

# RareJob, Inc.

6096

Tokyo Stock Exchange First Section

15-Jul.-2021

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<https://www.fisco.co.jp>

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## Summary

### Become the platform to develop global leaders from the online English tutoring provider

RareJob, Inc. <6096> provides services centered on the online English tutorial service “RareJob Eikaiwa.” With 6,000 Filipino tutors, the Company continues to grow sales by providing high-quality services at low prices. The Company has been strengthening business targeting corporations and educational entities recently and is expanding scope to global leader development and career-related businesses with strong synergies. It aims to become the platform to develop global leaders from the online English tutoring provide.

#### 1. Growth strategies

The Company advocates “Chances for everyone, everywhere” as the Group vision and is promoting efforts to expand business with the aim of building a foundation that supports people’s global activities. To build the assessment data platform, it developed the PROGOS test: the AI English speaking exam that utilizes AI technology in June 2020 and is working to expand sales to companies and universities. The Company hopes to realize strong growth by collecting assessment data with the PROGOS test and providing a variety of services that it created with this platform as the starting point. It intends to achieve growth, including through M&A, with ¥30bn in domestic sales (¥10bn each for B2C, B2B, and B2School) as the medium-term goal.

#### 2. Overview of FY3/21 results

In the FY3/21 consolidated results, the Company set all-time highs with ¥5,331mn in net sales (+18.2% YoY) and ¥669mn in operating profit (+49.8%). Main drivers were a robust sales increase of 21.6% YoY in B2C amid expansion of the online English learning market and healthy 10.7% growth in B2B and B2School thanks to increase in customer volume. Operating margin improved by 2.6pt YoY to 12.5% on higher sales and progress in boosting productivity and lifting work efficiency.

#### 3. Outlook for FY3/22

In FY3/22 consolidated forecast, the Company projects double-digit growth to ¥6,500mn in net sales (+21.9% YoY) and ¥800mn in operating profit (+19.6%). This outlook factors in rapid growth in B2B and B2School at a 52.3% YoY increase. With the PROGOS test as the key to drive our growth, the Company intends to propose and provide solutions for cultivating global talent, including English language training and global leader development training, and thereby expand sales. Additionally, the Company established Babel Method Inc., the subsidiary for development of a Japanese speaking ability study program, in June 2021 and aims to deliver training services to companies interested in enhancing the Japanese speaking abilities of foreign staff utilizing this program.

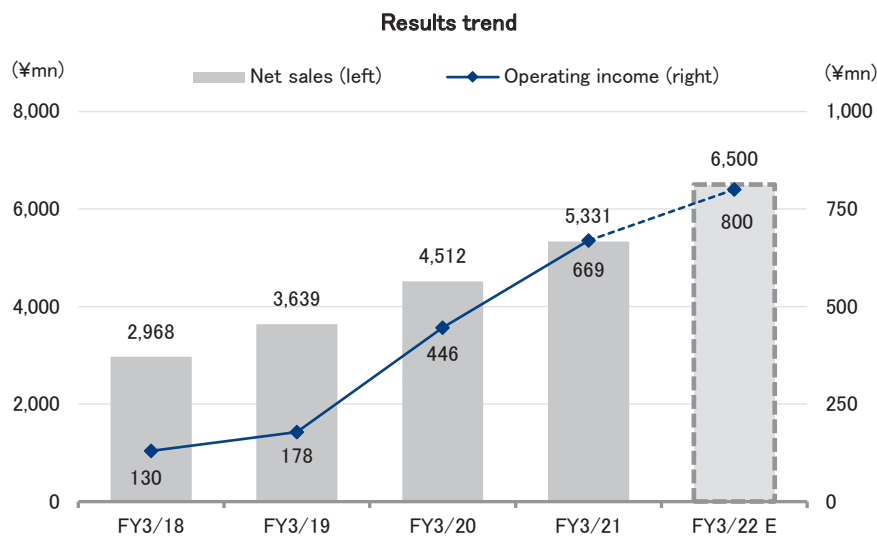
#### 4. Shareholder return policy

The Company announced the new dividend policy in May 2021. It plans to make strategic investments when there are investment projects that exceed the cost of capital, taking into consideration the need to increase internal reserves for future growth and the establishment of a financial base. In line with this policy, the Company plans to pay a stable and continuous increase in dividends. It is aiming for a goal of a consolidated dividend payout ratio of roughly 20% over the medium- to long-term. Along with this policy, it disclosed an ¥11 dividend for FY3/22 (18.8% payout ratio).

Summary

**Key Points**

- Building an assessment data platform supported by the PROGOS test inroads and targeting ¥30bn in domestic sales as the medium-term goal
- Significantly exceeded all-time highs in FY3/21 with the growth of B2C in the pandemic situation and expansion of number of clients in B2B
- For FY3/22, the Company expects continued double-digit sales and profit growth led by B2B and B2School



Source: Prepared by FISCO from the Company's financial results

## Company profile

### The largest player in the online English tutorial service industry in Japan, over 940,000 cumulative non-paying members

#### 1. Company profile

##### (1) Management vision and mission

The Company was founded in 2007 and is the largest online English tutorial service, providing online English conversation learning services for individuals, corporations and educational institutions, centered on “RareJob Eikaiwa.” The Company is growing out its business with the aim of realizing its Group Vision of “Chances for everyone, everywhere.” “Chances for everyone, everywhere” refers to “Building a platform for people to play active roles globally,” and this means that the Company will offer chances to learn new things, chances to develop abilities, and chances to encounter something new, to all people in all places through the Internet, and build a society in which people all over the world can thrive beyond national borders and languages.

#### Company profile

In the English-related business, the Company operates the online English tutorial service “RareJob Eikaiwa” with a service mission of “Encouraging 10 million Japanese to speak fluent English.” Demand is growing for English conversation skills amid increase in foreigners visiting Japan and opportunities to have interactions with them in English on a regular basis. Also, with the globalization of business activities, developing global talents has become an issue for companies, and companies are increasingly looking to add English tutorial as a part of their training programs. In schools, English has become a compulsory part of curriculums at elementary schools as a part of curriculum revision with the “Guidelines for the Course of Study” by the Ministry of Education, Culture, Sports, Science, and Technology. In addition, English conversation skill has become more of a point of emphasis. Demand for English conversation learning services is expected to grow even more going forward.

#### (2) Corporate history

The Company was established in 2007, by current President and CEO Gaku Nakamura and the former CEO and Chairman Tomohisa Kato. When the Company was founded, people generally learned English speaking skill by going to an English tutorial school or by studying abroad. However, both of these are expensive options and there were no inexpensive places to speak English. In this context, with inroads by the free calling communication tool Skype aided by advances in Internet technology and faster communication networks, the Company started business premised on provision of low-cost English conversation learning service using Skype.

