

COMPANY RESEARCH AND ANALYSIS REPORT

i-plug, inc.

4177

Tokyo Stock Exchange Growth Market

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

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Summary

OfferBox, which enables companies to directly approach students, is the growth driver

1. Company summary

i-plugin, inc. <4177> (hereafter, also “the Company”) provides the OfferBox direct recruiting service for job-seeking students and recruiting companies. This service enables companies to directly approach new college graduates they want to recruit. In addition, it is developing the eF-1G aptitude test and recently released the beta version of PaceBox, which is a career transition platform for young people. Conventionally, new graduate recruitment has been carried out with companies using entry-type recruitment, but problems with this method include that it is time consuming for companies to narrow down the candidate students from among the large number of students, and the number of students who apply depends on the company’s name recognition among students, so it can be difficult for some companies to meet targeted students. However, in direct recruiting, companies can utilize the search function to select students as candidates from the data on students who have registered on the website (narrowing down from the start) and directly approach them, which enables the companies to more easily meet students they want to recruit. Therefore, it can be said to be an extremely modern and effective method of recruiting new graduates. This recruiting method has been spotlighted given the circumstances of online needs rising due to the novel coronavirus pandemic (hereafter, COVID-19), and continued growth is considered inevitable in the future as well, because it both meets the needs of the times and is effective.

In this situation, the Company’s OfferBox has received a high level of support from both students and companies, and the number of registrations of students graduating in 2022 reached 190,000 students, which is more than one-third of all job-seeking students, while the number of registered companies is also more than 10,000 companies. This is because the service’s model for directly approaching students targeted for recruitment enables companies to meet students they could not meet even if they waited, improvement in matching efficiency through applying machine learning on the data on companies and students accumulated since the service was launched, and active database of students in that profiles are input from all directions with no biases such as for top-tier schools or science schools. From these and its other features, many job offers are sent by companies and accepted by students, which enables recruitment decisions to be made more easily. Incidentally, up until 2022 graduates, the number of students to be hired* continued to grow by more than 70% on average over seven years. The eF-1G test is highly reliable due to supervision by experts and can be used to ascertain the personality of the test taker through detailed results and high level of coverage. The Company sells it as a standalone service but has also installed it as standard in OfferBox, and companies using OfferBox can search for students from the results of the relevant aptitude tests. On entering FY3/23, the Company released a beta version of PaceBox, thereby launching a mid-career recruitment business. It is a direct recruiting service the same as OfferBox, so it seems that the model cultivated for OfferBox can be effectively used in the mid-career recruitment area as well, and it is expected to become its second business pillar.

* The number of students to be hired means the number of students using OfferBox who accept an unofficial (including advance) job offer from a company that used OfferBox to contact the students.

Summary

2. Medium-term management plan

The Company has formulated a medium-term management plan that is based on its Vision2030 of “Realizing a platform that will enable everyone to carry out actions to maximize their lifetime career potential.” The plan’s targets are to achieve net sales of ¥9,720mn and operating profit of ¥1,980mn in FY3/25. The basic strategies are “Further grow OfferBox toward eliminating mismatches of new graduates,” “Accelerate new business investment in the HRtech × People Analytics” field, and “Conduct disciplined M&A to build an ecosystem.” By business, in the new graduate recruitment business, by improving functions and other measures, it is promoting mutual understanding between companies and students more than ever before, increasing opportunities for them to meet, and growing the platform. In the mid-career recruitment business, based on OfferBox’s technologies and expertise, it is aiming to build and vertically launch a business whose goal is not just for people to join a company, but to remain at that company. For the aptitude test business, the Company intends to focus on strengthening digital marketing and evolving services. It also intends to implement disciplined and strategic M&A.

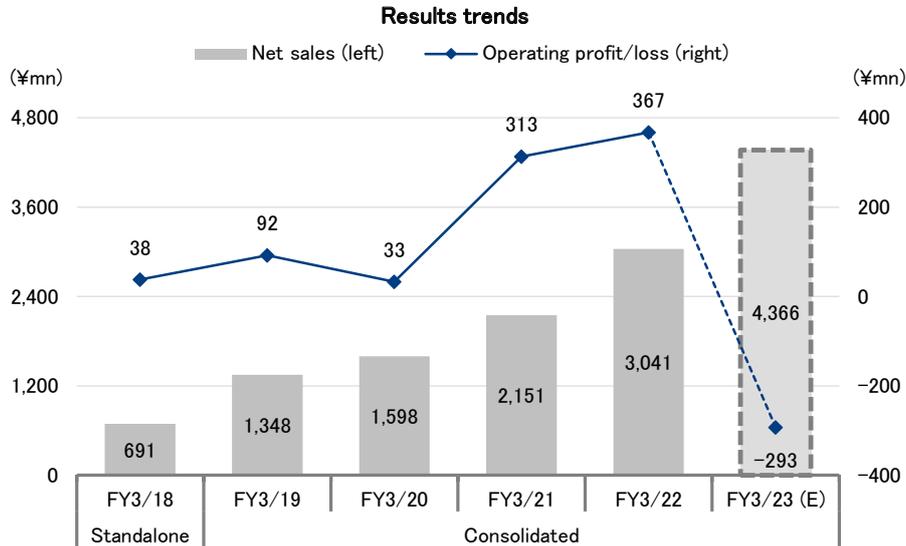
3. Results trends

In the FY3/22 consolidated results, net sales were ¥3,041mn (up 41.4% year on year (YoY)) and operating profit was ¥367mn (up 17.0%). Students seeking employment and companies seeking to recruit were both strong, with more than one-third of students graduating in 2022 seeking employment in the private sector registering with OfferBox and the number of registered companies exceeding 10,000 companies at the end of December 2021. Therefore, both orders received and net sales continue to be maintained at high levels, and even though SG&A expenses rose, a double-digit increase in operating profit was secured. For the FY3/23 consolidated results, the Company is forecasting net sales of ¥4,366mn (up 43.5% YoY) and an operating loss of ¥293mn (profit of ¥367mn in the previous period). It expects the strong growth of net sales to continue but to record an operating loss because of the large amount of upfront investment, including for the further growth of OfferBox and the vertical launch of PaceBox. So, it is forecasting that profits will contract temporarily in FY3/23, but that from FY3/24 onwards it will achieve a V-shaped recovery and enter a growth period, in accordance with the medium-term management plan.

Key Points

- Conducts the OfferBox direct recruiting business and aptitude test business. Has also launched a mid-career recruitment business
- In the medium-term management plan, is targeting net sales of ¥9,720mn and operating profit of ¥1,980mn in FY3/25
- Is forecasting an operating loss in FY3/23 due to upfront investment, but expects to achieve a V-shaped recovery and enter a growth period from FY3/24 onwards

Summary



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

Company summary

Drawing out the “career potential” of every person

1. Company summary

The Company, based on its mission to “Excite the world across platforms,” has set its vision of “Realizing a platform that will enable everyone to carry out actions to maximize their lifetime career potential,” and through its technology and platform businesses from the viewpoint of matching companies to job seekers, is aiming to solve the problem of the rapidly decreasing working population facing the Japanese labor market. Specifically, it provides the OfferBox direct recruiting service for students looking for jobs and for companies that want to recruit, which enables companies to directly approach students they want to recruit. In addition, its subsidiary e-falcon, inc. provides the eF-1G aptitude test service, while the Company has also started to operate the PaceBox career transition platform for young people from May 2022.

