



RareJob

RareJob Inc.

Financial Results Briefing for the Fiscal Year Ended March 2023

May 11, 2023

Event Summary

[Company Name]	RareJob Inc.	
[Company ID]	6096-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2023	
[Fiscal Period]	FY2023 Q4	
[Date]	May 11, 2023	
[Number of Pages]	28	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Gaku Nakamura	Co-Founder, CEO
	Seishi Yasunaga	Executive Vice President

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Presentation

Nakamura: Hello, everyone. We will now begin RareJob Inc.'s financial results briefing for the fiscal year ended March 31, 2023.

I am Nakamura, Co-Founder and CEO. We will now begin the financial results briefing for the fiscal year ended March 31, 2023.

First, I would like to discuss the impact of the change in the second-tier subsidiary on our financial results. And then, an overview of the financial results for the fiscal year ended March 31, 2023, our mid-term growth strategy, and our forecast for the current fiscal year, ending March 31, 2024, will be followed.



The Termination of the Share Loan Transaction Agreement

K12 Holdings, Inc. (hereafter, "K12HD"), acquired ISC Co.,Ltd. (hereafter, "ISC") in January 1, 2023 based on the share loan transaction agreement (hereafter, "agreement") with a share transfer contract to K12HD in the future. This was announced by the notice of the establishment of a subsidiary and acquisition of a subsidiary (second-tier subsidiary) in December 13, 2022.

However, questionable accounting practices (hereafter, "the practices") which has been carried out since the time before the acquisition of ISC by K12HD in violation of generally accepted accounting principles were discovered in the calculation of the acquisition price of ISC and the consolidated financial statements. Therefore, K12HD requested to correct the practices, however, ISC notified the termination of this agreement to K12HD. As a result, a meeting of our board of directors determined the termination of this agreement in May 11, 2023.

Our group has not overlooked the practice and requested ISC to correct and improve the practices. However, a notice "our trust relationship was destroyed" was delivered to K12HD against our request from all directors of ISC. Therefore, we did not have any option but confirm that ISC does not have any intention to respond to our request. Consequently, we terminated this agreement as this act corresponds to the termination condition, "violation of breach of representation and warranty".

[Summary of ISC]

Name: ISC Co.,Ltd.

Location: 6-8, Shimouma 2-chome, Setagaya-ku, Tokyo

Business: Nursery, Child development support, Educational program (WithBook) and so on



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I would like to discuss the impact of the change in the second-tier subsidiary on our financial results.

We have been in a capital alliance with ISC since this January. Specifically, we entered into a stock loan transaction agreement for the transfer of shares.

Based on this agreement, we consolidated ISC in Q4 of the last year. Therefore, in February, we announced an upward revision due to the financial results of ISC.

However, we discovered that ISC had been using accounting procedures that were inconsistent with generally accepted accounting standards prior to becoming our subsidiary in the calculation of the acquisition price and in the consolidated financial statements.

As a result, we request ISC to correct the accounting procedures, however, ISC notified our subsidiary, K12 Holdings, of their request to terminate the agreement.

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Accordingly, the Board of Directors has resolved to terminate this agreement as of today.

We wanted ISC to correct and improve the accounting procedures and move forward with this agreement, but in response to this request, all ISC directors notified us that the relationship of trust had been damaged and requested that the contract be terminated.

Therefore, K12 Holdings has been forced to conclude that ISC has no intention to resolve this issue and that it constitutes a breach of representations and warranties, which is a condition for termination of the agreement, and has therefore decided to terminate the agreement.

Impact on Consolidated Financial Results

Upon termination of this agreement, ISC was excluded from our consolidated subsidiaries. Our group determined that it is appropriate not to include ISC in our consolidated financial results for FY2023/3 based on the accounting standards for consolidated financial statements stipulated in the Corporate Accounting Standards.

As a result, we have difference between the last time forecast and financial results for FY2023/3.

This difference was caused mainly due to the decision that ISC is not included in our consolidated financial results because no direct revenue or expenses will be recognized as a result of the termination of this agreement.

Our businesses have performed as initially expected, though demand for B2C online English tutoring services has been on a shrinking trend. Therefore, the impact of the termination of this agreement on our existing business is negligible.

	Net sales	EBITDA	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	In JPY MM	In JPY MM	In JPY MM	In JPY MM	In JPY MM	Yen
Last time forecast	6,800	605	230	410	310	33.07
Results	5,787	547	228	279	194	20.69
Change	-1,012	-57	-1	-130	-115	—
Percentage change	-14.9%	-9.5%	-0.7%	-31.8%	-37.4%	—



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As a result, in Q4 of the previous fiscal year, a part of ISC financial results was combined, which has been removed from our consolidated financial results. In February we announced upward revised forecast for our financial results but a part of ISC financial results is excluded from sales and operating income for the revised forecast, which has affected consolidated results.

The results for this year were net sales of JPY5,787 million, EBITDA of JPY547 million, operating income of JPY228 million, ordinary income of JPY279 million, and net income of JPY194 million.

These are the effects of the termination of this contract.

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FY2023/3 Results Summary

Net sales 5,787 million yen YoY +3.4%	EBITDA*¹ 547 million yen YoY -5.7%	Operating income 228 million yen YoY -21.7%	The number of PROGOS® examinees 20 thousand+ YoY +51.3%
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Business summary

- The number of examinees for the AI automated scoring exam PROGOS® has been increased.
- ARPC has been increased with improved learning experience by price revision of RareJob Eikaiwa service.
- BORDERLINK, INC. operating ALT*² business was acquired 100% at 1st April 2023.

*1 Operating income + Depreciation + Depreciation on goodwill

*2 Abbreviation for Assistant Language Teacher, a tutor assistant with a native-level English fluency.



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I will continue with a summary of the financial results for the fiscal year ended March 31, 2023.

Net sales increased 3.4% YoY to JPY5,787 million. EBITDA decreased by 5.7%, JPY547 million YoY.

Operating income was JPY228 million, down 21.7% YoY. The number of PROGOS examinees, which is one of the areas we are focusing on, reached more than 200,000, up 51.3% YoY.

In the last fiscal year, the number of test takers for PROGOS, an English speaking ability test automatically scored by AI, increased steadily.

We have also revised the services and fees of one of our main products, RareJob Eikaiwa, raising the price by approximately 20%.

Last October, we raised prices for new members, and this May, prices for all existing members have also increased.

Along with this, we are working to improve the learning experience and make changes from time to time to make it worth the price.

And through M&A, BORDERLINK, which is engaged in the ALT business, will become a 100% owned subsidiary of our company from this April. Previously, we had acquired 49% shares, but acquired 100% since this April.

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Financial Results for FY 2023/3

B2C sales decreased by 0.3% YoY due to contraction of demand for online English tutoring services.

B2B and B2School sales increased by 11.8% due to sales expansion of training services for corporate client.

Net income increased by 4.9% due to equity method investment gain regarding ALT business.

(In JPY MM)

	FY2022/3	FY2023/3	Change YoY	FY2023/3 Revised forecast ^{*1}	Change YoY
Net sales	5,598	5,787	+3.4%	6,800	-14.9%
B2C	3,894	3,881	-0.3%	3,810	+1.9%
B2B & B2School	1,704	1,905	+11.8%	2,990	-36.3%
EBITDA	581	547	-5.7%	605	-9.5%
Operating income	291	228	-21.7%	230	-0.7%
Ordinary income	242	279	+15.4%	410	-31.8%
Net income attributable to owners of parent	184	194	+4.9%	310	-37.4%
EBITDA ratio ^{*2}	10.4%	9.5%	-0.9pt	8.9%	+0.6pt
Operating income ratio	5.2%	3.9%	-1.3pt	3.4%	+0.5pt
ROE	9.1%	8.4%	-0.8pt	13.2%	-4.8pt

^{*1} As of February 2023 (Revision by acquisition of ISC Co., Ltd. as a second-tier subsidiary)

^{*2} Proportion of EBITDA to net sales



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Next are the details of the consolidated results. Sales totaled JPY5,787 million, of which JPY3,881 million was for B2C and JPY1,905 million was for B2B&B2School.

