. Using these assessments in alliance with our partners, we will further evolve our B2B business.

Thank you for watching RareJob's Financial Results Briefing for the Fiscal Year Ended March 2022. Thank you.

[END]

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