Company summary

2. History

Against a backdrop of mismatching new graduates looking for jobs and companies looking to recruit, it is said that 30% of recruited new graduates leave their job within three years. With the aim of eliminating this mismatch, the current Representative Director and CEO Tomoya Nakano established the Company in April 2012 in Itami City, Hyogo Prefecture, together with current Director and CFO Nobuaki Tanaka and others, starting from a new graduates referrals business. However, the Company struggled initially as they lacked sufficient knowledge on a new graduates referrals business and were unable to sufficiently differentiate their business, and they decided not to continue this business after 20 business days. Subsequently, Mr. Nakano proposed a direct recruitment-type new graduate recruitment service in contrast to the entry-type service, and this was launched as OfferBox (starting student registration in October 2012 and offers in December). OfferBox has become the Company’s growth driver and is steadily expanding its business scope. In March 2021, the Company was listed on the Mothers Market of the Tokyo Stock Exchange (TSE), and then following the TSE’s reorganization of markets in April 2022, it was transferred to the Growth Market.

History

April 2012	i-plugin, inc. was established in Ojika, Itami City, Hyogo Prefecture
October 2012	Started providing OfferBox, a new graduate direct recruiting service
June 2013	Relocated the head office to Nishinakajima, Yodogawa Ward, Osaka City
September 2014	Opened the Tokyo Office in Higashi Azabu, Minato Ward, Tokyo
June 2016	Acquired the Privacy Mark
February 2017	Entered into a business alliance with e-falcon, inc. and introduced the eF-1G aptitude test in OfferBox
March 2018	Acquired the shares of e-falcon
August 2018	Opened the Nagoya Office in Naka Ward, Nagoya City
October 2020	Acquired 100% of the voting rights of e-falcon and made it a wholly owned subsidiary
March 2021	Listed on the TSE Mothers Market
December 2021	The number of companies registered on OfferBox exceeded 10,000 companies
April 2022	Listing was transferred to the Growth Market following the TSE’s reorganization of market categories
May 2022	Released the beta version of PaceBox, a job offer-type career transition website for young people

Source: Prepared by FISCO from the Company’s securities report and press releases

3. Business environment

The methods for recruiting new graduates can be broadly divided into entry type and direct recruiting type (also called offer type, scout type, and reverse job seeker type). Among them, the entry type is the most generally used recruitment method, in which students browse job offer information published by companies on job search navigation websites. Students can select to enter a company that is recruiting and companies can select who to recruit from among these students. While it offers the advantage of being able to secure large numbers of entries, making it suitable for large-scale recruitment such as during a period of high growth, narrowing down the candidates to whom a job offer will be made incurs costs and it appears to inadequately meet the needs of the times due to difficulties pinpointing and recruiting desired human resources. On the other hand, the direct recruiting type, which is a method that has come to be increasingly used against the backdrop of the spread of the internet, search functions, etc., is a style in which companies access the profiles of registered students (a database) and select candidates for recruitment. Therefore, while many work hours are required up to the decision to make a job offer, such as to approach the students, it enables companies to pinpoint and select the human resources that they most want to recruit.

Company summary

On the one hand, the effects of the decline in the working population, the extension of healthy life expectancy, and the declining birthrate and aging population have become clear in Japan, such as the weakening of the social security system. Therefore, it is anticipated that competition to acquire human resources will intensify even more in the future. But on the other hand, in the situation of Japan's aging population, it has become necessary to form a career assuming a lifespan of even 100 years, and it is considered that in the not-too-distant future, people will choose work according to their life stage. So, we are in an era in which the importance of job "matching" is increasing for Japan, for companies, and for individuals. Alongside this, in the new graduate recruitment services market, which is said to be gradually expanding over the long term, major changes are occurring amidst the experience of the COVID-19 pandemic. Before COVID-19, the majority of recruitment was done using the conventional entry method of amassing a large number of students who are scheduled to newly graduate and narrowing them down. However, during the COVID-19 pandemic, it has become difficult to hold face-to-face interviews, events and briefing sessions for large numbers of people. Therefore, while the shift to online recruitment has rapidly progressed, it is difficult to ascertain a person's true personality and get a sense of them through online meetings alone. Therefore, a method of narrowing down job seekers according to companies' needs from the start and then deciding on whom to recruit through 1-to-1 communication has greatly increased. Indeed, a switch from the entry type to the direct recruiting type has occurred. Direct recruiting services that make full use of elements such as the internet and search technologies have come to be recognized as an extremely timely and effective recruitment method that makes it possible to select people based on their character. This method appears to have grown as needs for online recruitment have increased during the COVID-19 pandemic, but because it is both timely and effective, it will inevitably continue to grow in the future as well and is expected to become the new normal for recruiting human resources before too long.

■ Business summary

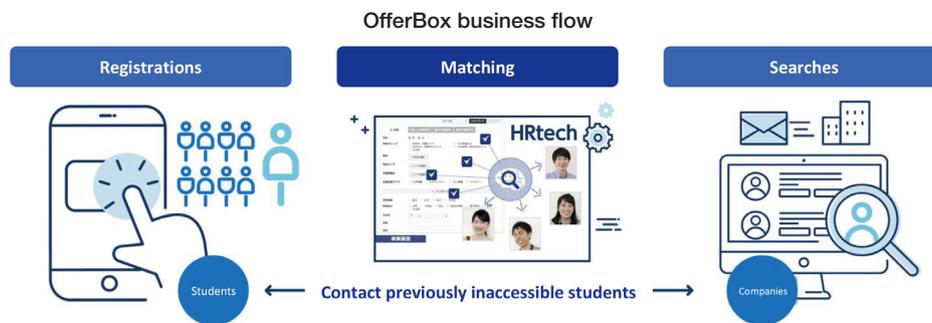
Is focusing on the management of OfferBox, a new graduate direct recruiting service

The Company provides the OfferBox new graduate direct recruiting service on an "individually optimized matching platform" that matches the needs of newly graduating students who want to be recruited by private-sector companies to companies that want to recruit students who meet their needs. The Company is working every day to improve its functions in order to realize the optimal matching of students and companies. In addition, by incorporating the eF-1G aptitude test into OfferBox, companies using OfferBox can analyze their in-house human resources, extract requirements, and search for students that meet these requirements, and as a result, matching leading to active roles and retention has increased. The eF-1G test is not limited to the new graduate recruitment area, but also refines candidate selection in mid-career recruitment as well, and is utilized in every aspect of HCM (Human Capital Management), such as employee training leading to human resource development and personnel policies such as assignments, appointments, and selections. The PaceBox business, which is a career transition platform for young people whose beta version was released in May 2022, has been designed not with the goal of recruitment, but retention. In FY3/22, the breakdown of net sales was 67.9% from OfferBox for continuous-use companies (early offer/fixed cost plan), 22.2% from OfferBox for companies newly introducing the service (incentive fee plan), 8.6% from eF-1G (aptitude test), and 1.3% from others.

