

# **FY2019 3rd Quarter Financial Results**

Livesense Inc. (TSE1: 6054)

November 14, 2019

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# **1. Financial Results**

# Executive Summary for the 3rd Quarter

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| Sales down due primarily to removing E-commerce business from scope of consolidation by selling shares in subsidiary.  
Income down due to lower number of hires in HR Information Media business.

- Net sales                      ¥1,548 million ( YoY    -¥156 million    -9.2% )
- Operating income            -¥88 million ( YoY    -¥70 million       - )

| By business, Machbaito grew.  
Sales down in both Tenshoku Navi and Tenshoku Kaigi due to fewer applications and partial suspension of new sales, respectively.

- Machbaito sales increased, owing primarily to continued expansion of ad placements. iOS app also received favorably
- Tenshoku Navi sales down due primarily to decrease in number of applications in conjunction with adjustment of ad placements and reduced hiring by some customers
- Tenshoku Kaigi sales down due primarily to suspension of new sales in Tenshoku Kaigi BUSINESS in conjunction with shift in business policy

| Promoting restructuring of business portfolio with transfer of DOOR Chintai business.

- DOOR Chintai business to be transferred on December 1, 2019. Extraordinary income expected in 4Q. Forecast will be revised based on latest business trends
- Funds and human resources from this business transfer to be allocated to priority businesses

# Quarterly Financial Results Overview

(Millions of JPY)

	FY2018 3Q	FY2019 3Q	YoY
Net Sales	1,704	1,548	▲9.2%
Operating Income	▲ 18	▲ 88	—
Operating Margin(%)	—	—	—
Ordinary Income	0	▲ 69	—
Profit attributable to owners of parent	113	▲ 49	—

(Reference)  
 Quarterly Financial Results Overview Excluding Impact of Removing Subsidiary (waja) from Scope of Consolidation Through Sale of Shares

	FY2018 3Q	FY2019 3Q	YoY
Net Sales (Except for waja)	1,577	1,548	▲1.8%
Operating Income (Except for waja)	17	▲ 88	—

# Earnings Forecast Revision

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Earnings forecast revised in light of transfer of DOOR Chintai business and progress in each business.

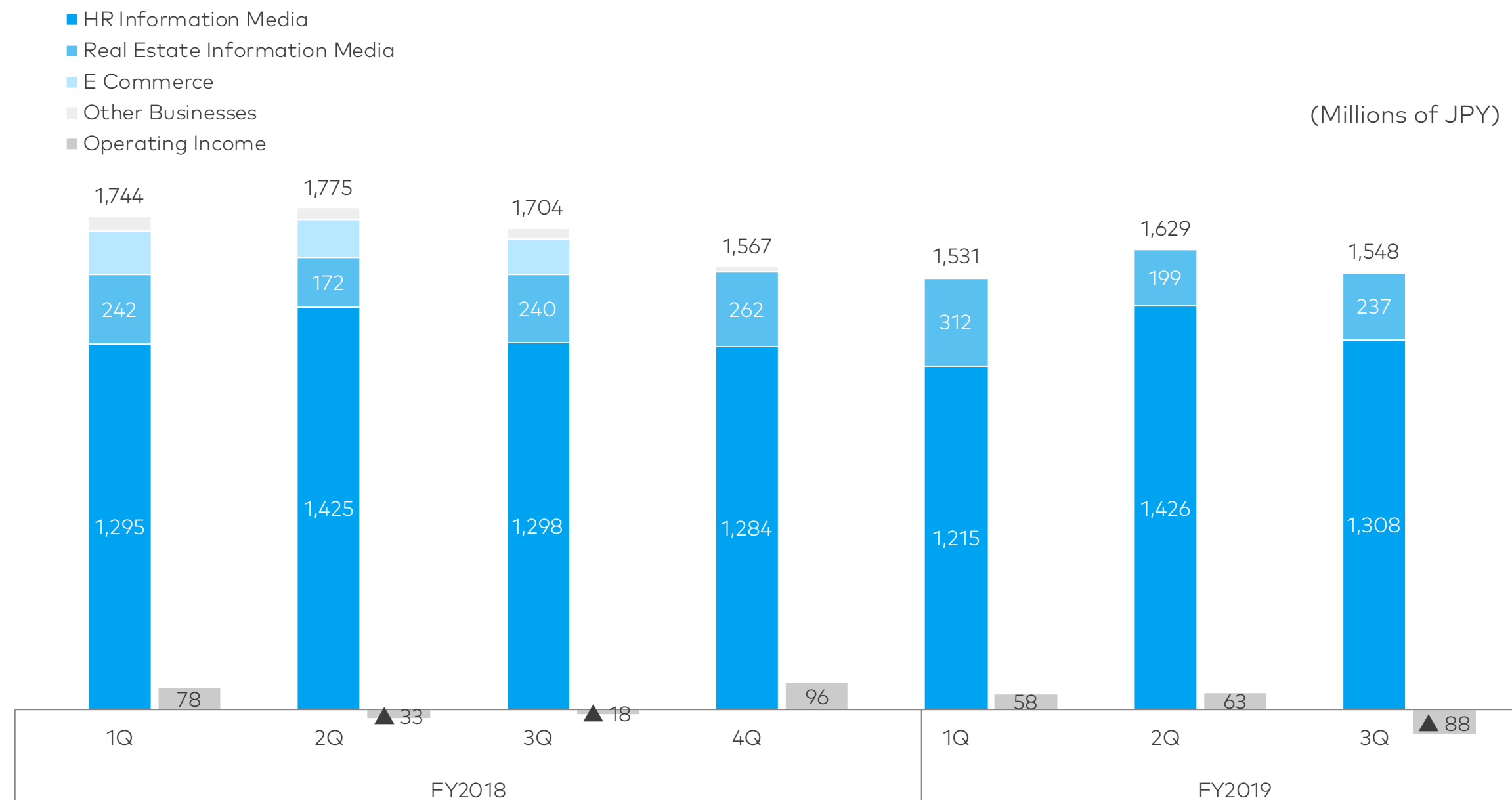
(Millions of JPY)