The Company hired English tutors in the Philippines, where English is the official language. At that time, through an acquaintance who was a Filipino college student, they started a pre-service by gathering classmates who could speak English. Because compensation and working conditions for tutors were competitive, the tutor network has expanded through word-of-mouth, and the Company currently has a large network of roughly 6,000 tutors. RareJob Philippines, Inc. was established in 2008 as the subsidiary to recruit, train, and manage these tutors.

RareJob (now, RareJob Eikaiwa) online English conversation learning service for individuals started in November 2007 and realized steady growth in the number of students thanks to provision of service at much cheaper rates than in-person English conversation schools, a billing model of offering free lesson at first and then switching to monthly contracts as a paid member if the person is satisfied with the service, and reduction of the cost hurdle for entry by eliminating additional costs besides lesson fees, such as lesson materials and sign-up and cancellation fees. In 2009, the Company began offering services to corporations, and in June 2014 the Company went public on the Mothers section of the Tokyo Stock Exchange.

From 2015 onwards, the Company improved the quality of its service, shifting from a matching service for Japanese learners and Filipino tutors that gave them an opportunity to speak English, to an English education service that provides the outcome of being able to speak English. As an online English tutorial service, the Company expanded its service menu, such as the “Business English Course” and the “Young Learner Course.” The Company also improved the quality of its curriculum and learning materials, and worked to raise the standards for hiring tutors as well as improve training for tutors. Other initiatives included providing services to educational institutions as a new market and opening one in-person English tutorial school “RareJob Honkijuku.” For B2B market, the Company began RareJob Eikaiwa Ryugaku service in June 2017 to send customers abroad to study English and Smart Method® course, the intensive English conversation learning service that guarantees results, in October 2018.

## Company profile

In July 2015, the Company concluded a capital and business alliance agreement with Mitsui & Co., Ltd. <8031>, and leveraged Mitsui & Co.'s network to strengthen initiatives such as sales of corporate services and overseas expansion. In February 2016, the Company concluded a capital and business alliance agreement with Zoshinkai Publishers, Inc. (currently Zoshinkai Holdings Inc.), and is speeding up its business development by entering into business alliances with large companies. Such moves include joint development of “Z-kai Asteria” and “NEW TREASURE Online Speaking,” English tutorial programs for Z-kai Inc. group members, and starting a partnership in B2School. In February 2019, through a company split, the Company established Envizion, Inc., the subsidiary that operates the online English tutorial service for schools and the online English tutorial service for kids “Ripple Kids Park.” \* In April 2019, Zoshinkai Holdings Inc. invested in Envizion, Inc. (33.41% stake), thereby strengthening the collaborative framework in the B2School domain.

\* Converted into a subsidiary in December 2016 (later absorbed in merger in November 2018) by acquiring all of the shares of Ripple Kidspark Co., Ltd., which operates “Ripple Kids Park,” an online English tutorial service for kids. Tutors are hired by Philippine subsidiary RIPPLE KIDS EDUCATIONAL SERVICES, INC., and the business model is almost identical to that of “RareJob Eikaiwa.”

Furthermore, the Company completed the transition in March 2021 from Skype the proprietary “lesson room” lesson-taking system using WebRTC technology that it had previously started. This shift aimed to improve usability and learning efficiency of RareJob Eikaiwa service.

When using Skype, users have to log in to their “RareJob Eikaiwa” page and then enter their Skype email address and password to log in. On the other hand, with “Lesson Room,” users only need to log in to their “RareJob Eikaiwa” page, which not only makes it more convenient, but also makes it more functional, as it allows them to record the content of lessons with tutors and save chat histories, and so it is expected to improve learning efficiency in addition to improving convenience.

Also, companies and schools have security issues if they use Skype for lessons, so the benefits of moving to “Lesson Room” are likely to be significant.

Furthermore, in 2019 the Company started the global leader development business in order to help people not only learn English but also obtain the skills needed to play active roles globally. The Company announced a business alliance in November 2019 with Caplan Corporation, which handles in-person training business as part of Pasona Group Inc. <2168>, and is jointly developing a training program that assists global leader development. Additionally, it spun off the B2B business and established PROGOS Inc. in March 2021. The PROGOS test: the AI English speaking exam developed in June 2020 collects assessment data, and the Company intends to develop multi-faceted assessment of skills needed by global leaders with the assessment data platform as the starting point. Through the multi-faceted skill assessment, it hopes to expand scope to hiring, development, assessment, and assignment areas and reinforce services that support corporate personnel functions. These efforts seek to accelerate growth in B2B market.

The Company changed its stock listing from the Mothers market to the First Section of Tokyo Stock Exchange in November 2020.

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Company profile

**Corporate history**

Date	Main events
October 2007	RareJob, Inc. established
November 2007	Launched online English tutorial service "RareJob" (currently "RareJob Eikaiwa")
October 2008	Established RareJob Philippines, Inc. in Manila, the Philippines
August 2009	Started providing corporate services
June 2014	Listed on Mothers section of Tokyo Stock Exchange
April 2015	Started providing Business English Course Started offering services for educational institutions
July 2015	Capital and business alliance with Mitsui & Co.
September 2015	Started providing Young Learner Course
October 2015	Started Brazil business (exited in November 2017)
January 2016	Started offering "RareJob Honkijuku"
February 2016	Capital and business alliance with Zoshinkai Publishers, Inc. (currently Zoshinkai Holdings Inc.)
April 2016	Established Kansai branch office
August 2016	Started offering the "RareJob Eikaiwa" iOS app
August 2016	Established ENVIZION PHILIPPINES, INC. in Cagayan de Oro, Philippines
January 2017	Brought Ripple Kidspark Co., Ltd., which operates kids online English Tutorial service Ripple Kids Park, into the group
April 2017	Established Chubu branch office
March 2018	Started providing the proprietary lesson-taking system "Lesson Room"
April 2018	Established Kyushu branch office
October 2018	Started providing the performance-guaranteed English tutorial service "Smart Method® course"
February 2019	Established Envizion, Inc. and concluded merger agreement with Zoshinkai Holdings Inc.
April 2019	Converted Geos Language Centre Pte Ltd. (Singapore) into a wholly-owned subsidiary
October 2019	Concluded business alliance on global leader development business with CAPLAN Corporation
June 2020	Developed the PROGOS test: the AI English speaking exam
November 2020	Changed the stock listing to the First Section of Tokyo Stock Exchange
March 2021	Established PROGOS Inc. to conduct corporate business

Source: Prepared by FISCO from the Company's website

### (3) Status of group companies and number of employees

At the end of April 2021, the Company had consolidated subsidiaries in Japan (two companies), the Philippines (four companies), and Singapore (one company) and an equity-method affiliate in the Philippines (one company). Of these companies, RareJob Philippines, Inc. recruits, trains, and manages English tutorial tutors in the Philippines (there are currently 6,000 tutors on the roster in the Philippines). Domestic subsidiary Envizion, Inc. provides online English conversation learning service for schools, Ripple Kids Park, an online English conversation learning service designed for children, and ALT (assistant language teacher) dispatching service.