OfferBox, which realizes individually optimized matching with companies as the starting point

1. OfferBox

OfferBox is a new graduate direct recruiting service in which companies can directly approach students they want to recruit. The OfferBox business flow seen from the companies' side is that after inputting the company's own profile (information on that company, introductions of the people responsible for recruitment, etc.), it uses the search function to search for students. If viable students are found, the company checks their profiles and sends offers encouraging them to participate in briefing sessions and interviews. If students accept an offer, they are invited to small group discussions, individual interviews, or similar, with the mutual understanding between the company and the students deepening during the selection process, after which the students accept the offer to join the company.



Source: Reprinted from the Company's results briefing materials

(1) OfferBox's competitive advantages

The many and diverse features of OfferBox include the industry's first limitation on sending and receiving offers, a framework for approaches from companies, abundant student profile information, machine learning using behavioral data, various search axes including the results of aptitude tests, a knowledge and support system that leads to recruitment decisions, and an inexpensive incentive (success-based) fee system. However, this framework can be imitated and similar services have already appeared. Nonetheless, there are reasons why among them OfferBox is realizing high growth potential, and its competitive advantages can be said to be the model that the Company has independently built over 10 years of providing the service and the corporate culture that made the model possible.

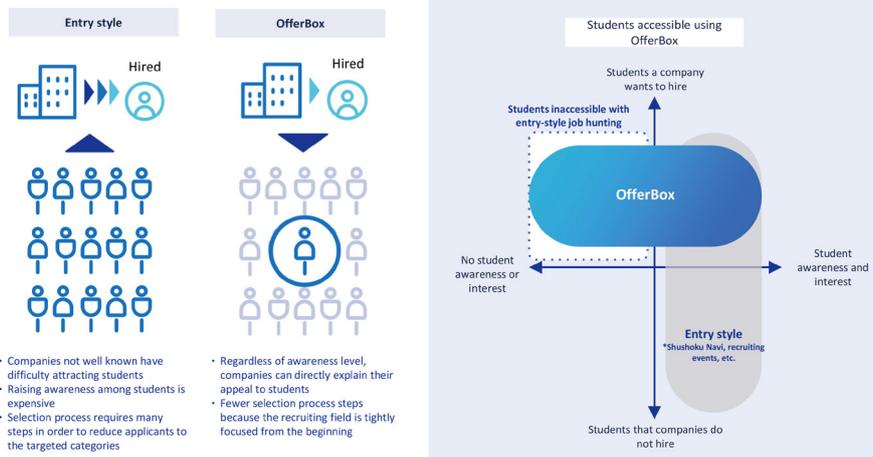
a) Different starting points

In the new graduate recruitment market, job-seeking students are replaced every year following graduation, so for each student, job search activities are a one-time activity. On the other hand, companies recruit new graduates every year, and are thus able to more easily accumulate knowledge on new graduate recruitment. Therefore, there is an information gap between students engaged in job searches and companies, leading to a structure in which information asymmetry tends to occur.

Within the above-described features, in the case of entry-type services, such as job search navigation websites, students approach companies, but in the case of direct recruiting services such as OfferBox, companies approach students, so their starting points are different. Precisely because this is a model in which students are approached by companies that have a lot of information on and experience in job search activities, companies can find and meet students that they couldn't using entry-type services. Furthermore, information asymmetry can be eliminated and individually optimized matching can take place.

Business summary

A feature of OfferBox is “meeting students you could not meet even if you waited”



Source: Reprinted from the Company’s results briefing materials

b) Differences in structure

Entry-type job search navigation websites, which have been used by many job-seeking students and companies up to the present time, offer a service in which approaches are made by students, who have little information and experience compared to companies. Therefore, student applications tend to be concentrated on companies with strong name recognition and brand power. On the other hand, from among the applying students, companies tend to select students based on their educational background, such as the ranking of the university they attended. In this way, entry-type services are structured to generate matching stochastically (based on probability theory) by relying on specific axes.

Conversely, OfferBox, a direct recruiting-type service, has a structure that draws out the appeal of students through their enhanced profiles and creates a variety of matches with approaches originating from companies.

c) Differences in key points

Conventional entry-type services are structured to generate matches stochastically, so the key point is how many companies and students are collected within the service.

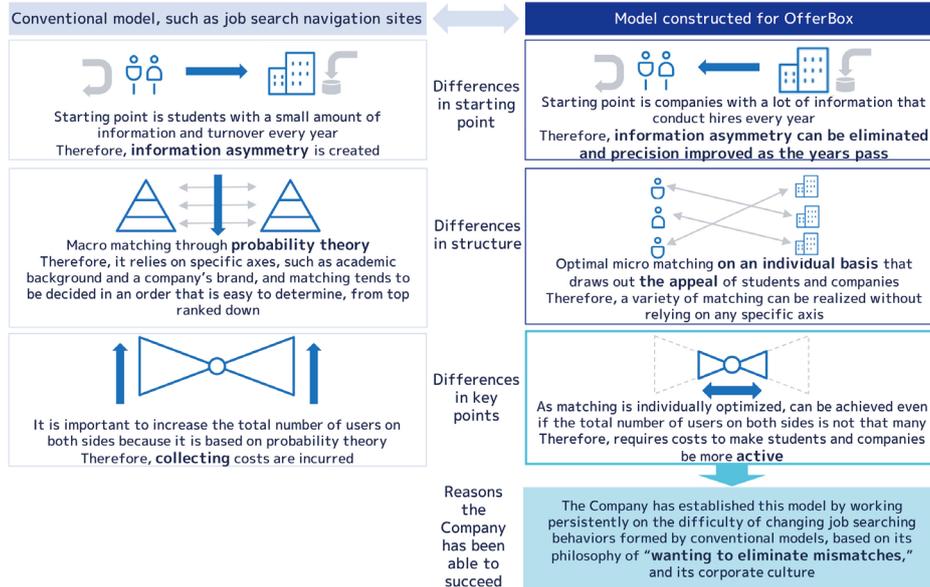
Conversely, the model for direct recruiting-type services is to create individually optimized matching for each person and each company, so rather than increasing the number of registered service users (companies), the key point is the extent to which registered users are “active”^{*} within the service, and toward this, the Company is working every day to improve the service.

^{*} For companies, this refers to searching for and sending offers to students. For students, this refers to logging in, enhancing their profiles, replying to offers from companies, etc..

At first glance, it seems possible to imitate the OfferBox model, but what makes the model unique is the Company’s corporate culture. Based on a strong conviction to eliminate mismatches, it is changing recruitment behaviors created from the conventional model, such as using job search navigation sites, by implementing for the first time in the industry a function for restricting the number of offers sent and received, continuous improvements using KPI trees that set the number of students to be hired as KGI, and educating companies introducing the service on the importance of 1-to-1 communication and investing in onboarding activities so they become more “active.” Synergies between the OfferBox model and the Company’s corporate culture can be said to be increasing its competitive advantages.