	FY2018 Results	FY2019 Previous Forecasts	FY2019 Revised Forecasts	YoY
Net Sales	6,791	6,500	6,200	▲8.7%
Operating Income	122	150	0	—
Ordinary income	261	—	80	▲69.4%
Profit attributable to owners of parent	285	—	1,200	+320.8%

# Net Sales and Operating Income

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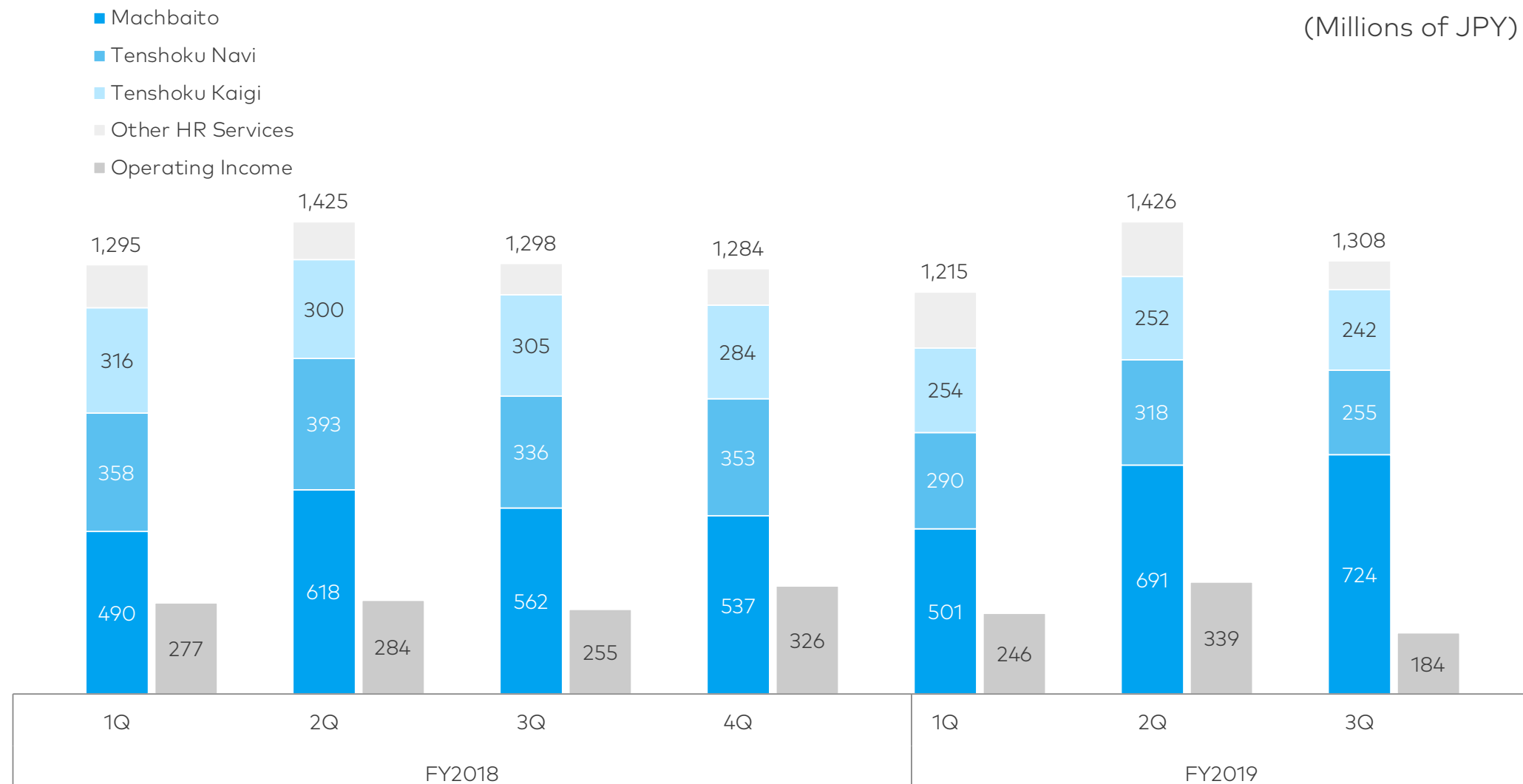
- Sales down 9.2% YoY due mainly to impact of removing subsidiary from scope of consolidation.
- Income down ¥70 million YoY, due primarily to reduced income from HR Information Media business.