Of the subsidiaries in the Philippines, ENVIZION PHILIPPINES, INC. and RIPPLE KIDS EDUCATIONAL SERVICES, INC. each primarily provide lessons for schools and for Ripple Kids Park from the lesson supply center they operate. Both ENVIZION PHILIPPINES, INC. and RIPPLE KIDS EDUCATIONAL SERVICES, INC. are subsidiaries that are 99.995% owned by Envizion, Inc., so RareJob, the parent company of Envizion, Inc., has a 66.59% ownership stake in both of these companies.

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Company profile

**Status of major group companies (As of the end of September 2021)**

Company Name	Ownership Ratio	Descriptions of the main businesses
<b>(Consolidated subsidiary)</b>		
RareJob Philippines, Inc.	99.997%	Recruitment, training, and management of English tutorial tutors
Envizion, Inc.	66.59%	B2School business
ENVIZION PHILIPPINES, INC.	66.59%	Provision of online English conversation lessons
	(66.59%)	
RIPPLE KIDS EDUCATIONAL SERVICES, INC.	66.59%	Provision of online English conversation lessons for kids
	(66.59%)	
Geos Language Centre Pte Ltd.	100.0%	Operation of language schools, etc.
RareJob English Assessment, Inc.	99.995%	Provision of online English conversation lessons
PROGOS, Inc.	100.0%	B2B business
<b>(Equity-method affiliate)</b>		
Grandline Philippines Corporation	20.0%	Operation of language schools (Partner for English conversation study abroad business for corporations)

Note: Figures in parenthesis for ownership ratio indicate indirect ownership ratio included in the total  
 Source: Prepared by FISCO from the Company's securities report and others

## 2. Business description

The Company provides low-cost, high-quality online English tutorial services by connecting Filipino tutors with strong English skills and users via the Internet. Currently, the main service is "RareJob Eikaiwa." The Company has both a General English Course and a Business English Course, as well as other courses, and more than 90% of individuals take the General English Course, while many companies take the business English conversation course. For the General English Course, the most popular plan is the ¥6,380 (including tax)-per-month/25minutes-per-day plan. Customers can take one lesson per day, so if they take a lesson every day it ends up being a bargain at ¥206 (including tax) per lesson. Most of the users are business people, with approximately 70% of users who are in their 20s and 40s, but the service is used by people in a wide range of age groups ranging from people in their teens to people in their 70s. The ratio of male and female users is about 60:40.

As a profit structure, users pay a fixed monthly fee as discussed above, while tutors are mostly paid according to the number of lessons they provide. Increase in the user lesson attendance rate hence lowers profit margin. Nevertheless, the actual lesson attendance rate, despite exhibiting some seasonality, does not significantly change year-on-year other than in a situation similar to FY3/21 with school closures and stay-home practices in the COVID-19 pandemic.

### Main courses and fee lists of "RareJob Eikaiwa"

General English Course	¥6,380/month (Can take one 25-minute lesson each day, ¥206 per lesson if one lesson is taken every day) ¥4,620/month (Can take 8 lessons each month, comes to ¥578 per lesson)
Business English Course (Business-focused course with certified tutors who have received special training and use exclusive teaching materials)	¥10,780/month (Can take one 25-minute lesson each day, ¥348 per lesson if a lesson is taken each day)
Young Learner Course (This course strengthens the four skills needed in high school and university entrance exams with instruction by a certified teacher who has received special training and global learning materials specifically for the course.)	¥10,780/month (Can take one 25-minute lesson each day, ¥348 per lesson if a lesson is taken each day)

\* In addition to the above-mentioned course, the "Anshin Pack" (¥1,078/month) provides learning consultation with a dedicated Japanese counselor and automatic lesson reservations.

Source: Prepared by FISCO from the Company's website



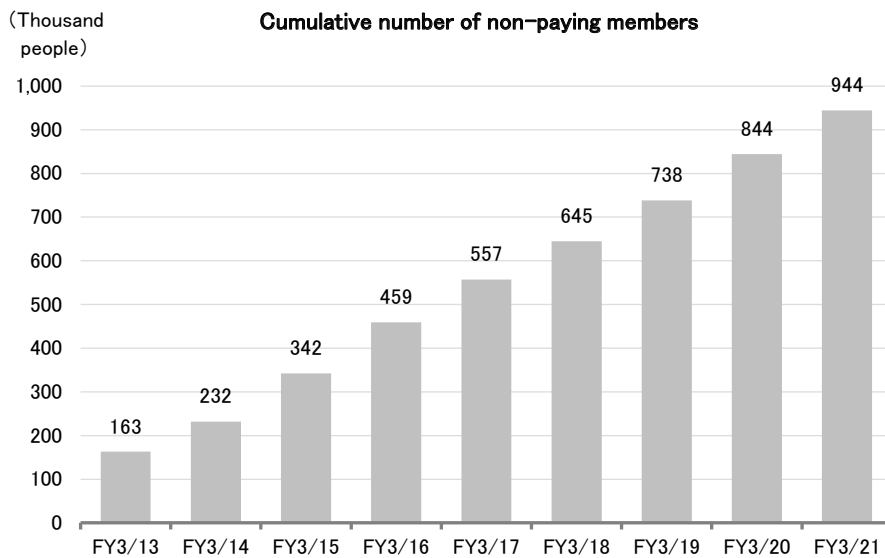
Company profile

**(1) B2C Services**

The Company’s services for B2C are RareJob Eikaiwa, Ripple Kids Park: the online English conversation learning service dedicated to children, and Smart Method® course: the intensive English conversation learning course that guarantees results. RareJob Eikaiwa generates the majority of sales.

Looking at the flow of business using “RareJob Eikaiwa” as an example, the Company acquires customers through online marketing (listing advertisements, affiliate advertisements, CMS, SNS, etc.) to attract customers to the “RareJob Eikaiwa” site. First, a user who views the “RareJob Eikaiwa” site registers as a non-paying member (this allows them to take two free lessons), then takes the lessons and decides whether to enroll in the paid service. Therefore, the KPI for revenue growth include the initiatives to attract people to the website, the number of non-paying members, the rate at which non-paying members become paying members (conversion rate), and the paying member retention rate. Improving these KPI will lead to higher net sales. As of March 2021, the number of cumulative non-paying members had exceeded 940,000, and roughly 100,000 people are registering each year. While the Company is taking steps to improve the pay member continuation rate through steadfast enhancement of lesson quality, updates to teaching materials, and addition of highly convenient features, since members often leave after they reach a certain level of English language skill, the average period of taking courses is roughly a year.

The Company began to offer the Smart Method® course as the B2B service. Since October 2020, it started its service for B2C as well and is increasing sales as a product that address demand for enhancement of English conversation capability in a short period.