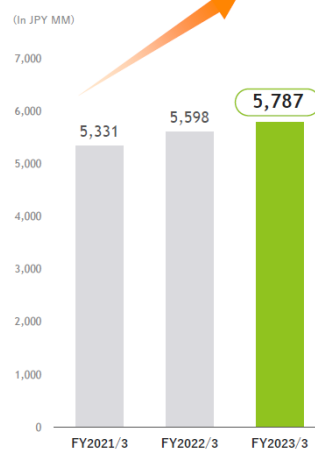
EBITDA landed at JPY547 million, operating income at JPY228 million, ordinary income at JPY279 million, and net income at JPY194 million. EBITDA margin was 9.5%, operating margin was 3.9%, and ROE was 8.4%.

Consolidated Financial Results Trend

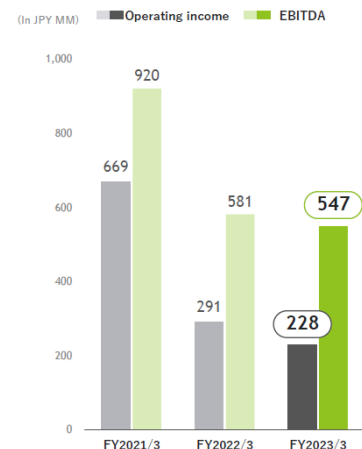
Sales reached record highs since the foundation.

Operating income and EBITDA fell.

Net sales



Operating income and EBITDA



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As for the consolidated business performance, we recorded our highest ever sales. EBITDA was JPY547 million and operating income landed at JPY228 million.

Expenses (Cost of Sales and SG&A) Breakdown

Cost of sales increased by 1.8% YoY due to purchase for training services as sales for the service has increased.

SG&A increased by 7.0% due to personnel expenses and so on by the merger of shikaku square, Inc.

(In JPY MM)

	FY2022/3		FY2023/3		YoY (Ratio)	Factors
	Actual	Ratio to sales	Actual	Ratio to sales		
Cost of sales	2,307	41.2%	2,348	40.6%	+41 (+1.8%)	
Tutor fee	1,171	30.6%	1,603	27.7%	-107 (-6.3%)	The number of users and lessons per user decreased.
Others	596	10.7%	744	12.9%	+148 (+24.9%)	Purchase to provide training services increased.
SG&A	2,999	53.6%	3,210	55.5%	+210 (+7.0%)	
Labor cost	1,394	24.9%	1,513	26.2%	+118 (+8.5%)	The number of employees increased in shikaku square, Inc.
Advertising	419	7.5%	406	7.0%	-13 (-3.2%)	Advertising cost for B2C RareJob Eikaiwa decreased.
Others	1,185	21.2%	1,290	22.3%	+105 (+8.9%)	Depreciation on goodwill increased as shikaku square, Inc. joined the group.



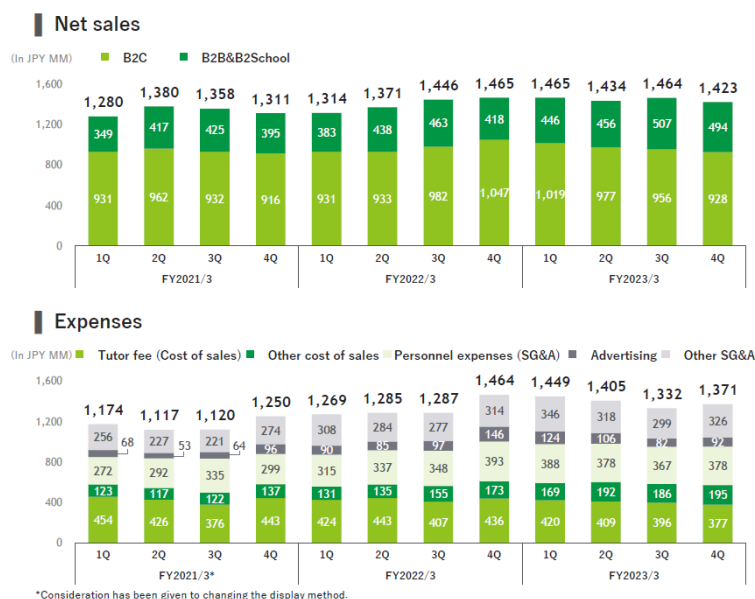
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The following is a breakdown of cost of sales and SG&A expenses. Cost of sales increased mainly due to an increase in the purchase of training services. Therefore, the YoY is 1.8%. And SG&A expenses increased by 7.0%, mainly due to an increase in personnel and other expenses at shikaku square.

Breakdown of Quarterly Net Sales and Expenses (Cost of Sales and SG&A)

B2B & B2School sales has kept increasing YoY though a seasonal factor has been seen.



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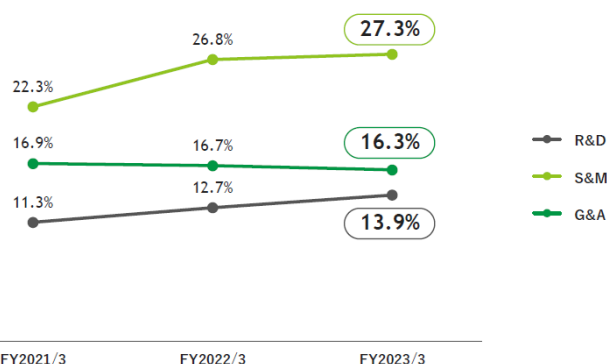


Continuing on, here are the quarterly sales and expenses. Despite seasonal factors, the trend of YoY increase was maintained.

Transition of SG&A to Sales Ratio

Investments in R&D and S&M has been continuously carried out while making G&A expenses efficient.

R&D^{*1} · S&M^{*2} · G&A^{*3} Ratio



^{*1} 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.
^{*2} Sales and Marketing Personnel expenses for sales promotion and corporate sales personnel, and expenses including common costs.
^{*3} General and Administrative Corporate department personnel costs and expenses, including common costs.

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This is the ratio of SG&A expenses to net sales. We are maintaining the trend of investing expenses in R&D and S&M while streamlining expenses here as well.

Consolidated Balance Sheets

Advance payment for a purchase of shares and long-term loan payable under fixed assets mainly increased due to the acquisition of BORDERLINK, INC.

	End of March 2022	End of March 2023	Change
Current assets	3,503	2,934	-568
Cash and deposits	3,116	2,243	-873
Others	386	691	+305
Fixed assets	2,840	3,900	+1,060
Total assets	6,343	6,835	+491
Current liabilities	2,529	1,688	-840
Fixed liabilities	1,334	2,521	+1,187
Net assets	2,479	2,624	+145
Total liabilities and net assets	6,343	6,835	+491
Capital ratio	35.0%	35.5%	+0.5pt

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This is the consolidated balance sheet.

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The increase was mainly due to an increase in advance payments for the acquisition of shares in fixed assets as a result of the BORDERLINK M&A, and an increase in long-term debt.