# Segment Net Sales and Operating Income - HR Information Media

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- Machbaito sales up 28.9% YoY, owing primarily to expansion of ad placements, maintaining advertising efficiency, and increase in app users.
- Tenshoku Kaigi sales down due to partial suspension of new sales in conjunction with shift in business policy, Tenshoku Navi sales down due primarily to decrease in number of applications in conjunction with adjustment of ad placements and reduced hiring by some customers.



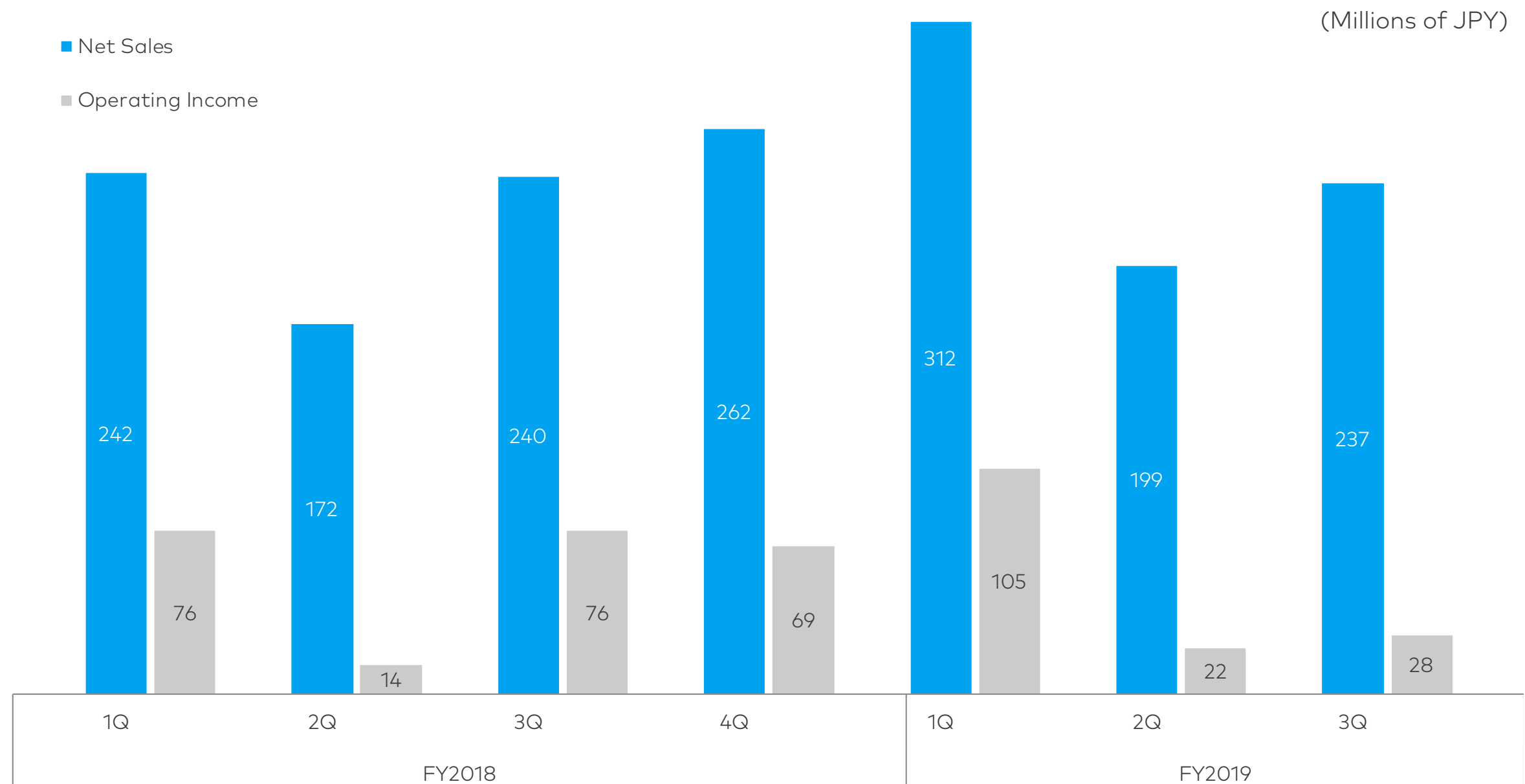


# Segment Net Sales and Operating Income -Real Estate Information Media

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Sales remained flat YoY due primarily to impact of long holiday. Income down due to temporary increase in advertising costs.

Decision made to transfer DOOR Chintai business.