Source: Prepared by FISCO from the Company’s results briefing materials

**(2) B2B services**

The Company is promoting B2B services at PROGOS Inc., which it established in March 2021. In this business, it delivers various programs that meet customer needs, including the PROGOS test: the AI English speaking exam, RareJob Eikaiwa (business English conversation) as a business English training program, Smart Method® course, an English conversation learning course that guarantees results, and global leader development training, and has cumulative deployments at 3,200 companies.

Company profile

The PROGOS test, a new service, gives questions related to business scene (meeting, interview, presentation, etc.) for about 20 minutes and uses AI technology to confirm results in as little as a few minutes and give feedback on studying methods to improve skills along with the test score (there is manual scoring in some cases). The indicator for the test complies with CEFR\*1 international standard, and assesses skills by “what can be done” and “the extent to which it can be done” rather than the volume of words and grammar knowledge. The PROGOS test received a silver award in the assessment category of the Reimagine Education Award 2020\*2, one of the world’s largest educational contests. The Company was the first Japanese entity to receive this award and indicates that the service is highly rated internationally as well. The Company hopes to roll out the PROGOS test as a way of visualizing the English language skills of an organization and aims to expand earnings through joint provision of a language training program and other services.

\*1 Common European Framework of Reference for Languages (CEFR) is a common standard that indicates the extent of language acquisition and linguistic performance of foreign language learners in Europe. It is widely used in academic and business communities, including use by the Ministry of Education, Culture, Sports, Science and Technology as an English assessment indicator in new learning guidelines.

\*2 The Reimagine Education Award is one of the world’s leading awards for initiatives in innovative education and is also known as the “Oscars” of the educational industry. It had more than 1,400 applications from 72 countries worldwide in FY2020 and selected recipient organizations following rigorous evaluation by 260 judges from around the world.

The Smart Method® course is the service that improves the level of English conversation skill in a short period of time with certified tutors who have received training specifically for this course, special teaching materials, as well as support by a dedicated Japanese consultant. The course lasts approximately 16 weeks (Mon-Fri: 50-minute lesson/day, a 20-minute test each weekend to check progress, two hours of self-study). It costs ¥495,000 (including tax), which is more expensive than the regular “RareJob Eikaiwa” service. However, the Company guarantees that the student will improve by at least one level from the time they begin the course based on the Company’s criteria, which are equivalent to the 10 levels of English-speaking ability based on CEFR-J\*. There has been a lot of positive responses from customers and healthy sales growth since the service launch.

\* CEFR-J is an English language ability achievement index designed for use in English education in Japan based on the Common European Framework of Reference for Languages (CEFR), an international standard that indicates level of language communication skill.

**(3) B2School Services**

The Company conducts sales activities targeting educational institutions through subsidiary Envizion, Inc. and partners Z-kai and NTT West. The Company offers three services: an online English tutorial service mainly provided in school classes, an online English tutorial service as an extracurricular program, and an ALT (Assistant Language Teacher) dispatch service. For public schools, the services need to be adopted by the board of education of each municipality, so the Company markets to boards of education. For private schools, Z-kai, which has its own network, handles most sales and proposals.

The ALT dispatch service started in 2H FY3/20. Subsidiary ENVIZION PHILIPPINES, INC. has a roster of just under 200 instructors and recruits and dispatches talented Filipino ALT who are carefully selected from this group. However, results are still limited.

## Company profile

**(4) Tutors**

Looking at the situation with Filipino tutors, which are the foundation for the Company's growth, the Company initially hired mainly students and graduates of the University of the Philippines, but now the Company recruits throughout the Philippines based on referrals by existing tutors and via Facebook advertisements. Tutors are hired after their English proficiency and aptitude as a tutor are assessed. Employees are given training after they are hired, and then start giving lessons on their own after their lesson quality becomes good enough. Most of the Company's 6,000 Filipino tutors have independent contractor agreements, but some are full-time tutors and some are tutors from partner companies. Tutors hired as independent contractors are recruited from all over the Philippines and offer lessons from home. Compensation is paid in local currency (Philippine pesos) based on the number of lessons provided. Full-time tutors provide lessons from the two lesson supply centers in the Philippines, and offer lessons for educational institutions, Ripple Kids Park, and "RareJob Eikaiwa." Because these lessons are provided from these centers equipped with stable communication equipment, including spare lines, lessons from these centers are particularly high-quality as there is thorough tutor training and management (including in-person training). Because costs are fixed, low usage rates result in high costs, but usage rates are currently improving. Some instructors provided service from home due to the COVID-19 pandemic, but this does not appear to have disrupted business operations.

**3. The Company's strengths and its competitors****(1) Strong competitive advantage**

The Company has four main strengths: being able to provide high-value-added English tutorial services with high-quality curriculum, teaching materials, and tutors, at a low price; operational capabilities that allow the Company to maintain a stable and large number of high-quality tutors and lessons; strong sales capabilities and a robust customer base including collaborations with partners; and expansion into businesses that are highly synergistic, such as the business leader development business and the career-related business.

**(2) Competitors**

Rivals for B2C are DMM Eikaiwa and Native Camp. The companies that operate these services are privately held, so their respective sizes are unknown. In the case of DMM, the price is almost the same as RareJob, and it has more than 10,000 tutors located not only in the Philippines but in 134 countries around the world and users can take lessons any time of the day.

In B2B, main rivals are Berlitz (subsidiary of Benesse Holdings, Inc. <9783> and Gaba with long-standing results in a business model that still primarily utilizes the in-person format. The market for online services began from around 2015, and Bizmates is a competitor in this area.

**(3) SWOT analysis**

The Company's internal environment (strengths, weaknesses) and external environment (opportunities, threats) can be summarized as follows.

**a) Internal environment (strengths)**

- High-quality curriculum, teaching materials, tutors
- Operational capability to continually offer high-quality tutors and lessons
- Strong sales capabilities and robust corporate client network including business partners
- Business deployment capabilities based on the assessment data platform

## Company profile

**b) Internal environment (weaknesses)**

- Bringing in casual users
- Dependent on Filipino tutors, so the Company is assuming a country risk (the Philippines)

**c) External environment (opportunities)**

- Growth of the online English tutorial market
- Business growth by introducing services at companies and educational institutions
- Growing needs for developing talents that can work globally

**d) External environment (threats)**

- Invention of timeless and accurate simultaneous interpretation machines
- Increasing competition due to an increase in companies entering the online English tutorial market
- Exchange rate risk (costs will increase if the yen depreciates against the Philippine peso)

## Market Environment and Growth Strategy

### Online English learning market is expanding in B2B and B2School, in addition to B2C business

#### 1. Market environment

While demand for English speaking tutorial service has temporarily slowed due to decline in foreigners visiting Japan and a steep drop in opportunities for overseas travel amid the prolonged COVID-19 pandemic situation, the market is likely to continue an expansion trend over the longer term on further advances in globalization, recovery in the number of foreigners visiting Japan, and the switch to English education as a requirement at elementary schools.