Business summary

Model constructed for OfferBox



Source: Reprinted from the medium-term management plan

(2) Earnings characteristics

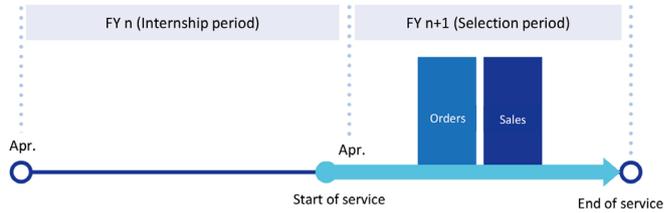
OfferBox has two fee plans, an incentive (success-based) fee plan and an early offer/fixed cost plan. The Company is increasing the number of continuous-use companies by using the incentive fee plan as the entry point and then conducting independent sales and marketing, and is steadily increasing the number of customers for the early offer/fixed cost plan, which is a stable source of earnings. In the incentive fee plan, offers can be sent from March 1, the day on which the government's recommended restriction on recruitment advertisements is lifted, and costs are incurred at the time a job offer is accepted. As there are no costs to introduce the service, should a student decline a job offer before they join the company, the Company is contracted to repay the incentive fee, so a feature of this service is that it makes it easy for companies to use a direct recruiting service for the first time. In the early offer/fixed cost plan, companies can send offers before the restriction on recruitment advertisements is lifted, such as to encourage third-year students to participate in internships. Also, at the time the contract is entered into, the customer company pays a usage fee and recruitment framework fee as a single fee, which enables them to keep down the unit cost of recruitment per person. The Company is not contracted to repay the fees should a student reject a job offer, but the recruitment unit cost is inexpensive and the service can be used for a long period of time, which increases the probability of successful recruitment. In many cases, companies that achieve results with the incentive fee plan use the early offer/fixed cost plan from the following year. In the case of the incentive fee plan, sales are recorded all together at the time that the recruitment is decided, but in the case of the early offer/fixed cost plan, usage fees are distributed over the time period from the third year of the contract up to the end of use in the fourth year. Therefore, fees that will become sales in the following period are recorded in contract liabilities (deferred income) in the current period. Accordingly, on the one hand, costs are incurred in the current period when investment is strengthened, but on the other hand contract liabilities (deferred income) also increase, which tends to lower the profit margin. Conversely, as fees are collected all at once at the time of an order, cash flow from operating activities tends to grow larger relative to operating profit. Therefore, OfferBox can be said to have a framework that creates a stable customer base and earnings foundation.

Business summary

OfferBox's earnings structure

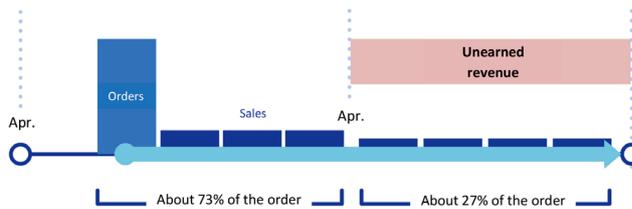
Incentive fee plan

- Can be used by students beginning with March of their third year of a four-year university
- An order (sales) is recorded when a company decides to hire an OfferBox registered student



Early offer/fixed-cost plan

- Can be used by students beginning with April of their third year of a four-year university
- Approximately 27% of advance payments for services are recognized as unearned revenue in the following fiscal year



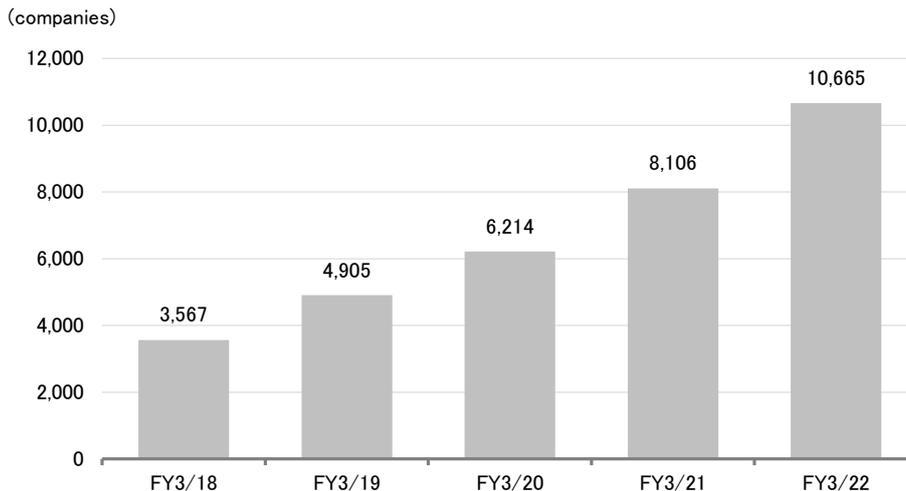
Note 1. The selection period begins with the end of the restriction on recruiting promotions in March of a student's third year, in accordance with government recruiting activity rules, and includes the entire process of recruiting promotions and activities for making hiring decisions.
 Note 2. The composition of prices in the sales plan has been revised beginning with the early offer/fixed-cost plan for students graduating in 2023. As a result, the percentage of the orders received which will be recognized as sales in the current fiscal year has been changed.

Source: Reprinted from the Company's results briefing materials

(3) Performance of OfferBox

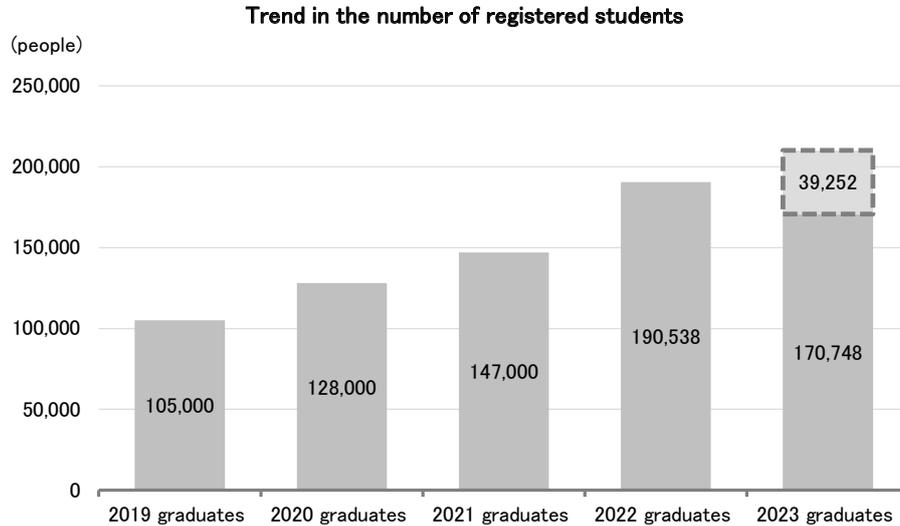
The number of registered companies has continued to steadily increase and by the end of FY3/22 had reached 10,665 companies (up 31.6% YoY). The number of registered students was 190,538 people for 2022 graduates and 170,748 people for 2023 graduates (up to the end of March 2022). Due to the impact of COVID-19, registrations of 2022 graduates rapidly increased and the growth rate for 2023 graduates seems to be low as a result, but even so, the increase trend is being steadily maintained. Alongside this, the number of active users is also increasing and OfferBox can be said to have established a position as a platform for the recruitment of new graduate human resources.