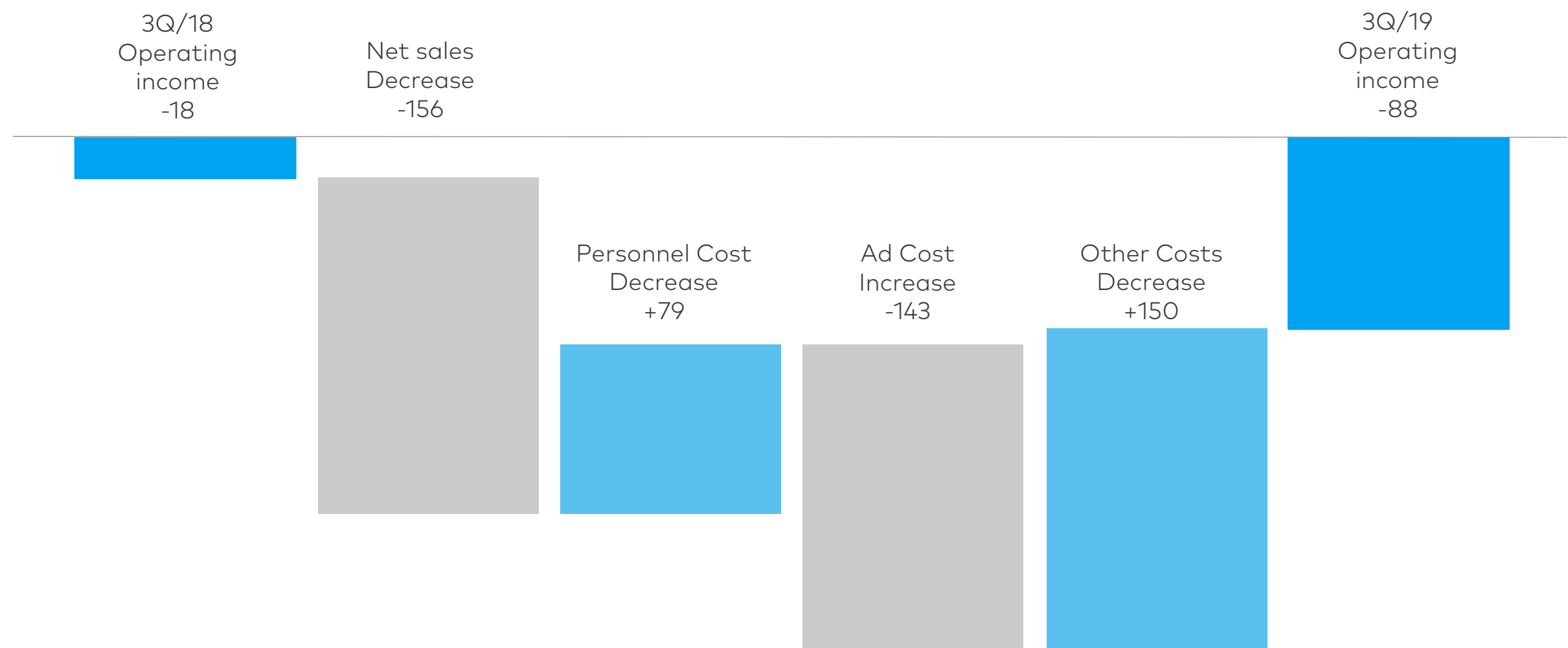


# Operating Income -YoY Comparison

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Net sales and related costs down due primarily to removal of subsidiary from scope of consolidation and shift in business policy of Tenshoku Kaigi.

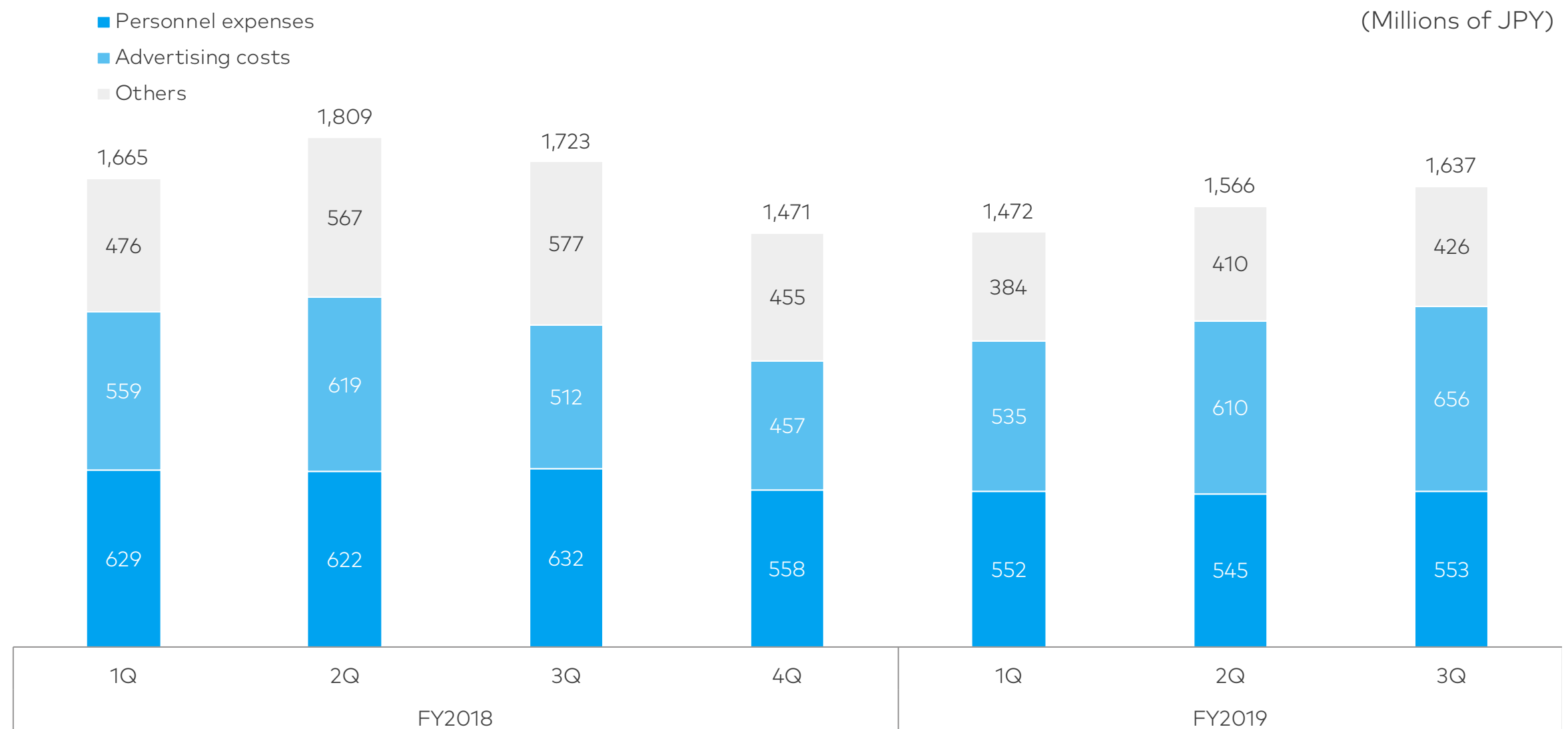
(Millions of JPY)