In the B2B market, despite continuation of a flat level in the past few years, the share of online training is growing. Even though the pandemic has temporarily slowed business, English conversation learning demand should continue to expand with increase in expatriates amid globalization, growing contacts with overseas companies in Japan, and more foreign personnel.

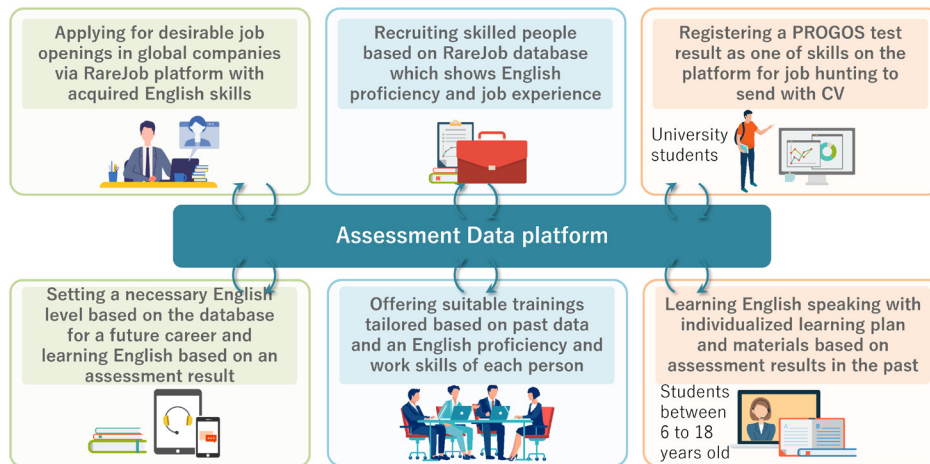
In the B2School market, English classes became a requirement from the fifth year of elementary school in FY3/21 and enhancement of English-speaking ability received more emphasis in updated instruction guidelines, including at junior high school and high school. Adoption of online English conversation learning service at educational entities is likely to accelerate. The Company aims to realize optimized service for clients by combining the benefits of online English conversation lessons and offline ALT instruction.

## Building an assessment data platform by the penetration of the PROGOS test and targeting ¥30bn in domestic sales as a medium-term goal

### 2. Medium-term business strategy

The Company is pursuing a growth strategy that positions the assessment data platform, which consolidates data collected by the PROGOS test and in various businesses, as the source of competitive advantage and by utilizing the platform as a foundation in delivering high-quality services to individual, corporate, and educational customers. This means that it is necessary to ensure that other companies do not catch up with the assessment data platform in quantity and quality for solidification of competitive advantages and achievement of high growth.

The Image of The World which Rarejob Wants to Realize



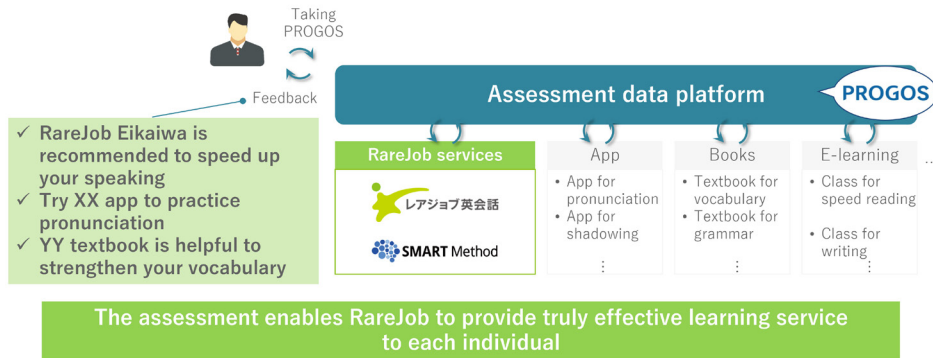
Source: From the Company's results briefing materials

#### (1) B2C service

In B2C services, the Company aims to evolve as a comprehensive English learning service provider and further expand business with one-stop access to services and recommendations of optimal service for the user's English capabilities using the assessment data platform, including in collaboration with services from other companies. For example, it wants to realize service that recommends learning materials including other company services, such as a pronunciation correction app for users interested in correcting their pronunciation, RareJob Eikaiwa for people seeking to improve their speaking capabilities and textbooks and study drills for people who want to study grammar. FISCO expects the platform to serve as a major differentiating factor versus other companies as users are capable of addressing issues related to boosting their English capabilities and confirming optimal solutions through it.

Market Environment and Growth Strategy

**Providing the One-stop-service to Improve English Skills Effectively**  
Recommend a suitable service for each member by associating the assessment data platform with other services outside.



Source: From the Company's results briefing materials

**(2) B2B services**

In B2B services, with the PROGOS test to drive our growth, the Company hopes to increase business by providing English language training and global leader training and broadening scope to career services (personnel introductions), human resource data services, and other peripheral services.

To accomplish this, the Company intends to quickly make inroads with PROGOS in a short period and has a goal of attaining 1 million test takes a year during FY3/22. Corporate hiring almost always uses TOEIC® as the basis for assessing English conversation skill in hiring decisions at this point. Since TOEIC® administered about 1.69 million tests in 2020 and needed 20 years from the start of test provision to reach 1 million tests a year, this highlights the advantage of the Company's service and its resolve. The volume of the exam provision is at a few tens of thousands as of May 2021, and the Company intends to accelerate the growth pace.

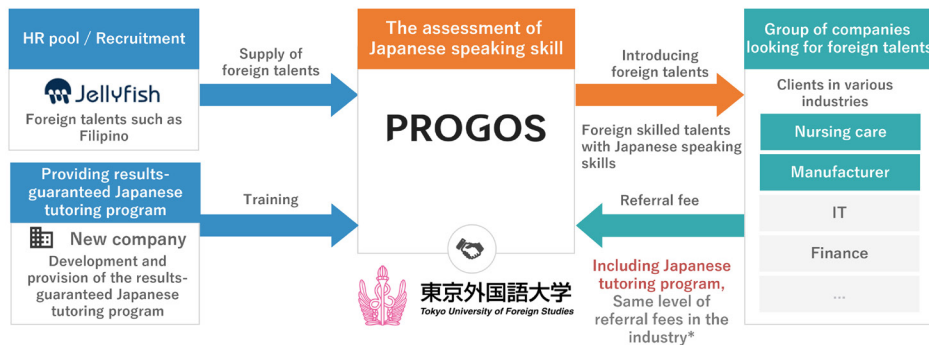
The Company has set a goal of the PROGOS test as the English exam that replaces TOEIC®. It is already making progress in rollout to existing corporate customers, and Chuo University announced adoption of the PROGOS as a program for its 25,000 students and the start of usage in April 2021. Development of global talents has become a direction targeted in the education field too. As part of this, Chuo University favorably regarded the PROGOS test as it enables their students to easily take tests online at low cost and immediately get results. Attention should be given to the extent to which deployment progresses at companies and universities.