Trend in the number of registered companies



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

Business summary

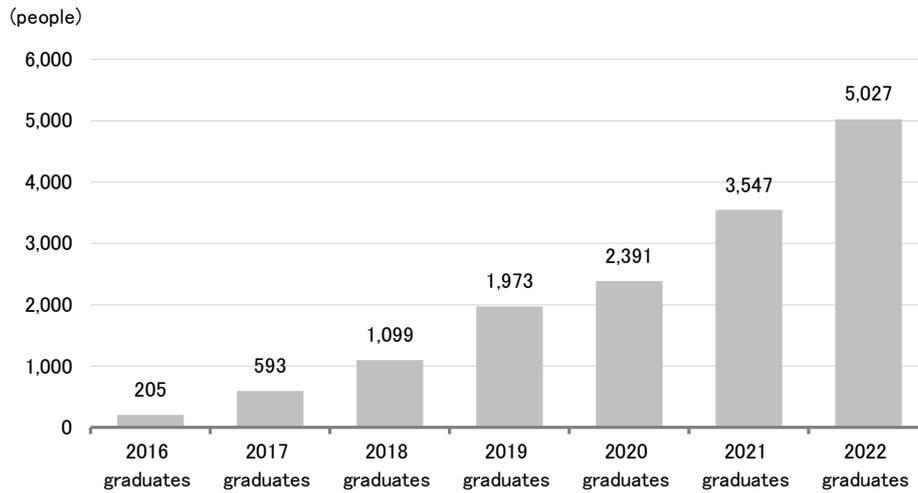


Note: Values for 2023 graduates are FISCO's estimated values from adding the number of registered third-year students (March 2022) to the fourth-year portion (FISCO's estimate)
 Source: Prepared by FISCO from the Company's results briefing materials, securities report, and interviews

Toward recruitment decisions, the Company has succeeded in making companies “active,” and the number of active companies is increasing. The number of offers sent to 2022 graduates maintained a high level of growth, increasing 61.0% compared to the number for graduates in the previous year. For 2022 graduates, the job offer acceptance rate declined slightly (down 1.6%), including due to an increase in the number of new user companies, but the number of job offer acceptances directly linked to the number of people hired increased by 48.8% and continues to grow at the same high rate as the number of job offers sent. At the end of March, the total number of offers accepted by 2023 graduates had grown significantly, increasing by 47.5% compared to the same period for 2022 graduates. From the above, in the end, the number of 2022 graduates to be hired was 5,027 people (up 41.7% compared to the previous year's graduates). Furthermore, the average annual growth rate for the number of students to be hired was more than 70% in the last seven years, and the number of job-seeking students accepting job offers through OfferBox is growing extremely steadily. Also, it appears the level of satisfaction among continuous-use companies is increasing with the average transaction amount growing every year, which would appear to be improving the Company's profitability.

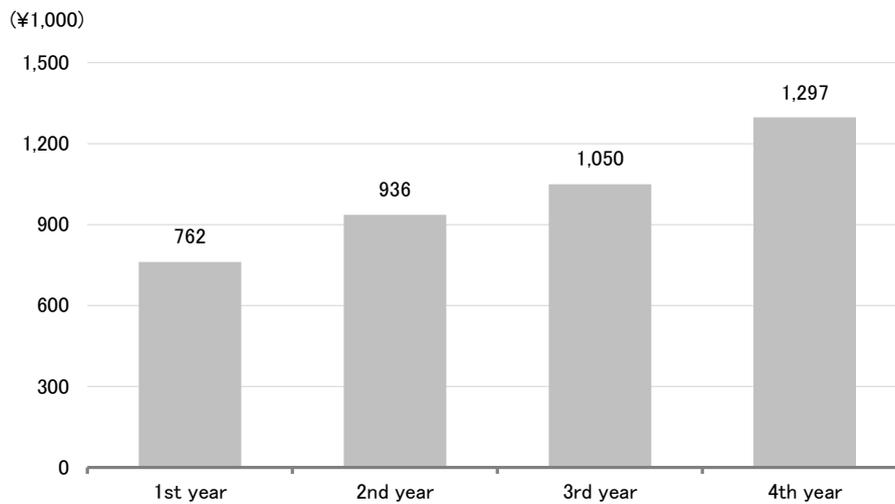
Business summary

Trend in the number of students to be hired



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

Average transaction amount of continuous-use companies



Note: Calculated using total order amount and number of user companies for each continuous-use period, and dividing the order amount by the number of companies

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

The eF-1G aptitude test is highly comprehensive, such as enabling analyses of active human resources

2. eF-1G

The eF-1G aptitude test is an online test provided by the Company's subsidiary e-falcon. With high reliability based on supervision of psychology, statistics, and comparative-culture experts, it goes as far as capturing the personality of the test taker by providing extremely detailed results and being highly comprehensive. Features include use of 194 measurement items, said to be the most in the industry, and consistent applicability for activities from recruitment through to appointments. From the measurement items, it is possible to confirm data that are difficult to ascertain in interviews alone, such as the test taker's stress resistance and ability to continue (in a job) that are necessary for employment, and their experiences and seldom-changing temperament from childhood through to adolescence. Moreover, it can be utilized in every type of recruitment scene, from understanding the candidate in the recruitment process through to their motivation after a job offer. Additionally, the test can be utilized when allocating the right people to the right positions and when considering appointments after they have entered the company, and by accumulating data, it can be used to check recruitment results and the personal growth of the relevant person. Also, by analyzing the results of aptitude tests taken by existing employees, individual companies can ascertain their human resource recruitment needs. These advantages can lower the rate of people who accept a job offer but who subsequently withdraw by analyzing the compatibility of job seekers and the recruiting side and then reflecting the analysis results in recruitment activities. The results are extremely detailed and highly comprehensive, and it seems that in many cases the test has been highly evaluated for its accuracy. While the Company sells eF-1G to companies as a standalone service, it is also installed as standard in OfficeBox, contributing to an increase in that product's added value.

Released the beta version of PaceBox, an offer-type career transition site for young people

3. PaceBox

The Company established pacebox Inc. in April 2022 for the planning, development, and management of a mid-career recruitment service for young people (aged from 25 to 34). By starting to provide the PaceBox service in addition to the OfferBox new graduate direct recruiting service, the Company intends to widen career possibilities for young people. The features of PaceBox include that, while being similar to OfferBox as a direct recruiting-type platform, it provides career advisors with whom job seekers can consult about changing jobs, functions to control offers that enable job seekers to receive offers only from the companies they want, and a fee model designed not with the goal of recruitment, but retention (should a person leave a company within two years of joining, fees are repaid depending on the length of the period they were with that company). Job seekers can consult with career advisors when they like, and these job seekers can find opportunities they may not have been aware of on their own. Career advisors will not introduce job seekers to recruiting companies, but instead support their career development by getting to know them. Also in PaceBox, job seekers can set detailed employment conditions, such as annual salary and work location, and establish controls to only receive offers that match their conditions. Therefore, it can ascertain the position of the job seeker in the career transition market and save time by reducing contact with companies that do not meet their conditions. With regards to specific work over a period of time, accumulating various kinds of experience leads to retention, so the goal of PaceBox is not for a person to merely join a company, but to remain at that company. With that in mind, it established a “remain guarantee” system in which recruiting companies pay a fee (¥500,000 per person) at the time a job offer is accepted, but if the recruited person leaves the company within two years, fees are repaid depending on the number of months remaining in those two years after they have left the company (based on the ¥500,000 fee being spread out over 24 months). This is considered to have the effect of lowering the barrier for companies to introduce the service, and the Company intends to develop it to be its second business pillar in the future.