Consolidated Statement of Cash Flows

Cash Flows from operating activities increased year on year.

Though 969 million yen was borrowed for purchase of shares, cash decreased due to 1,494 million yen for payment of shares and 300 million yen for repayment of working capital.

Free CF fell deficit due to active investments such as M&A and so on.

	FY2022/3	FY2023/3	Change
Cash Flows from operating activities	292	471	+178
Income before Income Taxes and Others	267	287	+19
Depreciation and Amortization (Including amortization of goodwill)	289	319	+29
Other	-264	-135	+129
Cash Flows from Investing Activities	-1,507	-1,725	-218
Purchase of shares of subsidiaries and associates and so on	-961	-1,165	-204
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-278	0	+278
Other	-267	-560	-292
Cash Flows from Financing Activities	1,464	371	-1,093
Proceeds from long-term loans payable	1,450	2,159	+709
Other	14	-1,788	-1,803
Cash and cash equivalents at the end of year	3,121	2,243	-878
FCF	-1,214	-1,254	-39



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The consolidated statement of cash flows looks like this. Operating cash flow increased from the previous year, borrowing JPY969 million to fund stock acquisition. Cash decreased due to stock payments of JPY1,494 million and working capital repayments of JPY300 million. Free cash flow was negative due to aggressive investment in M&A execution and other activities.

RareJob's Vision and Purpose

Our vision is to create a society by technology where everyone can grasp a chance to unlock their potential and be valued.

We aim to be an AI assessment company to support learning of people in the world for various skills.

Vision
Chances for everyone, everywhere.

Purpose
The realization of “the world where everyone can unlock their potentials to be valued”



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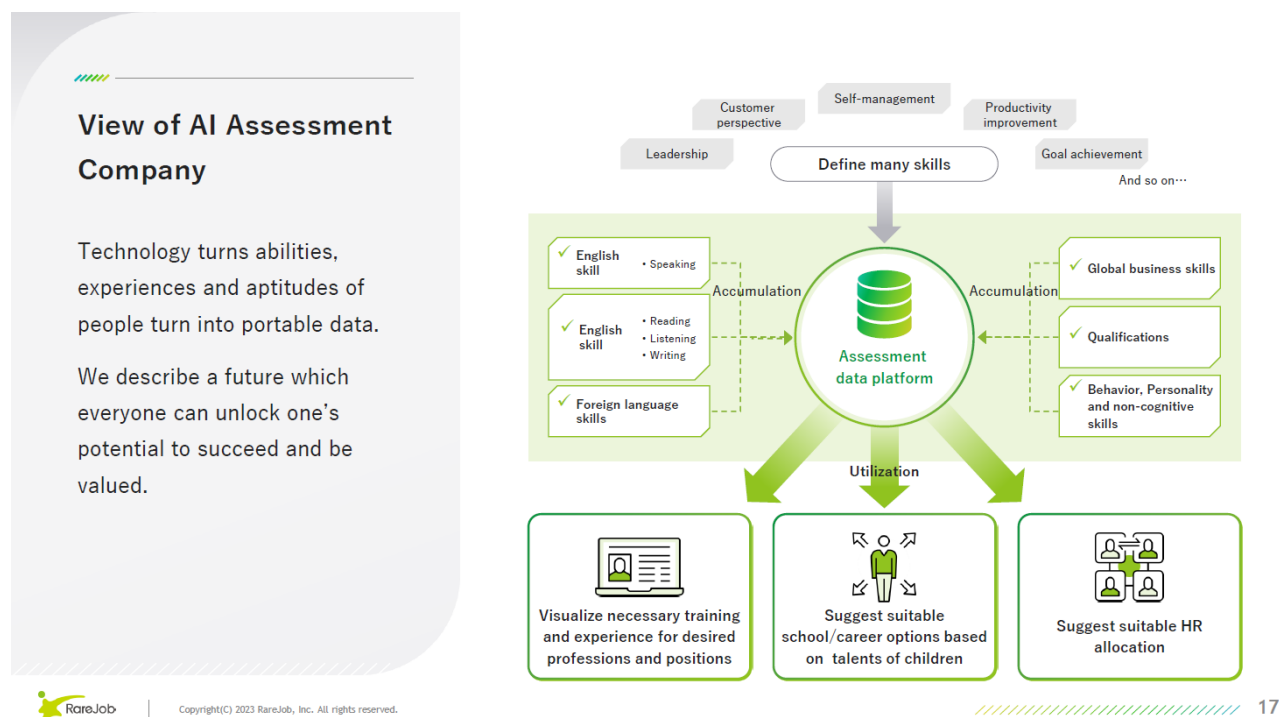
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This is followed by the medium-term growth strategy. At RareJob, our vision is, chances for everyone, everywhere. We are striving to realize this vision. We hope to create a world in which people from all over the world can unlock their potentials and play an active role in various situations by acquiring skills. We hope that it will realize from children to adults.



And in doing so, we will support the learning of people around the world while utilizing AI and data. We would like to be called an AI assessment company.

First, we would like to visualize English speaking ability by promoting PROGOS, storing the data within our company, and using it in various situations as an assessment data platform.

And we would like to acquire data on other skills as well. We will collect data on non-English language skills, global business skills, various certifications, and non-cognitive abilities and utilize it.

For example, for adults, the industry they are aiming for, the skills required for their position, and so on can be visualized, as well as the skills they have, the skills they will need to match, and what they lack to reach those skills.

We will visualize and train these as well. We would like to do this in order to help children become the person they aspire to be, and we will also envision a career path that matches their characteristics. We believe we can do this and more.

We would like to do what is necessary for this kind of long-term future, one step at a time. In this context, we would like to first visualize English speaking ability, store the skill data, and expand PROGOS.

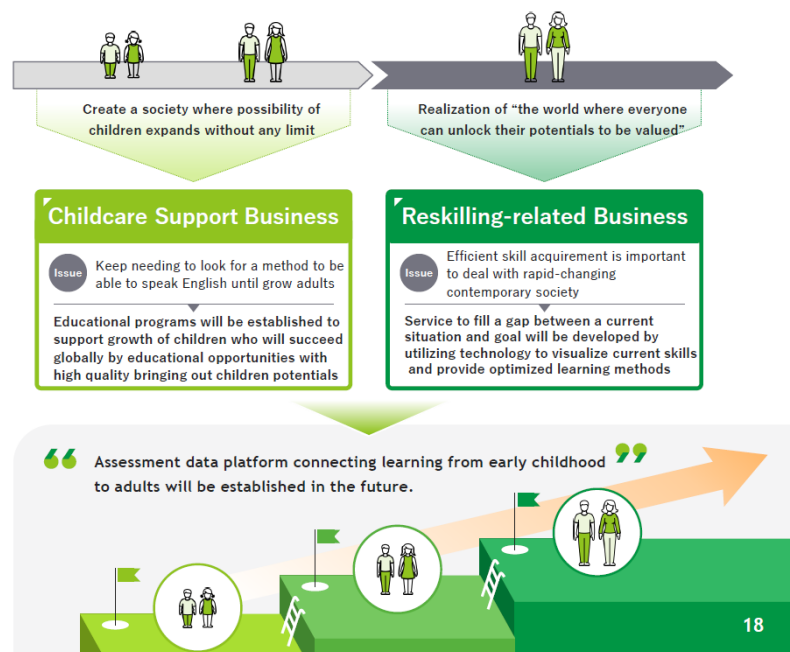
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Classification of Business Segments and Focus on Issue of Each Area

High-quality services will be provided to solve learning issues by classifying our services into child-oriented and adult-oriented businesses.