Market Environment and Growth Strategy

Additionally, PROGOS, Inc. is starting a new initiative for assessment of Japanese speaking abilities. It announced a basic agreement on joint development of a Japanese speaking ability study program with Tokyo University of Foreign Studies in May 2021 and the establishment of Babel Method, a joint venture with JELLYFISH, Inc., which has a track record in foreign talents introductions and Japanese language education, and plans to develop a Japanese speaking ability study program, in June 2021. To obtain work visas for Japan, foreigners currently need a certain level of proficiency, such as certification under the Japanese language Proficiency Test (JLPT). However, the JLPT is a test that puts emphasis on Japanese reading and listening capabilities and its lack of a method for measurement and certification of speaking abilities has been an issue. Babel Method hopes to resolve these issues through new development of a Japanese speaking study program. Tokyo University of Foreign Studies is involved in supervising development of the study program. The Company hopes to begin provision of this service during FY3/22. As a business model, foreign talents supplied by JELLYFISH will utilize the Babel Method study program and receive assessment from PROGOS and introduction fees will be obtained from companies looking for foreign talents (care industry, manufacturers, IT companies, etc.) as payment for introducing who have the skills needed for their business. Considering extensive latent needs, this business is likely to contribute to the Company's earnings over the longer term.

Overview of career services for foreign talents

The recruitment business for foreign talents and training business for Japanese speaking was launched in the recruitment service industry. Progressing program development together with Tokyo University of Foreign Studies.



Source: From the Company's results briefing materials

(3) B2School Services

In the B2School market, since the realization of individual optimized learning targeted by the GIGA School concept requires an understanding of the learning state through assessments, demand is likely to increase for provision of individual optimized learning service that uses the assessment data platform built by the Company. Pursuit of learning optimized for individuals with a combination of online English conversation lessons and offline ALT dispatching service should drive sales growth.

(4) Overseas business

In the overseas market, the Company has a vision of solidifying the PROGOS test as the standard of English speaking assessment and promoting it with competitive advantages. As footholds, it made additional investments in April 2021 in Globish Academia (Thailand) Company Ltd., a Thailand-based online English conversation business, and Multibhashi Solutions Pvt Ltd., an India-based online English conversation business, following investments in 2019. It aims to promote sales of the PROGOS test and RareJob Eikaiwa services through these two companies. The trial usage of the PROGOS test has already started, and related trends should be monitored. The Company is also considering M&A deals in the overseas market.



### (5) Numerical goals

The Company presented ¥30bn in domestic sales with ¥10bn each for businesses for B2C, B2B, and B2School as the medium-term goal. It has not included overseas business in the goal due to still being prior to the stage of estimating specific values. This means progress with initiatives in India and Thailand could add to domestic results. In operating margin, it expects to stay at around 10% because of the need to continue investments for platform development and reinforcement of sales operations.

## Results trends

### Significantly exceeded all-time highs in FY3/21 with the growth of business for individuals in the pandemic environment and expansion of the number of clients in B2B

#### 1. Overview of FY3/21 results

In FY3/21 consolidated results, the Company booked ¥5,331mn in net sales (+18.2% YoY), ¥669mn in operating profit (+49.8%), ¥628mn in ordinary profit (+51.3%), and ¥391mn in profit attributable to owners of parent (+90.7%). It significantly exceeded all-time highs and also surpassed initial targets in net sales and in all profit items.

#### FY3/21 results

	FY3/20				FY3/21			(¥mn)
	Results	% of sales	Initial plan*	Revised plan*	Results	% of sales	YoY	
<b>Net sales</b>	4,512	-	5,300	5,400	5,331	-	18.2%	
(Individuals)	3,077	68.2%	3,761	3,800	3,742	70.2%	21.6%	
(Corporations and educational entities)	1,435	31.8%	1,538	1,600	1,589	29.8%	10.7%	
<b>Cost of sales</b>	1,682	37.3%	2,304	2,250	2,150	40.3%	27.8%	
<b>SG&amp;A expenses</b>	2,383	52.8%	2,496	2,510	2,511	47.1%	5.4%	
<b>Operating profit</b>	446	9.9%	500	640	669	12.5%	49.8%	
<b>Ordinary profit</b>	415	9.2%	450	600	628	11.8%	51.3%	
<b>Profit attributable to owners of parent</b>	205	4.5%	270	370	391	7.3%	90.7%	

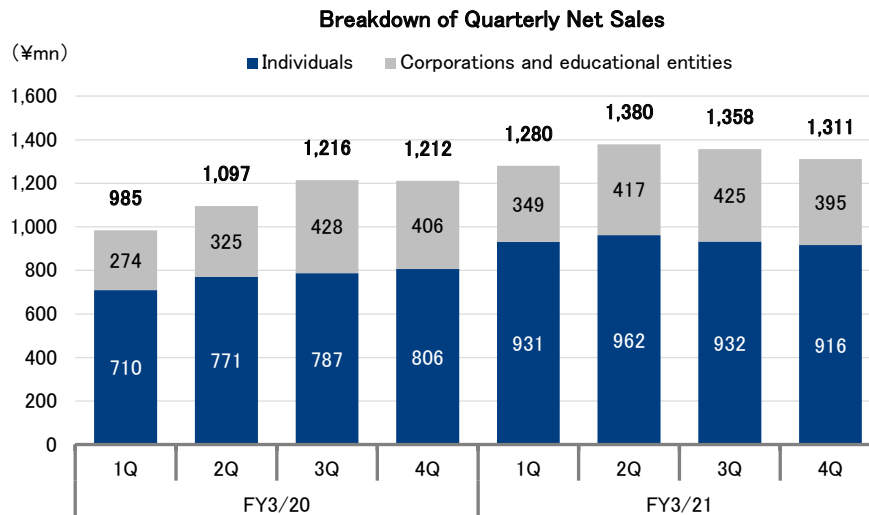
\*Initial plan as announced in May 2020, revised plan as announced in October 2020

Source: Prepared by FISCO from the Company's financial results and results briefing materials

In the net sales breakdown, services for B2C delivered strong growth at a 21.6% YoY increase to ¥3,742mn. Main positive drivers were sustained expansion of the online English learning market and temporary upturn in new members spurred by the COVID-19 pandemic in the 1H FY3/21. However, combined impact of special demand shrinkage and suspension of overseas travel from 3Q resulted in a slower 13.6% gain in 4Q. Services for corporations and educational entities, meanwhile, totaled ¥1,589mn (+10.7% YoY) on expansion of customer volume. In corporate services, which generate the majority of sales, curtailed hiring of sales personnel during the pandemic led to slowdown in 2H sales and moderate sales growth. In services for educational entities, sales were solid with only a slight impact by school closures in April and May.