■ Medium-term management plan

Aiming for net sales of ¥9,720mn and operating profit of ¥1,980mn in FY3/25

1. Purpose and Vision2030

Technologies and the social situation are evolving on a seemingly daily basis and as a result, our lives are changing greatly along with our values with regards to work. In the future, in order for everyone to be active in their own way, it will be important to draw out their “career potential,” so that each and every person can demonstrate their various possibilities, grow in an era in which people live to 100, and discover new options. The Company has newly formulated its purpose as “Drawing out the ‘career potential’ of each and every person,” and to achieve this, it intends to develop services in various fields in the future.

In this situation, the Company has set its vision of “Realizing a platform that will enable everyone to carry out actions to maximize their lifetime career potential” as the target to be achieved by 2030.

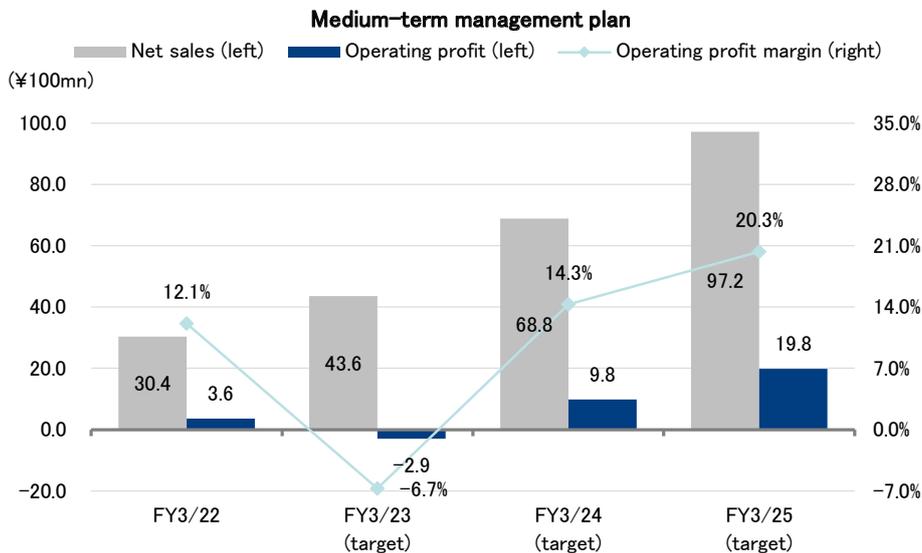
Medium-term management plan

Structural problems can also be seen in areas other than new graduate recruitment as well, such as job changing and re-learning among young people and the middle aged and older. To resolve these issues, it is considered that the OfferBox business model, which has achieved a certain level of success for the direct recruitment of new graduates, will function effectively in these areas as well. Therefore, there appears to be plenty of room for the Company to expand its business areas. For this, it can utilize strengths cultivated over the 10 years since its foundation, including a “core model” based on accumulating and monetizing “micro matching” through service design based on direct recruitment by companies; “customer assets” of more than 10,000 companies, approximately 800,000 students, and service and name recognition among 70% of students (according to a Company survey); and a “strong conviction” of eliminating mismatches through mutual understanding. Therefore, toward achieving its Purpose of “Drawing out the ‘career potential’ of each and every person,” its policy is to go beyond the recruitment of new graduates and progress management that aims to achieve Vision2030, “Realizing a platform that will enable everyone to carry out actions to maximize their lifetime career potential.”

2. Medium-term management plan

The medium-term management plan is the business plan that will serve as the first step toward realizing Vision2030 and will be implemented as a rolling plan each year. The plan’s basic strategies are to further grow OfferBox toward eliminating mismatches of new graduates, accelerate investment in new businesses in the HRtech × People Analytics* field, and conduct disciplined M&A toward building an ecosystem. In parallel with these basic strategies, its policy is also to conduct capital allocations that prioritize growth potential, while also being aware of improving capital efficiency. As a result, the Company continued to grow sales and improve earnings, and for FY3/25, it is aiming to achieve net sales of ¥9,720mn (compound annual growth rate (CAGR) of 47.3%) and operating profit of ¥1,980mn.

* HR services and tools that use IT technologies to analyze big data.



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

Is pivoting on the axis of the new graduate recruitment business to expand into the mid-career recruitment business

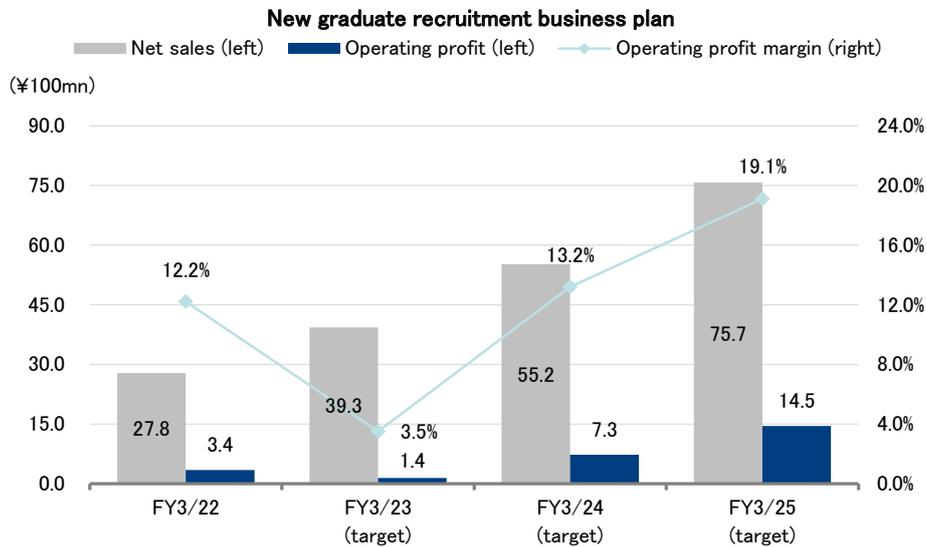
3. Summary of each business

In the medium-term management plan, the businesses are divided into three: the new graduate recruitment business that is primarily the OfferBox growth driver, the mid-career recruitment business that was newly launched with the release of the beta version of PaceBox, and the aptitude test business that is aiming to expand the eF-1G service. Also, the Company's policy is to conduct M&A in order to complement these three businesses and create new businesses.