# Operating Expenses

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Related costs were down approx. ¥160 million with removal of subsidiary from scope of consolidation, but web advertising, promotions, and other advertising costs were up.



## **2. Business Overview**

# Business Portfolio Restructuring: DOOR Chintai Business Transfer

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- | DOOR Chintai to be transferred for purpose of business portfolio restructuring.
- | Extraordinary income of ¥1.75 billion expected in 4Q in conjunction with business transfer.

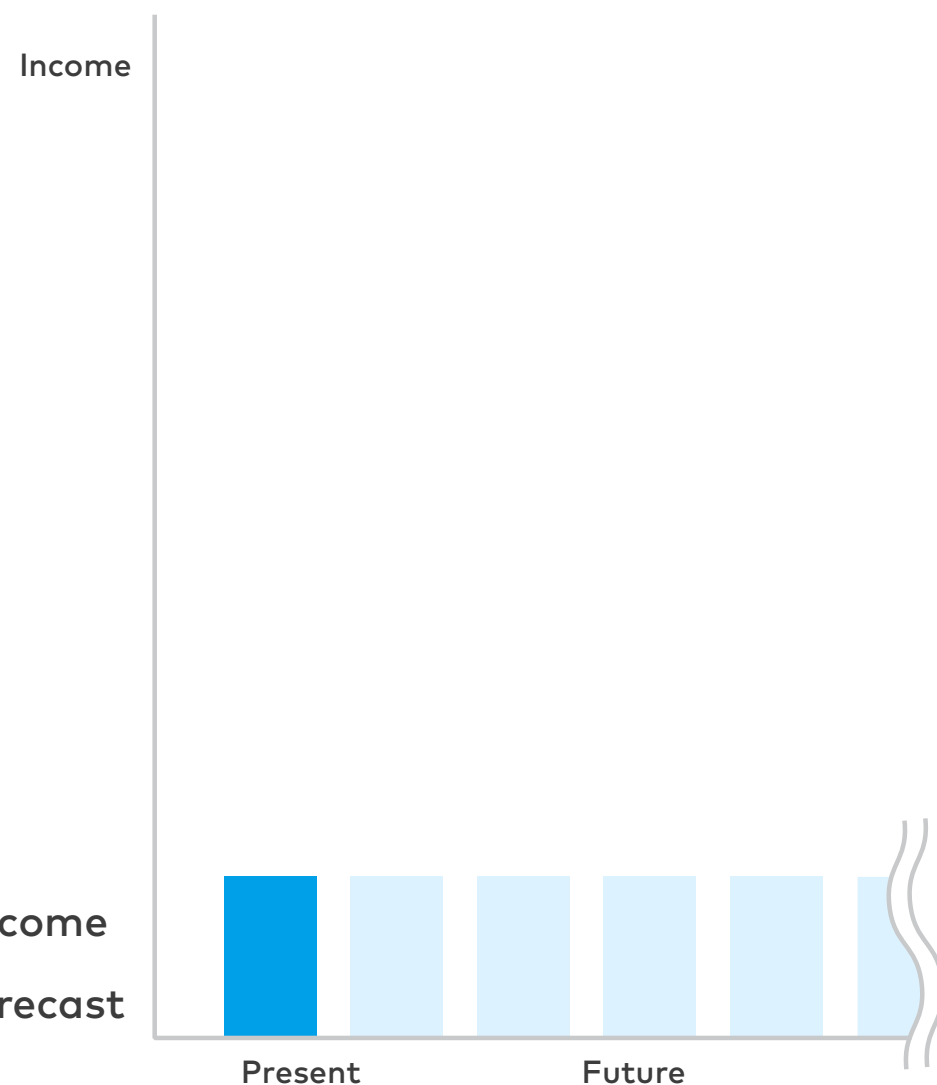
Purpose of transfer	Restructuring of business portfolio through higher investment in new businesses and requisite selection and concentration of existing businesses <ul style="list-style-type: none"><li>• Secure a lump sum of investment funds for the future through transfer through transfer</li><li>• Allocate remaining human resources to priority businesses</li></ul>
Transferee	CareerIndex Inc.
Transfer price	¥1.75 billion (excl. tax)
Transfer date	December 1, 2019
Impact on income	<ul style="list-style-type: none"><li>• ¥1.75 billion extraordinary income to be recorded in 4Q</li><li>• Remove from P/L statement as of December 2019 (incorporated into revised forecast on P6)</li><li>• Impact on FY2020 to be reflected in forecast at time of announcement of full-year financial results (FY2018 results: Sales of ¥766 million and ordinary income of ¥351 million)</li></ul>