## Results trends

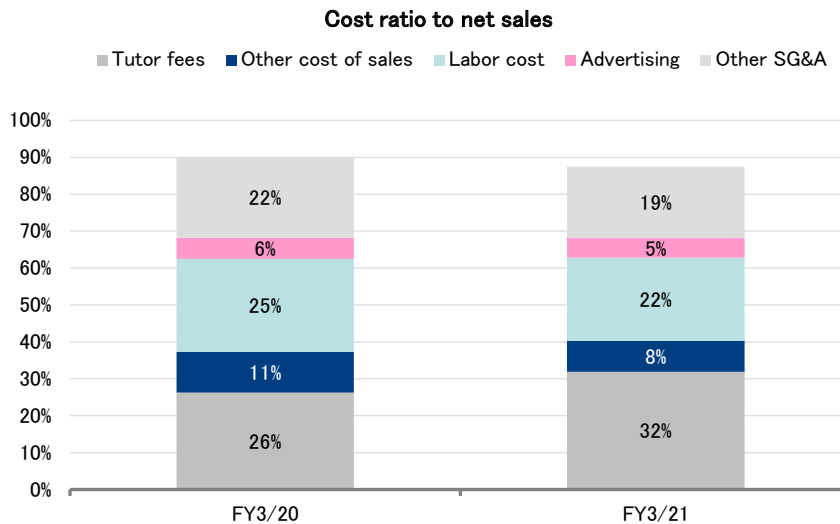


Source: Prepared by FISCO from the Company's results briefing materials

Unit costs climbed 27.8% YoY to ¥2,150mn, and the ratio to net sales rose 3.0pt to 40.3%. Instructor fees, the bulk of unit costs, increased sharply with a 43.2% YoY rise to ¥1,700mn and added 6pt as a ratio to net sales from the previous fiscal year's 26% to 32%. Key factors were increase in the number of lessons related to the rise in member volume and a higher level of monthly average attendance per member due to COVID-19 impact in 1Q and yen depreciation in the forex rate through the end of the fiscal year. Other unit costs dropped 9.0% YoY to ¥450mn.

SG&A expenses, meanwhile, were up 5.4% to ¥2,511mn and the SG&A expenses ratio declined 5.7pt thanks to improved productivity and cost curtailment from enhanced business efficiency. Personnel costs rose 5.3% to ¥1,199mn. Despite the increase due to reinforcing personnel operations to expand business, the ratio to sales declined from 25% to 22% on higher productivity and business efficiency reforms. Advertising and promotional costs also increased 9.3% to ¥282mn, but the ratio to sales eased from 6% to 5% thanks to enhanced efficiency in Web promotions to acquire members. Other SG&A expenses increased 4.5% to ¥1,029mn and ratio to net sales declined from 22% to 19% due to cost curtailment.

Results trends



Source: Prepared by FISCO from the Company's results briefing materials

## Strengthening the financial foundation with increased earnings

### 2. Financial situation

Looking at the financial condition as of the end of FY3/21, total assets increased ¥910mn to ¥4,468mn. Under current assets, the Company recorded a ¥230mn decline in accounts receivable - trade and a ¥706mn increase in cash and deposits. Under non-current assets, it recorded a ¥243mn increase in right-of use assets and a ¥144mn increase in software in progress resulting from development of software for internal use.

Total liabilities increased ¥396mn from the end of the previous fiscal year to ¥2,351mn. There were increases of ¥237mn in lease obligations and ¥55mn in income taxes payable and accrued consumption taxes. Total net assets were ¥2,116mn, up ¥514mn, mainly due to a ¥391mn increase in retained earnings.

In business indicators, the capital ratio rose 2.8pt from the end of the previous fiscal year to 41.2%, and the interest-bearing debt ratio dropped by 17.3pt to 53.8% accompanying the rise in capital. These trends show that higher earnings bolstered the financial base. In particular, net cash totaled ¥1,870mn, up ¥686mn from the end of previous fiscal year, roughly tripling over three years. The Company outlined a policy for using accumulated retained earnings on growth investments, including M&A deals, and reinforcement of shareholder return.

In profitability, operating margin surpassed 10% for the first time at 12.5% thanks to expanded sales scale, higher productivity, and business efficiency reforms. The Company hopes to sustain operating margin at about 10% by continuing growth investments. Additionally, ROA and ROA have steadily moved upward in the past few years driven by higher margin.

## Results trends

## Balance Sheets

	FY3/18	FY3/19	FY3/20	FY3/21	Change
	(¥mn)				
Current assets	1,470	1,727	2,698	3,214	515
Cash and deposits	1,063	1,251	2,153	2,860	706
Accounts receivable - trade	282	346	456	225	-230
Non-current assets	719	794	859	1,254	394
Property, plant and equipment	144	139	197	461	264
Intangible assets	406	510	489	586	96
Goodwill	107	95	83	70	-12
Investments and other assets	168	144	172	206	33
Total assets	2,190	2,522	3,557	4,468	910
Current liabilities	658	789	1,174	1,037	-137
Non-current liabilities	362	382	781	1,314	533
Liabilities	1,021	1,172	1,955	2,351	396
(Interest-bearing debt)	450	500	970	990	20
Net assets	1,168	1,350	1,602	2,116	514
(Soundness)					
Capital ratio	53.2%	53.1%	38.4%	41.2%	2.8pt
Interest-bearing debt ratio	38.6%	37.3%	71.1%	53.8%	-17.3pt
Net cash	665	817	1,183	1,870	686
(Profitability)					
ROA	4.6%	7.2%	13.7%	15.7%	2.0pt
ROE	3.5%	9.9%	15.2%	24.4%	9.2pt
Operating margin	4.4%	4.9%	9.9%	12.5%	2.6pt

Source: Prepared by FISCO from the Company's financial results

## Expects continued double-digit sales and profit growth led by B2B and B2School in FY3/22

### 3. FY3/22 forecast

In FY3/22 consolidated forecast, the Company projects double-digit sales and profit growth to ¥6,500mn in net sales (+21.9% YoY), ¥800mn in operating profit (+19.6%), ¥760mn in ordinary profit (+20.8%), and ¥530mn in profit attributable to owners of parent (+35.4%). It expects higher net sales for the 14th straight year since the founding and a 6th straight rise in profits (setting new profit highs).