(1) New graduate recruitment business

For OfferBox, the Company is creating further measures to draw out the appeal of students and companies, and is aiming to evolve the service into a platform with increased opportunities for companies and students to meet. Through these efforts, it has set a target of 20,000 students hired by recruiters from among 2026 graduates. To achieve this, its business strategy is as follows. Step 1 is to improve functions that further draw out the appeal of both companies and students. Step 2 is to strengthen functions that will increase opportunities for companies and students to meet. Lastly, Step 3 is to utilize data in order to further improve matching efficiency. Specifically, in Step 1, it will introduce elements that newly convey the mutual appeal in the information students see about companies and vice versa. In Step 2, it intends to boost the number of offers sent by increasing opportunities for companies and students to meet within OfferBox, including by further strengthening the enhanced functions for offers from companies and incorporating service features for real meetings, such as events and seminars. In Step 3, based on the initiatives in Steps 1 and 2, it will enhance both the quality and quantity of the behavioral database that captures the intentions of students and companies, which is one of OfferBox's features, and apply this to machine learning in order to further improve matching efficiency. Advancing the three steps of the business strategy is expected to both increase the numbers of offers sent and offers accepted by improving the offer acceptance rate, and as a result, to increase the number of companies that decide to recruit. Based on this, the rate of companies continuing to use the service is forecast to improve. Moreover, the average transaction amount for continuous-use companies will trend upward as the period of continuous use lengthens, so profitability is also expected to improve. As a result, for FY3/25, the Company is forecasting net sales of ¥7,570mn (CAGR of 39.6%) and operating profit of ¥1,450mn in the new graduate recruitment business, citing an anticipated rise in the average transaction amount and factors such as improvements in business productivity, minimizing development outsourcing costs through in-house production, and keeping down recruitment costs.

Medium-term management plan

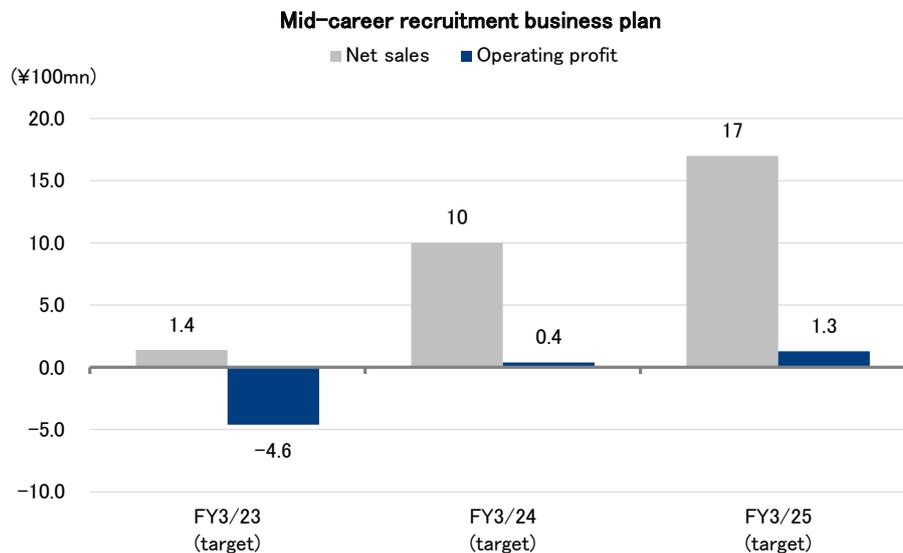


Source: Prepared by FISCO from the medium-term management plan

(2) Mid-career recruitment business

In Japan, job changing already exists in various forms, for instance resulting from changes in the occupational structure caused by the declining working population and changes in the structures of industries. In particular, against the backdrop of changes to industry structures, the need to shift to different industries or occupations when changing careers is forecast to increase in the future. However, changing careers is not easy to do and it is essential to find elements within the job seeker’s work history that can be utilized in a different career. On the other hand, the scale of the career transition market has temporarily contracted due to the impact of COVID-19, but there has been no change to its growth trend in the long term, and it seems its market scale will exceed that of before COVID-19 before too long. PaceBox targets young people (ages 25 to 34) who are actively changing jobs, and notably, the number of people who desire to change jobs is increasing (around 2mn to 2.3mn people), while the number of people actually changing jobs is decreasing (around 600,000 people). In the background to this point is an issue on the job seekers’ side, that among young people there is insufficient support for career formation for those who want to change their job or career for the first time, and an issue on the companies’ side of having low name recognition and small budgets rendering them unable to successfully recruit. To solve these issues, it is considered important to create connections between job seekers and companies so that there can be a firm awareness of job seekers’ careers. The Company, based on the technologies and expertise it has cultivated for OfferBox, has realized PaceBox as a career transition matching platform that aims not for recruitment, but retention, by providing a new fee plan with a “remain guarantee” that will contribute to solving these problems. Through these efforts, the mid-career recruitment business is forecast to achieve net sales of ¥1,700mn (CAGR of 239.1%) and operating profit of ¥130mn in FY3/25, despite being expected to record a loss in FY3/23 due to upfront investment for its vertical launch in the competitive career transition market.

Medium-term management plan



Source: Prepared by FISCO from the medium-term management plan

(3) Aptitude test business

Spurred on by COVID-19, the shift to online selection is advancing and needs for the eF-1G online test are expected to grow. Therefore, the Company’s policy is to work on strengthening the structure that can provide the right solution at the right time to companies with problems. Also, in terms of strategic measures, it will effectively deliver results to customers by strengthening digital marketing that utilizes its abundant track record and knowledge as content to solve issues. In addition, on the one hand, it is strategically approaching the 10,000 companies with OfferBox accounts, while on the other hand, it intends to focus on developing new products and evolving services, including by further bolstering the scope of strength measurement as a reaction to customer issues, which are diversifying and becoming more complex.

(4) M&A strategy, etc.

In order to realize Vision2030 and build an ecosystem, the Company intends to conduct disciplined and strategic M&A. Its M&A policy is to collect information on proposals from all areas on the two axes of services for the careers of individual and services for corporations. Its investment policy is to continuously and strategically conduct disciplined investment, while its general investment controls include ascertaining the level of risk tolerance, setting the source of funds for M&A investment, and regulating the total amount of goodwill using the net assets ratio as the indicator. Conversely, for investment controls for individual proposals, it decides on an investment only after determining the selection criteria, investment criteria, and withdrawal criteria for each proposal, and carefully investigating the contents of the proposal. After conducting the investment as well, its approach is to perform appropriate monitoring and to implement PMI* that will increase its contribution to improving a company’s enterprise value.

Also, based on an awareness that customer value is generated from the engagement of employees and the extent of their loyalty, the Company is implementing various initiatives in order for its diverse human resources to realize various workstyles. In addition, its policy is to strengthen corporate governance, including by introducing a stock remuneration system for directors (excluding outside directors) and strengthening information security.

* PMI (Post Merger Integration): Integrated processes and management to ensure the expected effects of an M&A are obtained.

Results trends

In FY3/22, achieved both higher profits and growth investment through the increase in net sales. Usage of OfferBox also increased

1. FY3/22 results trends

In the FY3/22 consolidated results, net sales were ¥3,041mn (up 41.4% YoY), operating profit was ¥367mn (up 17.0%), ordinary profit was ¥370mn (up 27.1%), and profit attributable to owners of parent was ¥253mn (up 9.2%). In the Japanese economy, on the one hand, uncertain conditions persist, influenced by factors such as COVID-19, rising prices for raw materials, and the weak yen. But on the other hand, in the direct recruiting service market in which the Company is categorized, companies' desire to recruit increased and results steadily grew even during the COVID-19 pandemic.

Spurred on by COVID-19, the shift to online recruitment of new graduates is advancing and the importance of 1-to-1 communication is increasing, so an environment is being established in which direct recruitment is more likely to be chosen by companies. Against this backdrop, the number of companies registered with OfferBox reached more than 10,000 companies by the end of December 2021. Also, 190,000 of 2022 graduates registered with OfferBox and approximately one-third of all students looking for a job in the private sector registered with this service. These achievements contributed and net sales maintained high growth.