And our business segments have been expanding, especially since this April.

With BORDERLINK, an ALT business, becoming a 100% owned subsidiary, our business domain has broadened. For this reason, we will divide our business into two segments from now on one is the childcare support business segment, and the other is the reskilling-related business segment, which is for adults. We would like to provide high quality services to solve each learning issue.

For this reason, companies under the K12 Holdings will be in charge of childcare support areas, and will realize our vision.

As for the reskilling-related business, we would like to develop the business for adults by having each of the entities under the RareJob group which provide their own services. We will continue to expand a wide range of our business from children to adults and realize our vision of chances for everyone, everywhere.

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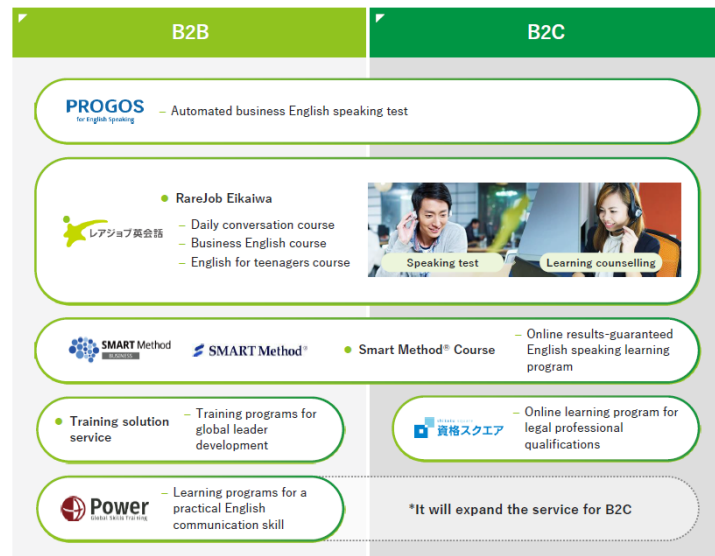
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Summary for Reskilling-related Business

Learning services for corporate clients and individual customers to become global talent with a focus on English speaking learning are provided.



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First, here is the business overview of the reskilling-related business. The reskilling business for adults can be divided into two categories: B2B and B2C.

The first service we provide for both B2B and B2C customers is PROGOS, an English speaking ability assessment exam with automatic scoring.

Then there is RareJob Eikaiwa, which we have been operating since our establishment. This service is available for both B2B and B2C customers.

We have two types of English speaking learning courses: daily English conversation course and business English conversation course.

In addition, we offer Smart Method courses to improve English language skills in a short period of time, and for B2B clients, we provide training program services, not only in English, but also in global leadership development areas.

For B2C, shikaku square offers an online learning service for difficult legal certifications.

In addition, we plan to launch “Power” as a training program for B2B clients to learn communication skills in an English cultural context, such as networking skills to become a global leader in English, for those who have a certain level of English proficiency, and will later expand the program to B2C.

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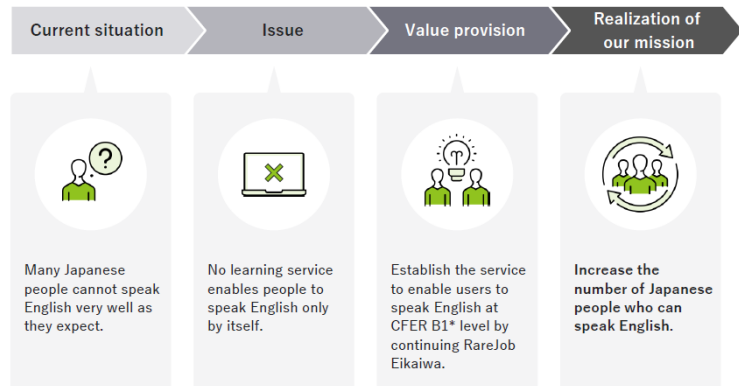
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Growth Strategy for Reskilling-related Services **1**

RareJob Eikaiwa will be developed as the value-added service, then our users can speak English only by continuing RareJob Eikaiwa.

Value addition for online English speaking services



* CFER is an international standard for describing language ability. CFER B1 indicate to be able to have daily conversation. It is the third level from the bottom of the six levels.



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The growth strategy for the reskilling-related business is to provide a service that enables users to improve English language skills for sure if they learn from our services. With this as a common value, services in which the level of language proficiency will be steadily improved will be provided.

Other skills will also be targeted and acquired. We would like to offer such services with this as the source of value of our services.

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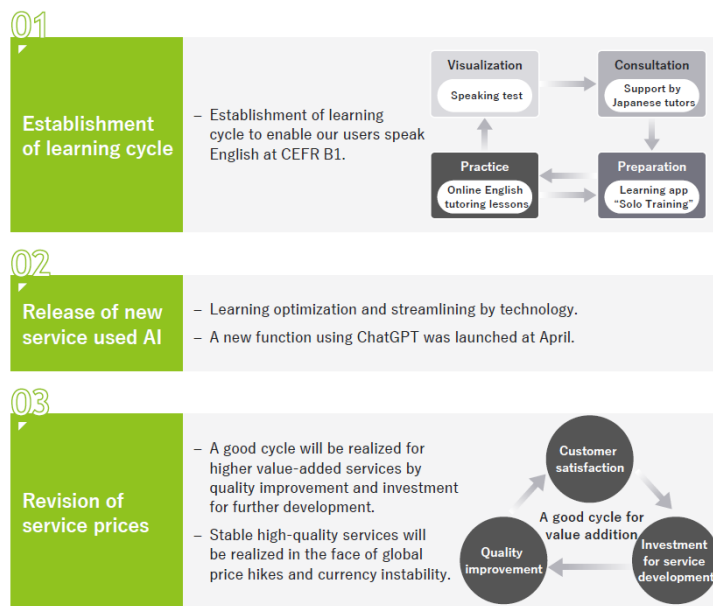
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Initiatives for Growth Strategy for Reskilling- related Services 1

Establishment of suitable learning cycle and technology utilization will be our focuses as the service to enable users to speak English.



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Now let me talk specifically about what we will be offering for the online English speaking tutorial services.

First, we will establish a learning cycle. We will provide a speaking test to assess the current situation, and accordingly provide a study curriculum and what kind of study should be done. Users will have the support of a Japanese tutor with whom they can give an advice for their study, etc.

Then, there are online English speaking lessons to actually practice English and a learning app "SoloTrain" to do some preparatory work as self-training. By firmly repeating this cycle, they will improve their English language skills.

Our goal is to ensure that users reach the B1 level in the CEFR index, and we will create businesses and services that will ensure this goal.

In realizing these services, we will also implement new AI-based services one after another.

Our learning app, "SoloTrain", is a self-training service that allows users to learn independently within the app, and in addition to that, we are offering a new feature in April that utilizes ChatGPT, a service that can be used during our lessons.

In addition, we will continue to optimize and improve the efficiency of learning through the use of technology as needed to support learners and help them improve their English skills.

While releasing these ones after another, we would like to improve the value of our services, increase the convenience of our customers, and further improve their English ability.

As for the price of services, we revised the price of RareJob Eikaiwa by about 20% upward for new members from October last year.

Starting this May, we revise prices for existing members as well, and the new prices will be applied when the next fee plans are introduced.