#### Consolidated operating performance outlook for FY3/21

	FY3/21		FY3/22		YoY
	Results	% of sales	Initial forecast	% of sales	
Net sales	5,331	-	6,500	-	21.9%
(Individuals)	3,742	70.2%	4,080	62.8%	9.0%
(Corporations and educational entities)	1,589	29.8%	2,420	37.2%	52.3%
Operating profit	669	12.5%	800	12.3%	19.6%
Ordinary profit	628	11.8%	760	11.7%	20.8%
Profit attributable to owners of parent	391	7.3%	530	8.2%	35.4%
Net profit per share (¥)	43.26		58.36		

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Results trends

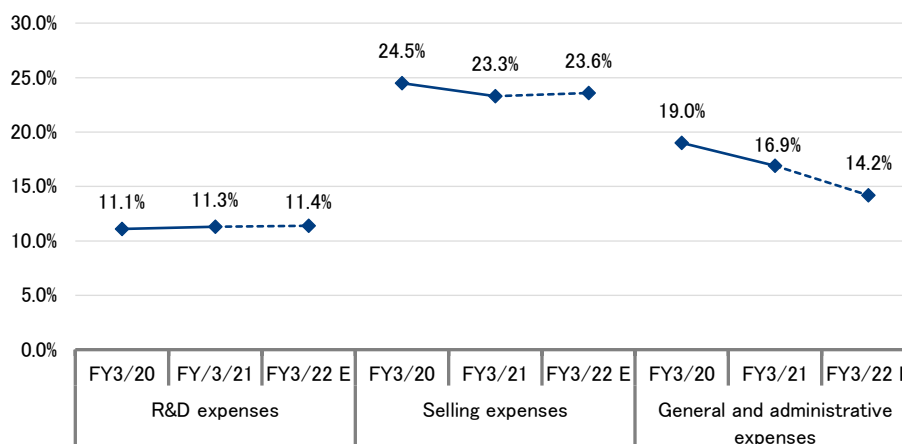
The Company forecasts growth outpacing the 19.8% recent five-year annual average growth rate. This outlook factors in slower momentum in services for individuals at a 9.0% YoY increase, including pressure from backlash to COVID-19 special demand but strong growth, as an overall driver, in B2B and B2School at a 52.3% increase. With the PROGOS test as a key for our growth, the Company aims to expand sales through recruitment of new customers and combined provision of English language training and global leader development training programs and alliance partner programs (different culture communication training, etc.). It also plans to roll out Japanese language speaking ability assessment and training services and ramp up career services for foreign talents.

The Company made progress in hiring during 4Q FY3/21 and has reached a sales operation of about 40 people at PROGOS Inc. It expects accelerated sales growth from 2Q FY3/22 as personnel that joined in 4Q FY3/21 will start contributing to sales. The sales method basically involves sales to individual companies but also getting leads by holding Web seminars and other events and efficiently increasing the number of customers. Meanwhile, it forecasts continued stable growth in B2B and B2School.

In the unit cost ratio, it predicts a modest rise because of upward pressure setting the forex rate assumption at slight yen depreciation versus the previous fiscal year and increase in the corporate business sales ratio. B2B Services have a relatively higher unit cost ratio than services for B2C because they often consist of combined sales of the Company's own services and services from other companies (different culture communication training, etc.).

The SG&A expenses ratio, however, should decline on an overall basis, even with increases in R&D expenses and selling expenses, thanks to curtailment of general and administrative expenses. In R&D expenses (including portion transferred to intangible assets), the Company plans to continue development work on large-scale replacement of existing systems and reinforcement of PROGOS service and strengthening of the assessment data platform base. It projects a 0.1pt YoY rise in the ratio to sales to 11.4%. Furthermore, it forecasts a 0.3pt increase in the selling expense ratio to 23.6% because of higher personnel costs and advertising and promotional costs related to bolstering capabilities in corporate business. In general and administrative expenses, it expects a 2.7pt decline to 14.2% on continued efforts to restrict costs.

**Ratios to net sales of R&D expenses, selling expenses, and general and administrative expenses**



Source: Prepared by FISCO from the Company's results briefing materials

## ■ Shareholder return measures and ESGs/SDGs initiatives

### Aims to stably and continuously increase the dividend with a consolidated dividend payout ratio goal of roughly 20% over the longer term

#### 1. Shareholder return policy

The Company announced revisions to the dividend policy in May 2021. For the purpose of strengthening financial structure to facilitate long-term stability in the management foundation and continuously expanding businesses, the Company had previously put priority on bolstering retained earnings and comprehensively decided dividends in the context of earnings, finances, and future business investment plans. With its listing on the First Section of the Tokyo Stock Exchange in 2020, it adopted a policy of targeting roughly 20% consolidated dividend payout over the longer term to support payment of dividends with stable and continuous hikes. Furthermore, it intends to prioritize strategic investments that lift enterprise value in cases of investment opportunities with return above capital cost. In share buybacks, it plans to dynamically review actions as part of earnings compensation from a comprehensive perspective that looks at business initiatives, investment plans, retained earnings level, and earnings trends.

The Company paid a ¥10.0 dividend in FY3/21 to commemorate listing on the Tokyo Stock Exchange First Section, and expects to pay ¥11.0 (18.8% dividend payout ratio) in FY3/22. As a shareholder gift, it provides a shareholder benefit coupon for RareJob Eikaiwa valued at ¥10,000 to shareholders who own 100 shares or more at the end of March each year, and an additional shareholder benefit coupon for the Smart Method® course valued at ¥100,000 to shareholders who own 300 shares or more .

\* This equates to one month of the RareJob Eikaiwa service fee. There is no refund of the difference for a contract plan that costs less than ¥10,000.

#### 2. Initiatives for ESG/EDGs

RareJob works to achieve a sustainable society based on each goal of SDGs and the concerns of ESG through business activities to realize our vision.

##### The classification for ESG: Environmental

###### Reducing energy consumption by having less travel

All members and tutors at RareJob Eikaiwa don't have to transport somewhere physically to take or conduct lessons as long as they have internet access. By reducing energy consumption, we contribute to reducing environmental impacts.

###### Promotion paperless environment

RareJob Eikaiwa provides most of our teaching materials via online instead of paper. We also make efforts to reduce paper consumption in our offices by digitizing internal documents for meetings, proposals and so on.

## Shareholder return measures and ESGs/SDGs initiatives

**The classification for ESG: Social****Providing reasonable and high quality educations**

Providing reasonable and high quality educations to our students everywhere is our top priority. We contribute to eliminating inequalities in English education opportunities caused by regional/economic disparities, such as the concentration of brick-and-mortar English tutoring schools in urban areas and expensive costs of studying abroad.

**More jobs for women**

Roughly 80% of the Company's instructors are women. Due to flexible working hours and the benefits of working from home at any time, women who do housework, raise children, or care for family members are able to work easily with their capacities.

**Creating jobs in the developing country**

We create a lot of jobs in the Philippines, which is one of the developing countries. As our platform allows tutors to work anywhere and anytime, it helps to increase the number of job options, especially for people living in the rural areas of the country, where stable jobs are hard to find.

**Realization of the society where people can make full use of their abilities regardless of nationality.**

The Company aims to support global activities and create venues to utilize these skills for course recipients and Filipino tutors through online English conversation service and through foreign talents introductions service aimed at foreigners seeking to build a career.

**The classification for ESG: Governance****Corporate governance**

The Company is aware of the importance of strengthening proper organizational structures and systems to ensure compliance with such matters as laws and regulations, social norms and corporate ethics. To boost corporate value in a sustainable way, we will strive to strengthen corporate governance while working on business expansion simultaneously.



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