In profits, the Company struggled to recruit development personnel, but cost of sales increased slightly due to system alterations, including utilizing outsourcing. In order to further accelerate the growth of OfferBox, it has recruited sales personnel to follow up with user companies and actively invested in promotions toward expanding the service's scale. Therefore, SG&A expenses increased 55.7% YoY. Growth in profit attributable to owners of parent was somewhat low, reflecting an usually high corporate tax rate, including accumulated earnings tax.

FY3/22 consolidated results

	FY3/21		FY3/22		YoY
	Result	% of sales	Result	% of sales	
Net sales	2,151	100.0%	3,041	100.0%	41.4%
OfferBox (early offer/fixed cost plan)	1,357	63.1%	2,066	67.9%	52.2%
OfferBox (incentive fee plan)	473	22.0%	673	22.2%	42.3%
eF-1G (aptitude test)	254	11.8%	262	8.6%	3.2%
Others	65	3.0%	38	1.3%	-41.2%
Gross profit	1,805	83.9%	2,692	88.5%	49.1%
SG&A expenses	1,491	69.3%	2,324	76.4%	55.7%
Operating profit	313	14.6%	367	12.1%	17.0%
Ordinary profit	291	13.6%	370	12.2%	27.1%
Profit attributable to owners of parent	232	10.8%	253	8.3%	9.2%

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

Results trends

Trends by service are described below.

(1) OfferBox (early offer/fixed cost plan)

Net sales increased 52.2% YoY to ¥2,066mn. As a result of efforts to strengthen the Sales Department's follow-up system that have been underway since FY3/21 targeting 2023 graduates, the number of companies that successfully recruited increased, leading to rises in repeat orders and the average order unit price for the early offer/fixed cost plan. Also, recruitment decisions were strong, and new orders, including those shifting from the incentive fee plan, were excellent.

(2) OfferBox (incentive fee plan)

Net sales increased 42.3% YoY to ¥673mn. Due to the environment surrounding new graduate recruitment for 2022 graduates, newly registered companies increased. Furthermore, a rise in companies' desire to recruit fueled an increase in the volume of recruitment activities and students receiving informal job offers trended strongly.

(3) eF-1G (aptitude test)

Net sales increased 3.2% YoY to ¥262mn. Companies' desire to recruit rose and the number of people taking aptitude tests is recovering. Conditions continue to be severe in companies conducting in-house training that use the results of aptitude tests assuming face-to-face contact, but the Company is taking measures including installing an individualized form creation system for the results of aptitude tests.

(4) Others

Net sales decreased 41.2% YoY to ¥38mn. Royalty income for marking-type aptitude tests provided to vocational schools and customized aptitude tests for other companies were solid. However, in conjunction with a change in the contract form for some services, the recording method for sales changed from the total amount to the net amount, resulting in a sales decline.

In FY3/23, is actively conducting upfront investment that will lead to growth in the medium term

2. FY3/23 results outlook

For the FY3/23 consolidated results outlook, the Company is forecasting net sales of ¥4,366mn (up 43.5% YoY), an operating loss of ¥293mn (profit of ¥367mn in the previous period), an ordinary loss of ¥299mn (profit of ¥370mn), and a loss attributable to owners of parent of ¥384mn (profit of ¥253mn). Due to the effects of COVID-19 and the Ukraine situation, the sense of uncertainty is increasing not only about the future of the Japanese economy, but moreover the global economy. But in the new graduate recruitment market in Japan, the ratio of job offers to university graduate job seekers for 2023 graduates rose 0.08 of a percentage point compared to the previous year to 1.58 times, and companies' desire to recruit new graduates is recovering. Also, it seems recruitment competition among companies is becoming even more heated and they are starting selection activities at an earlier stage.

Results trends

It is now the third year in which job search activities are being conducted during the COVID-19 pandemic. Selections with face-to-face interviews have partially restarted, but for students, it seems that job search activities are centered on internships and selections conducted online. Companies are being required to adapt to these kinds of changes in the style of job search activities and are reconsidering the conventional means of collecting information on large numbers of students, narrowing them down, and making selections while prioritizing face-to-face contact. Instead, they are transitioning toward online activities, narrowing down students at the time of recruitment and conducting selection that prioritizes 1-to-1 communication. From this situation, it is anticipated that demand for the Company's services will further increase in the future.

FY3/23 consolidated results outlook

	FY3/22		FY3/23		YoY
	Result	% of sales	Forecast	% of sales	
	(¥mn)				
Net sales	3,041	100.0%	4,366	100.0%	43.5%
Operating profit/loss	367	12.1%	-293	-6.7%	-
Ordinary profit/loss	370	12.2%	-299	-6.8%	-
Profit/loss attributable to owners of parent	253	8.3%	-384	-8.8%	-

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

In this sort of environment, the Company is aiming to achieve job offers for 20,000 people via the OfferBox service among students scheduled to graduate in 2026 by actively conducting upfront investment and increasing its competitive advantages. Specifically, through this upfront investment, it will increase the number of registered students on all fronts and proactively. For companies as well, it is considered that it will promote the use of the service and strengthen efforts for customer success that will guide them to recruitment decisions, and realize improvements in the recruitment success rate, conversion rate from the incentive fee plan to the early offer/fixed cost plan, and continuation rate of the early offer/fixed cost plan, and thereby build a more solid customer base. It will also progress customer acquisition for regional companies and major companies. In addition, for students' profile information and information on companies, it intends to increase the number of offers accepted by developing functions that enable information to be posted in ways that better convey the appeal of users and create various opportunities to meet on OfferBox. In addition, it is working to further improve matching efficiency by utilizing the behavioral data of students and companies. For eF-1G, it is working on product development, improving operational efficiency, and further strengthening sales and marketing functions. For the new PaceBox business, its policy is to realize its vertical launch through upfront investment. As a result of these efforts, in FY3/23, the forecasts are for net sales to continue to grow at a high level, but for an operating loss to be recorded due to active upfront investment, including investment in the new PaceBox business; strengthening the sales, development and management structures of OfferBox; and possibilities for new investment, including for M&A. However, because the main reason for this loss will be the upfront investment, results are expected to achieve a V-shaped recovery from FY3/24 onwards and to enter a growth period.

■ Returns to shareholders policy

The Company is aware that returning profits to shareholders is one of its most important management issues. However, it is currently still in a growth process and considers that supplementing internal reserves to stabilize the management foundation, conducting investment for business expansion and to improve business efficiency, and thereby improving enterprise value, will maximize returns to shareholders over time. Therefore, at the current time, it has yet to decide on its basic policy for paying dividends and the payment period. In FY3/22, it did not pay a dividend as it determined that investment was necessary to further improve services. Also, its policy going forward is to utilize internal reserves for business development.

■ Information security

As the Company handles personal information in relation to its provision of services, it is legally obliged to be an entity handling personal information as provided for by the Act on the Protection of Personal Information. In addition to preventing external leakages of personal information, it has established personal information protection rules and aims to clarify the flow of handling personal information based on laws, regulations and various guidelines. Also, based on these rules and regulations, it regularly carries out training for executives and employees, while it has also acquired the Privacy Mark and is actively working to protect personal information.



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