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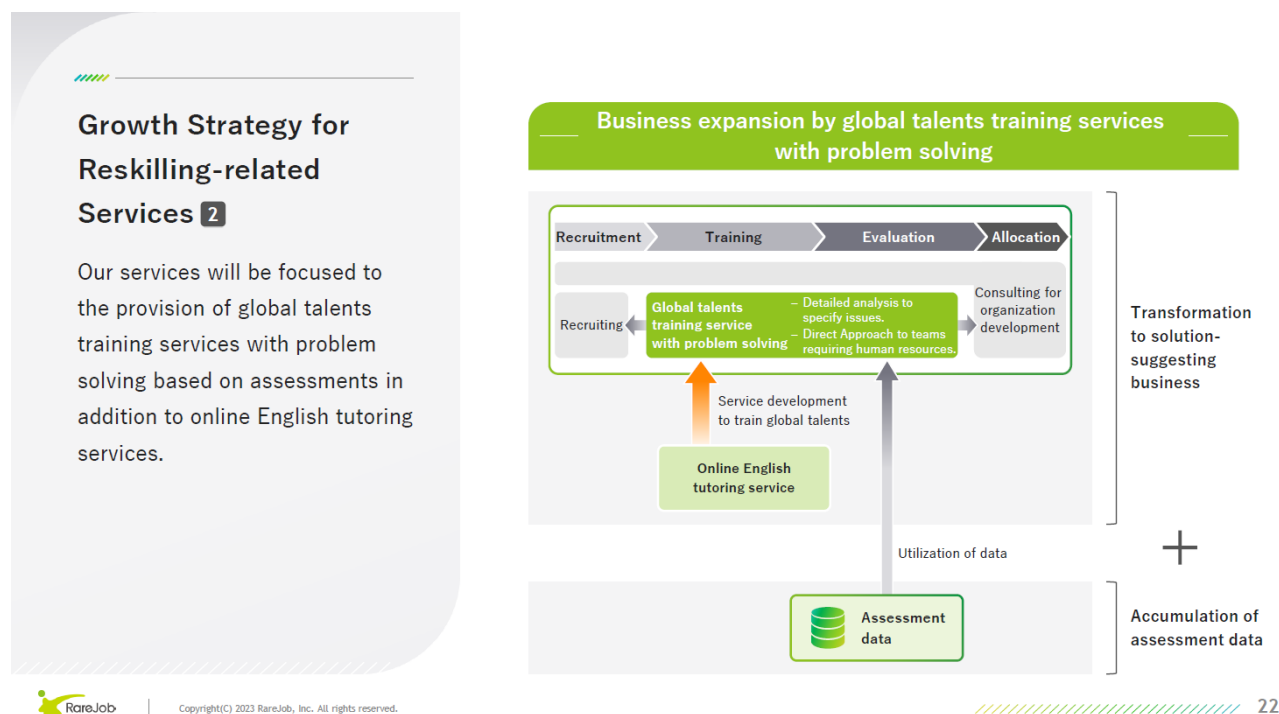
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At this point, we believe that we will have a smooth transition to the new prices, and we have yet to see any major change in churn rate, etc.

We believe that by revising our prices in this manner, we will be able to create an environment in which we can provide higher value-added services.

In addition, we will respond to the instability in the exchange rate that has continued for several years and the weak yen, while creating a service lineup that can generate solid profit margins even with a weak yen.



In the B2B business, we will expand our business by providing problem-solving global HR services.

We will do our best to resolve the issues that HR is facing. We provide services to acquire not only language skills but also other skills and cover other peripheral businesses and services for personnel who wish to develop global human resources, so that they can truly succeed in overseas and acquire the skills to communicate with foreign counterparts while in Japan. We will continue to do so while making full use of assessment data.

Beyond that, we plan to offer a wide range of services, not only in the English language field, but also recruitment and organizational development consulting field, and to take a full-fledged problem-solving approach in our B2B business.

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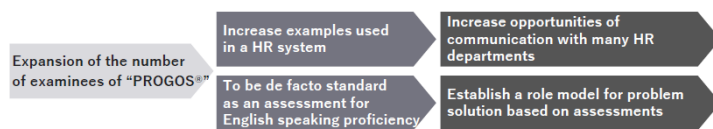
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Initiatives for Growth Strategy for Reskilling- related Services 2

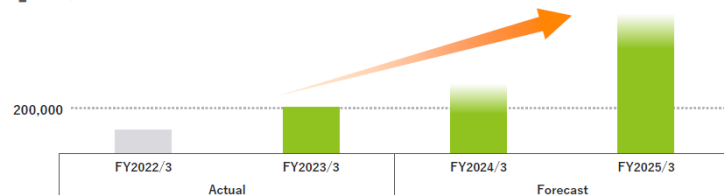
Penetration of AI English speaking assessment “PROGOS®” will be promoted as the first step to change our business to provision of global talents training with suggesting solution.

Penetration of “PROGOS®”

- Increase examples to utilize data accumulated by expansion of the number of examinees for HR system.
- Standardization as an assessment for English speaking proficiency.
- Establish a role model of cycle from assessment to problem solution.
- Increase opportunities of communication with many HR departments.



Projected transition of the number of examinees of “PROGOS®”



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This is initiatives for PROGOS. This is one of the areas we are focusing on the most. The number of examinees is steadily increasing, reaching 200,000 this term.

Various patterns of PROGOS utilization are also emerging. For example, when a new graduate is employed, the exam can be used to assess the CEFR level of the new graduate's English proficiency, especially speaking ability, or it can be used to measure how much the language proficiency has changed before and after training programs. In addition, the system is also used by recruitment agencies to visualize the level of English proficiency of their candidates.

We also use PROGOS to screen our teachers to measure their level of English proficiency when we hire them. For example, by using PROGOS to compare our teachers with English teachers at other companies, we can demonstrate that the level of our English teachers' skills is higher than that of other companies.

We are working step by step toward a future in which PROGOS will be widely used not only in Japan but throughout the world.

First of all, PROGOS will be commonly used in large Japanese companies as an indicator of English proficiency, and PROGOS will be used to measure whether one can really speak English or not.

By realizing the situation, if, for example, a B2 is obtained at PROGOS, it will definitely be possible to say that the person has solid English language skills and can play an active role when going overseas or when communicating with foreign counterparts. And we would like to make this a reality and create a future where PROGOS will be used as a basis for entering into evaluations and assignments in HR departments of many companies.

We would like to expand the use of PROGOS to various places, and then to use of online English speaking tutorial lessons to get better scores for PROGOS, in other words, CEFR. Furthermore, many training programs will be sold to enable people to work in an English-speaking environment, which is the future we would like to realize.

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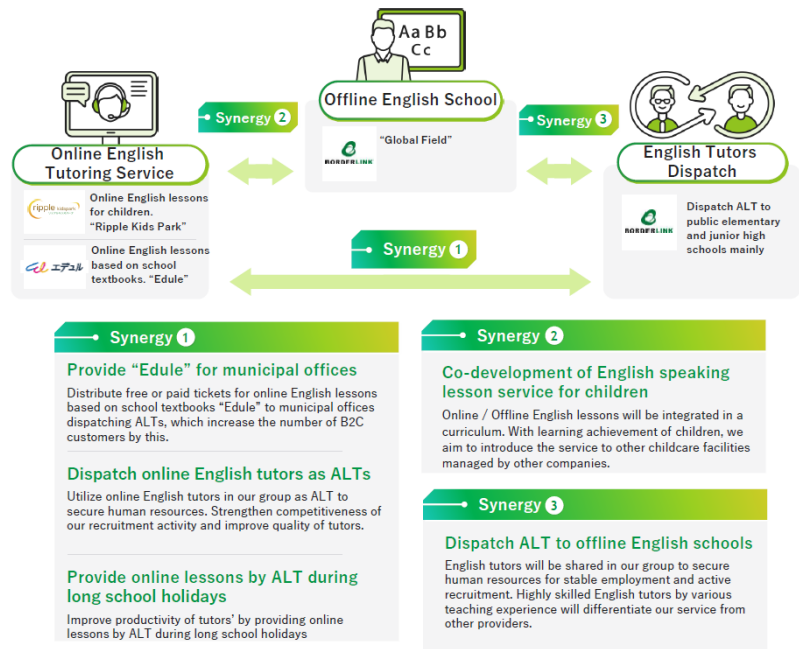
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Initiatives for Growth Strategy for Childcare Support Services

Accelerating the provision of online and offline integrated English speaking tutoring services to optimize people's learning.