# Portfolio Restructuring: DOOR Chintai Business Transfer

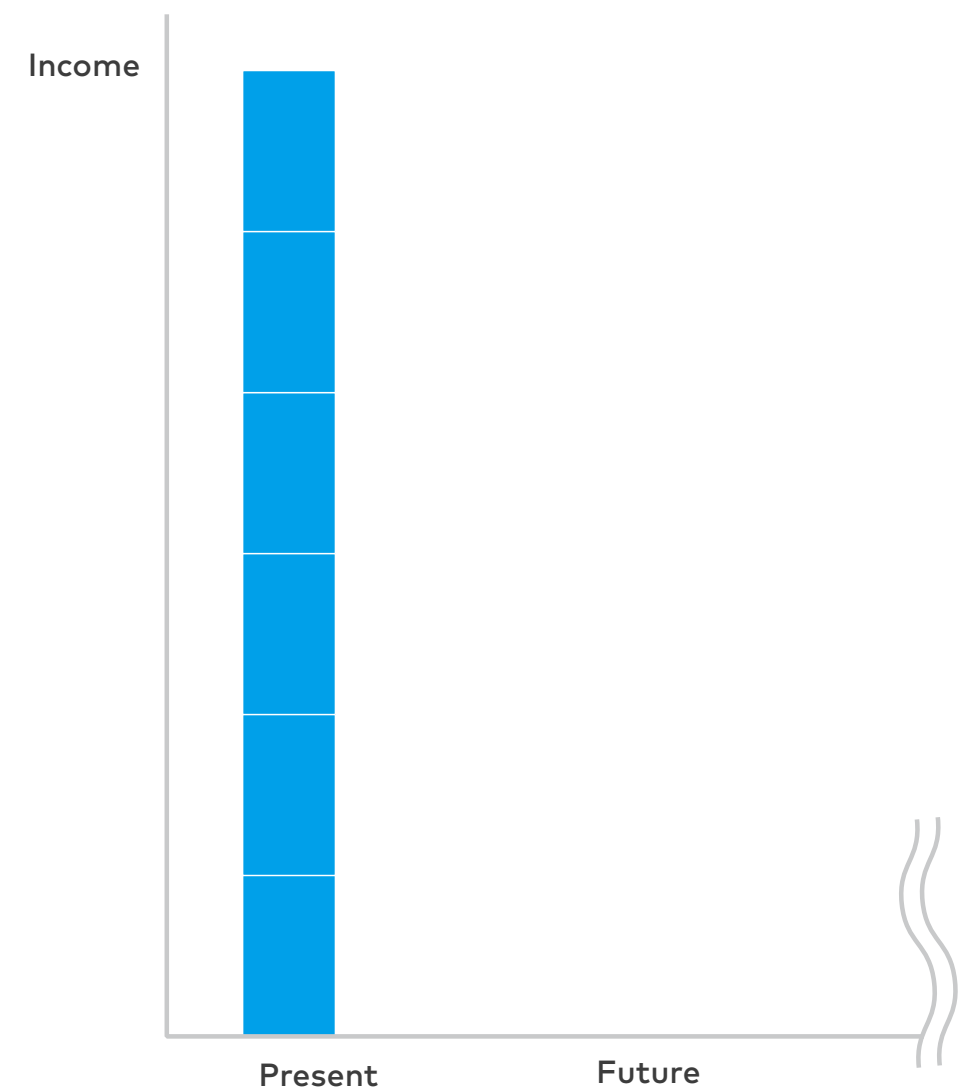
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- | Secure several years of future operating profit in lump sum.
- | P/L statement will be worse in short term beginning next year, but this is outweighed by advantages of securing certain funds and reallocating resources.

Income forecast if continuing  
DOOR Chintai operations



Income from transfer of DOOR  
Chintai business

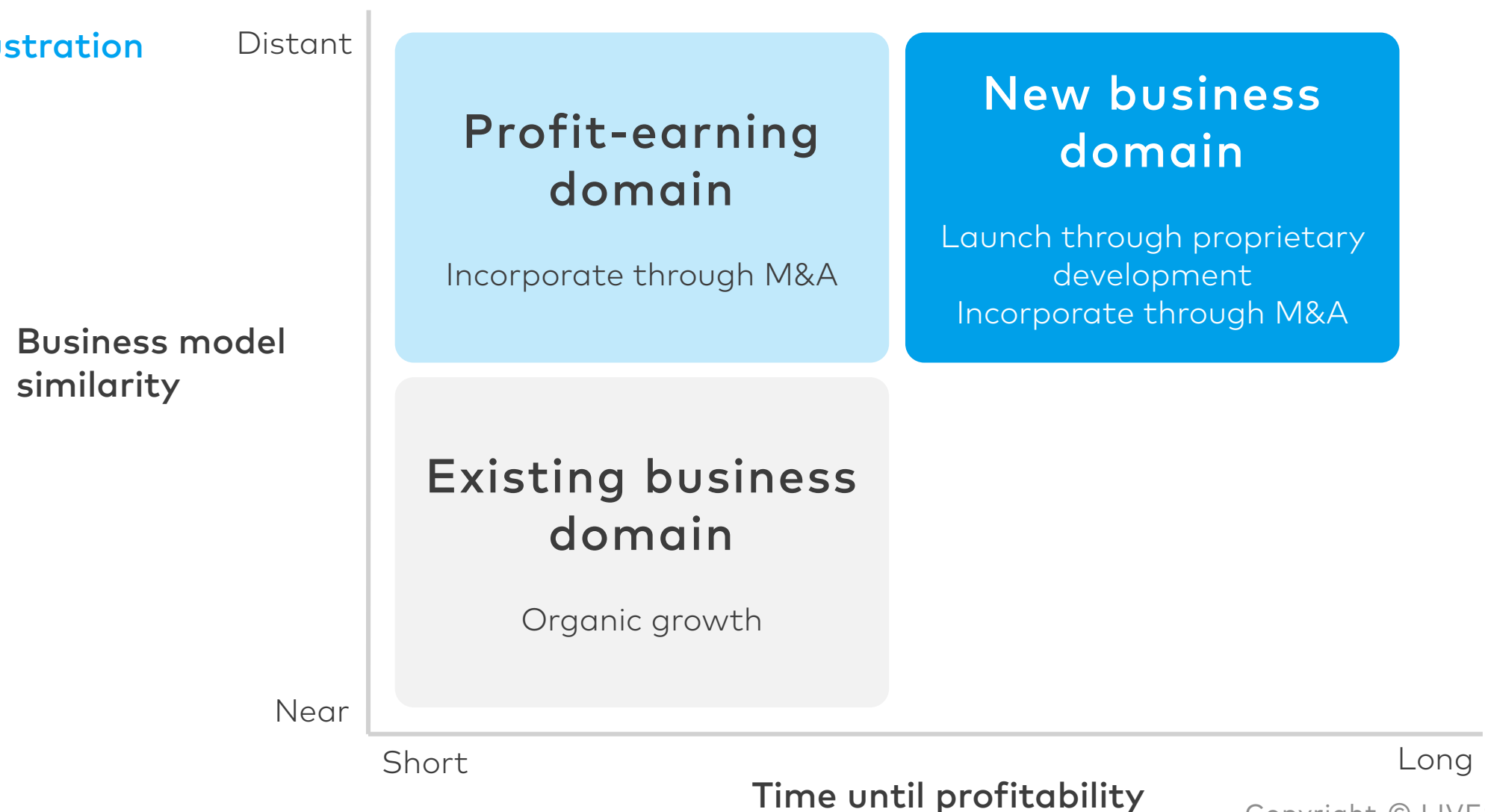


# Portfolio Restructuring: Future Investment Areas

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- | Establish business model not dependent on customer attraction via search traffic, which is common characteristic of existing businesses, as future investment area.
- | Work on creating new businesses that will become the next common and acquire businesses that will quickly be profitable on top of existing businesses in aim of improving portfolio and increasing corporate value.

Business Portfolio Illustration



# Initiatives for Continuous Change and Improved Corporate Value

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| Launch of Management Design Project to redefine LIVESENSE value.

| Aim to become company that enjoys continued support of society by continually updating the company stance and to acquire and keep human resources and continually improve corporate value.

## Nine Guidelines for Change

- Do not rely on specific income
- Review business value repeatedly
- Promote learning and career advancement
- Provide opportunities that support taking up challenges
- Share information for autonomy
- Realize diverse work styles
- Eliminate discrimination and harassment and realize fairness
- Provide fair and unbiased evaluations
- Contribute to society in non-commercial ways

## Main Initiatives to Date

- Treat common-law marriages and same-sex partnerships the same as legal marriages
- Provide paid leave for sex change operations and infertility treatment
- Apply service discount for non-profits
- Eliminate upper limits for remote work and restrictions on employment types
- Create paid menstrual leave
- Eliminate applications for side businesses
- Create internal internship program