Nursery business is on consideration.



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This will be followed by the growth strategy for the childcare support business.

First, we would like to expand our online English speaking tutorial business for children, Ripple Kids Park, and BORDERLINK's ALT dispatch service, while leveraging synergies among them.

Specifically, we are developing a new service called "Edule", an online English speaking tutorial service based on school textbooks for local governments, and we are considering developing this service in combination with ALTs. We believe that this service will be very suitable for those who want to improve their English skills and extend the lessons outside of class, even after they go home. We would like to expand Edule to various municipalities.

Another synergy is that we have a large number of ALT teachers, and these teachers can become online English speaking tutors, especially when schools are closed for long holidays. We believe that we will be able to do so.

We would also like to jointly develop a service for young children that combines online and offline activities and expand it to various locations such as nurseries, as well as dispatch English speaking tutors to offline classes, etc.

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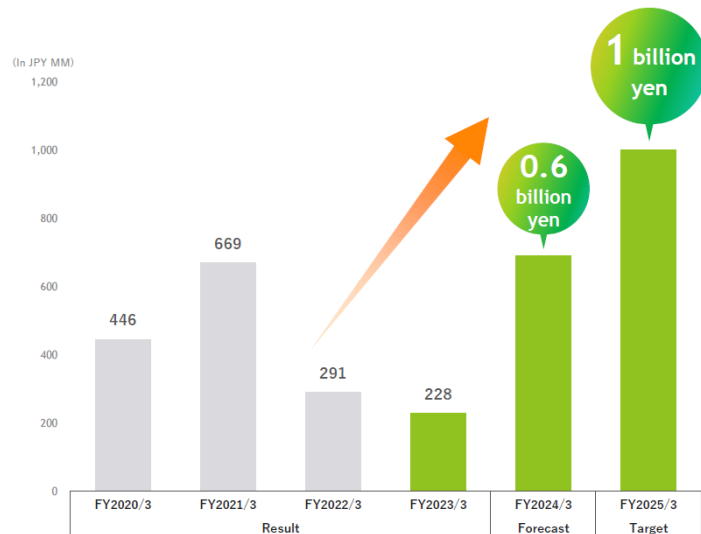
Management target

A billion yen for Operating income will be achieved in FY2025/3 by implementing our growth strategy.



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Growth transition for operating income



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As for management targets, we are determined to achieve an operating income of JPY600 million for the current fiscal year and JPY1 billion for the next fiscal year, which we have previously set.

Compliance with TSE Prime Market Listing Maintenance Criteria

The criterion for "tradable share market cap" has not been met on March 31, 2023.

Business expansion and IR activities to be appropriately evaluated have been promoted to aim for keeping us listed on TSE prime market.

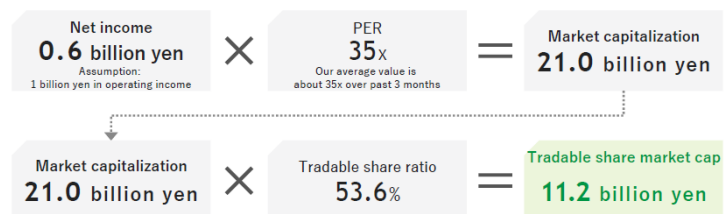


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	The number of tradable shares (units)	Tradable share market cap (in JPY MM)	Tradable share ratio (%)
RareJob (As of March 31, 2022)	52,497	5,581	53.6
Listing Maintenance Criteria	20,000	10,000	35
Current compliance	Pass	Fail	Pass

*All figures are based on our calculations.

Plan to pass the listing maintenance criteria



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If we can achieve JPY1 billion in the medium term, we will be able to meet the criteria for maintaining our listing on the TSE Prime Market, which currently includes JPY10 billion in market capitalization of tradable shares, which we are not in compliance with.

Specifically, if operating income is JPY1 billion, net income is assumed to be approximately JPY600 million, and if the PER is 35 times, market capitalization is JPY21 billion, and if the current ratio of tradable shares is

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approximately 50%, the market capitalization will be JPY10 billion or more, which would meet the criteria for maintaining the listing. Therefore, we are working on our business strategy to achieve this operating income of JPY1 billion.

Actions for FY2024/3

Net sales
10,000 million yen
YoY **+72.8%**

EBITDA
1,000 million yen
YoY **+82.6%**

Operating income
600 million yen
YoY **+162.8%**

Main actions

- Service and price revision for RareJob Eikaiwa will be promoted. New plans were launched in April for B2B. The plans were applied to B2C in May.
- Learning experience and efficient learning will be promoted by new functions using AI.
- Promotion of PROGOS® will be continuously carried out.
- Business model of the childcare support segment will be strengthened.



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Next is the forecast for the current fiscal year.

For the current fiscal year, we plan net sales of JPY10 billion, up 72.8% YoY; EBITDA of JPY1 billion, up 82.6% YoY; and operating income of JPY600 million, up 162.8% YoY.

The first factor is that RareJob Eikaiwa is pushing for a revision of its service fees. For B2B customers, the new price plans will be applied to all new contracts in April. As for B2C members, new members have been on a new price plan since October of last year, but existing members have continued to pay based on the old price plans. However, starting this May, all users will be on the new price plan, and the billing timing that comes after today will run at the new price plan. Currently, we have not seen any major impact from this price revision, such as an increase in membership withdrawals beyond what we had expected, and we expect that it will proceed as planned.

And this fiscal year, while implementing new AI-based features, we will further promote the improvement of the learning experience and efficiency.

We will also continue to promote the penetration of PROGOS, in which we have been investing for some time.

In the childcare support business, we intend to further evolve this business, including BORDERLINK, which became a 100% owned subsidiary this April, while further strengthening our business model and creating more synergies.

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FY2024/3 Plan

Sales and profit growth will be achieved by ALT and offline English school business of BORDERLINK, INC.

(In JPY MM)

	FY2023/3 Results	Guidance for FY2024/3	Change YoY
Net sales	5,787	10,000	+72.8%
EBITDA*2	547	1,000	+82.6%
Operating income	228	600	+162.8%
Ordinary income	279	530	+89.7%
Net income attributable to owners of parent	194	400	+106.1%
EBITDA ratio	9.5%	10.0%	+0.5pt
Operating profit ratio	3.9%	6.0%	+2.1pt
ROE	8.4%	Over 10.0%	-

*Budget rates for FY2024/3 are 1 USD=135 yen and 1 Pilipino peso is 2.5 yen.

*However, expecting cost, 390 million peso as a part of tutor fee will be calculated based on 1 Pilipino peso= 2.34 yen due to forex hedge.



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The forecast for consolidated net sales is JPY10 billion, which is a significant increase of about JPY4 billion, mainly due to the addition of BORDERLINK's ALT business from this April. This is also due to the growth of English classes school business and other existing businesses.

EBITDA is expected to increase by 82.6% to JPY1 billion, operating income by 162.8% to JPY600 million, ordinary income by 89.7% to JPY530 million, and net income by 106.1% to JPY400 million. We assume an EBITDA margin of 10% and an operating margin of 6%.

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FY2024/3 Plan

Breakdown based on segments

Net sales will greatly increased due to the addition of ALT business by BORDERLINK, INC. to childcare support business in FY2024/3.

(In JPY MM)

		FY2023/3 Results	Guidance for FY2024/3	Change YoY
Reskilling-related Business	Net sales	5,316	5,500	+3.5%
	B2C	3,517	3,600	+2.4%
	B2B&B2School	1,799	1,900	+5.6%
	Segment operating income	—	900	—
Childcare Support Business	Net sales	471	4,500	+855.4%
	ALT	—	4,000	—
	Online English tutoring (Online/Offline)	471	500	+6.2%
	Segment operating income	—	60	—
Adjustment		—	-360	—
Total	Net sales	5,787	10,000	+72.8%
	Operating income	228	600	+162.7%

*Sales of services for under 18 years old provided by Envizion, Inc. such as Ripple Kids Park were classified for B2C sales, but will be childcare support since April 2023.

*Adjustment includes common cost of the group is not distributed to each segment.

*Sales results for FY2023/3 are re-calculated based on new segments in FY2024/3.



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Next, by segment.

Starting this fiscal year, we will disclose financial results in two new segments: the reskilling-related business and the childcare support business.

This is a breakdown by segment. We used to operate in one segment, which was divided into B2C and B2B customers. The old B2C customer segment included businesses for children, etc.

The Ripple Kids Park business for B2C customers, which used to be mainly a B2C business for children, has been separated into the English speaking tutorial business of the childcare support business. In addition, the businesses that had been conducted for schools, have been left out of the b2B reskilling-related business and are now included in the childcare support business.

For the fiscal year ending March 31, 2024, the current year's forecast for the reskilling-related business assumes a sales increase of 3.5% to JPY5.5 billion, JPY3.6 billion for B2C, and JPY1.9 billion for B2B&B2School clients. Segment profit, after prorating a certain amount of common expenses, is expected to be approximately JPY900 million.

In the childcare support business, we are projecting net sales of JPY4.5 billion for the current fiscal year, including JPY4 billion from the ALT business of BORDERLINK, and JPY500 million from other English-related businesses. Segment income for the childcare support business is expected to be JPY60 million, after deducting goodwill. With adjustments, we forecast total sales of JPY10 billion and operating income of JPY600 million.

In particular, we assume that the reskilling-related business is where the profit margin will improve due to price revisions, which will contribute to the amount of profit. Therefore, the profit margin is improving, and we believe that we will firmly achieve this JPY600 million goal.

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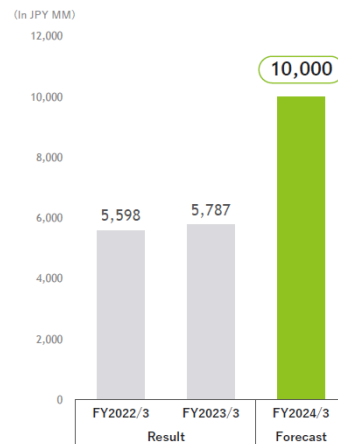
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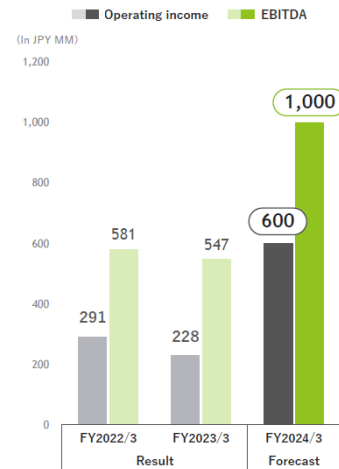
Consolidated Financial Results with FY2024/3 forecast

Net sales, operating and EBITDA will greatly increase due to service and price revisions and M&A.

Net sales



Operating income and EBITDA



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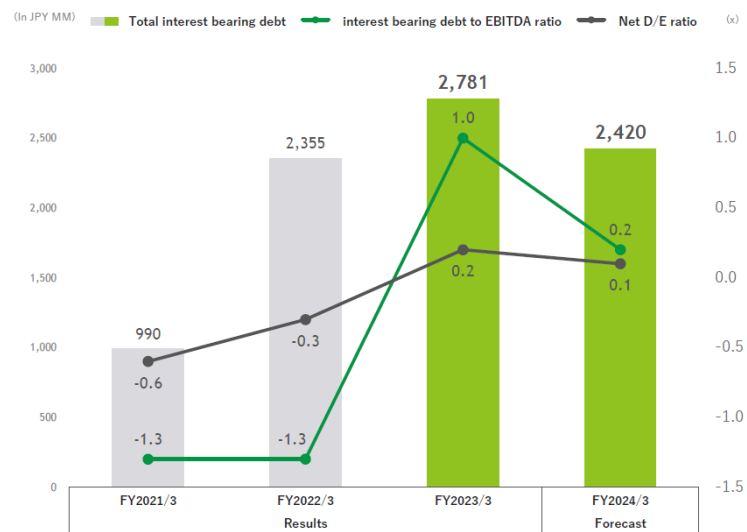
The following is an image of consolidated financial results. Sales will increase by about JPY4 billion to JPY10 billion YoY. We expect EBITDA and operating income to be higher than in the past two years.

Financial Health

Our financial health is managed by interest bearing debt to EBITDA ratio and net debt to EBITDA.

Though interest bearing debt increased in FY2023/3, it still remains safe level.

Transition of total interest bearing debt, interest bearing debt to EBITDA ratio and net debt to EBITDA ratio



*Total interest bearing debt doesn't include lease liability.



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Our financial soundness is as shown above, and we are working to ensure that our financial soundness will not be affected by M&A, etc.

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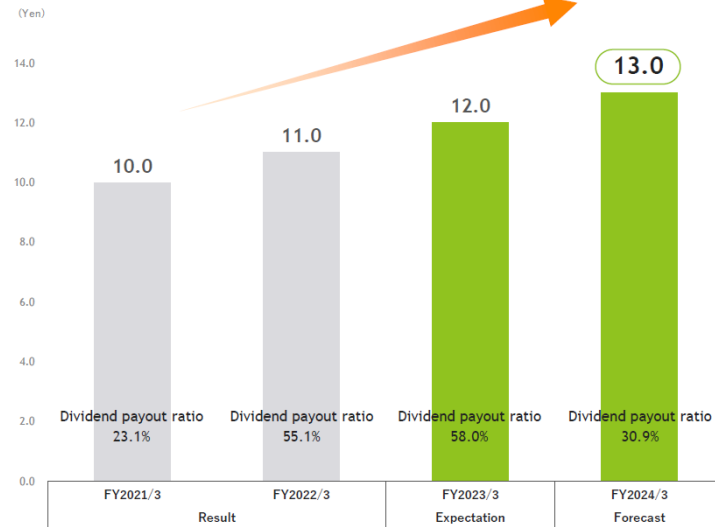
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Dividend Policy

Our policy is to realize stable and continuous dividends to our shareholders. We aim to increase dividends constantly for the time being.

Transition of DPS



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With regard to shareholder returns, our policy is to pay stable dividends to shareholders, and we intend to be able to increase dividends continuously for the time being.

For the current fiscal year, we are forecasting JPY 13. The dividend payout ratio will be 30.9%.

This concludes my explanation of the financial results for the current fiscal year. Now, we will move on to the question-and-answer session.

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Question & Answer

Nakamura [A]: If you have a question, please send your question via text using the Q&A function. Please note that we may not be able to answer all questions due to time constraints. Some of the questions answered in the Q&A may also be included in the on-demand video to be distributed later. I appreciate your understanding.

Now, since one question has come in, I would like to answer this. I see that your competitors are increasing their revenues from shadowing correction services, do you have any plans to enter the market?

Yes, regarding a competitor, perhaps PROGRIT is in the process of increasing revenue through shadowing correction.

We see that the shadowing correction is used as a destination to let customers continue their services after an expensive service such as Smart Method of our service, which is about 10 times more expensive than the English online tutoring service. We can also create a service with a slightly higher price and market it well so that people will continue to use it after the Smart Method service, we will be able to increase profits in this area, just as other companies have done.

Shadowing is already included as a function in our “SoloTrain”, a learning app. We would like to sell this while making good use of it. We are also considering how to market this service, as other companies sell correction services for shadowing for several tens of thousands of yen per month.

The next question is as follows: We have been asked if there are any plans to revise price of RareJob Eikaiwa this quarter as well.

We had revised the prices for new users in October of last year and for existing members and in April and May of this year, so we have no plans to revise the prices of RareJob Eikaiwa services at this time. Of course, this may change if there are various changes in the environment, such as the impact of exchange rates, but at present there are no plans to do so. That’s my answer.

The next question is, regarding the plan for the fiscal year ending March 31, 2024, why is the rate of increase in revenue in the reskilling-related business so low compared to the rate of increase in prices for individuals?

As for sales to individuals, a certain amount of sales have already come from the new price plans since October. The rest of customers that have not yet changed their plans will transfer to new plans so revenue will increase.

On the other hand, we have a 25-minute daily plan, which is our main product, as well as a slightly less expensive 8-times-a-month plan. In terms of the ratio between the 25-minute daily plan and the 8-times-a-month plan, the ratio of the 8-times-a-month plan tends to be slightly higher than in the past, and there is a slight shift to lower average revenue per customer.

Another impact is that the number of members is expected to decrease slightly compared to the previous year due to a decrease in new members and an increase in membership cancellations as a result of the price increase. Therefore, even after we carried out a price revision this time, the sales increase will not be as simple as a 20% change by price revision in the same way.

As for the profit margin, on the other hand, we believe it will improve significantly.

Next question. Please tell me the changes in average rates for corporate pricing.

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The average price will also increase, so the average unit price will also increase.

Of course, there may be some discounting or changes in the number of users depending on this. Therefore, we are not able to provide specifically how much unit price will change, but we would like you to understand that unit price has increased to a certain level, so we believe that the unit price will increase.

Next question. What are specific strategies for the popularization of PROGOS?

We are doing many things to promote PROGOS. For example, we are regularly improving our services by introducing a personal authentication system, a system that checks whether the person is really taking the exam by looking at video trends. We charge additional fees for these features. We will expand and improve our services by adding such features to meet the needs of corporate clients.

In addition, we are also working to add value to our PROGOS exam by submitting various academic papers to authorize our services to be truly good, and by ensuring that the exam is meaningful and correct from a scholarly standpoint.

In the area of marketing and promotion, we would like corporate clients to introduce PROGOS to their recruitment process in particular. It will be introduced in the hiring of new graduates, and will be used by a variety of companies, and the HR side will use it to ascertain the level of English language proficiency of the recruits. In some cases, we would like to promote the use of the system for screening in the hiring process, focusing on new graduates and mid-career professionals.

Of course, we will also promote and disseminate PROGOS in the training programs at the same time, and we are in charge of several areas, but we would like to do these in parallel, while putting special emphasis on recruitment. These are the answers to your questions.

A new question came from the ALT business; what is your specific strategy for the ALT business?

Now, since this is about the childcare support business, I will have Yasunaga, the representative director in charge of the childcare support business to respond your question.

Yasunaga [A]: I am Yasunaga, Executive Vice President. I would like to respond to your question.

This is the specific strategy for the ALT business. We are planning sales of approximately JPY4 billion in the ALT business for the current fiscal year, and we have generally completed orders for transactions from April onward by March of the previous fiscal year.

In other words, the sales activities for the current fiscal year are for the next fiscal year, as the business with local governments has already been completed in the previous fiscal year.

As for the specific strategies, we will naturally focus on the ALT business, which has been growing. Therefore, we will continue to focus on sales activities and increase the number of local governments with which we do business. Also, as Nakamura explained earlier, we will develop proposals to municipalities in the form of bundled online services. Therefore, we expect to increase the volume of transactions and the unit price of transactions.

We can also expect to receive individual customers from this business. Therefore, we would like to focus on the ALT business in order to realize this goal. That's my answer.

Nakamura [A]: Yes. Now, let's move on to the next question. Question about PROGOS. The problems are almost always the same. Do you have plans to add more variations to the problems?

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Yes, PROGOS has a system to suggest the same question sets to some extent for users who can use the application free of charge. With regard to the number of question sets, we are currently considering and working on what is the best to have.

We are considering increasing the number of these if necessary, and there may be some differences between what we provide in B2B and what we provide in B2C, so we can't say right now what we are going to do in general. We are also planning to add some additional problems. That's my answer.

Next question. Many companies are giving up maintaining listed in the prime market during the grace period. Your company is aiming to maintain the prime market, but is this based on the positive prospect that it is possible? Or, is it that it is demanding, but that you are willing to make the effort?

Yes, the part of the grace period for the prime market that we have not reached is the market capitalization of tradable shares. We believe that we will be able to achieve this goal if we can create a solid path to achieve JPY1 billion in operating income in the next fiscal year, and we are currently working toward this goal. We will consider what to do again if the world environment changes or if there are various circumstances, but for now we are proceeding with our goal here.

For the next question: The emergence of ChatGPT is also said to be a threat to reskilling business. How does your company see it?

Yes, ChatGPT is coming, but I don't see it as a threat to reskilling business; rather, I think ChatGPT, this generative AI, will make it easier to use various things. For example, we believe that it will be easier to learn English, especially when it comes to English speaking. So we believe that we can use ChatGPT to learn more efficiently and accelerate our learning more and more. We believe that the better one is able to use ChatGPT, the more one's ability will grow. We believe that ChatGPT is not a threat, but rather something that we will coexist with and make good use of. We will continue to incorporate and actively utilize such things in our company.

Next question. It appears that Globee, an English language business, will be listed. What are your thoughts on the increasing competition in this industry?

Yes, I think this business was listed today, and I believe it is a TOEIC learning application for TOEIC exam preparation. The company provides a self-training service, so there is a slight separation between us and them. There are many people who use the application to study for the TOEIC but cannot actually speak even if they improve their TOEIC score. So, if they study how to speak English with us and we can create such a trend, it will be a tailwind for us.

In terms of intensifying competition in the industry, not only the online English speaking tutorial services market, but also, other types of coaching, such as the English coaching market, apps market like that one, and English conversation services apps using ChatGPT, are emerging. I believe that these services will complement each other and will be stable as each service.

Therefore, rather than simply competing with each other, we believe that each of us is in a different position, and we would like to make good use of that as well. If there are any good ideas in such fields, we would like to incorporate them into our services. That's my answer to this question.

As there appear to be no further questions, we would like to conclude the financial results briefing for the fiscal year ended March 31, 2023.

Thank you very much for viewing it. We appreciate your continued support.

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