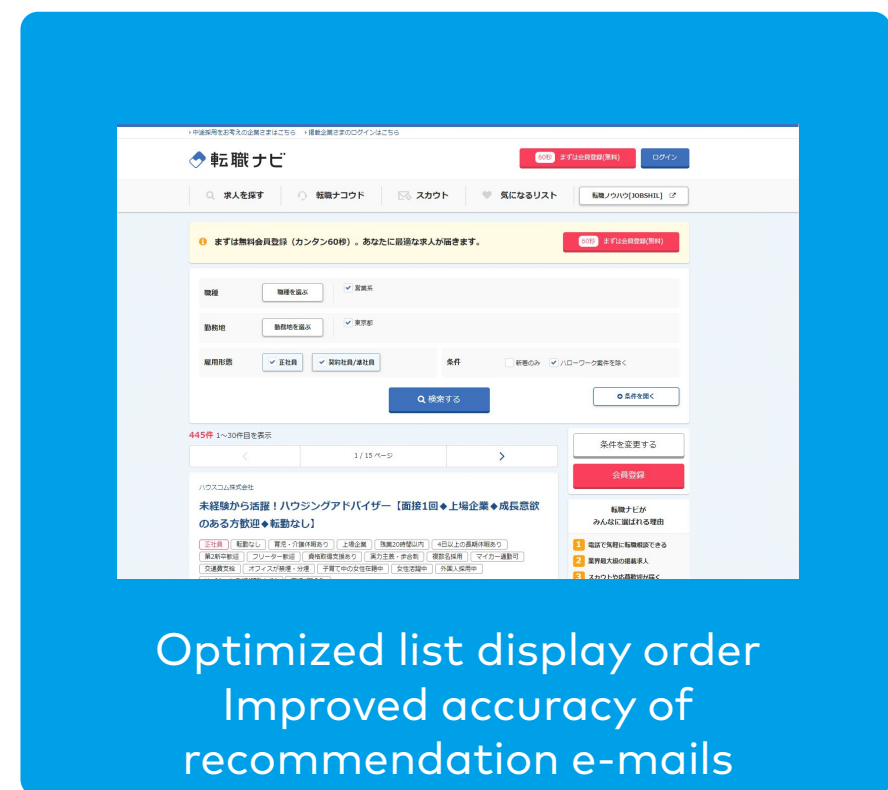


# Utilization of Machine Learning

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- Progress on optimization of Tenshoku Navi search results and recommendations using machine learning.
- Increased number of applications by predicting company hiring trends and improving accuracy of job search results and recommendation e-mails. Number of hires expected to increase starting next year.

## Control of display order using estimation model



# Business Strategy for FY2019 and Progress

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Human Resources	<ul style="list-style-type: none"> <li>• Machbaito</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing promotions to increase name recognition. In addition to service names, promoted Mach Bonus and other user value</li> <li>• Favorable number of iOS app installations. Continue to promote use</li> </ul>
	<ul style="list-style-type: none"> <li>• Tenshoku Kaigi</li> </ul>	<ul style="list-style-type: none"> <li>• Shifted orientation from short-term business expansion through sales to medium-term, sustainable expansion through improved media value</li> <li>• Made progress on measures to expand posting information and increase number of companies posting</li> </ul>
	<ul style="list-style-type: none"> <li>• Tenshoku Navi</li> </ul>	<ul style="list-style-type: none"> <li>• Promoted optimization of media marketing using machine learning</li> </ul>
	<ul style="list-style-type: none"> <li>• Syukatsu Kaigi</li> </ul>	<ul style="list-style-type: none"> <li>• Expanded functions aiming for site that allows gathering of information on employment support and searching/applying with companies that match personal preferences</li> <li>• Improved function of iOS app</li> </ul>
	<ul style="list-style-type: none"> <li>• Tenshoku Draft</li> </ul>	<ul style="list-style-type: none"> <li>• Increased number of times Tenshoku Draft and Designer Draft held to increase career change opportunities for users</li> </ul>
Real Estate Information	<ul style="list-style-type: none"> <li>• DOOR Chintai</li> <li>• IESHIL</li> </ul>	<ul style="list-style-type: none"> <li>• Decided to transfer DOOR Chintai business</li> <li>• Promoted improvement of IESHIL site value by expanding data and content. Began providing information on daycare centers and improved accuracy of price assessment engine</li> <li>• With PHIL LIFE, use of face-to-face advisor services increased</li> </ul>



**LIVESENSE**

あたりまえを、発明しよう。

## 3. Appendix

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Corporate Profile

Company name	Livesense Inc.
CEO/Founder	Taichi Murakami
Business Philosophy	Happiness Begetting Happiness.
Corporate Vision	Invent the next common.
Established	February 8, 2006
Date listed	TSE 1st Section: October 1, 2012 TSE Mothers: December 7, 2011
Number of Employees (Non-Consolidated)	Full-Time: 274 (as of September 30, 2019)
Consolidated Subsidiaries	LIVESENSE CONNECT Inc. / PHIL LIFE Inc.

# The Origin of Company Name / Business Philosophy

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| The Origin of Company Name

**LIVE + SENSE**

| Business Philosophy

**Happiness Begetting Happiness**

## | Corporate vision

Invent the next common.

## | Story behind logo



### "Ideas"

By questioning existing ordinary thinking, new ideas are born.











### "Constant Effort"

As the Japanese proverb "falling rain drops carve out the rock" goes, falling drops express LIVESENSE's constant and thorough effort.

Through this effort, we will permeate society with new services and new ways of thinking and changing the way the world exists.

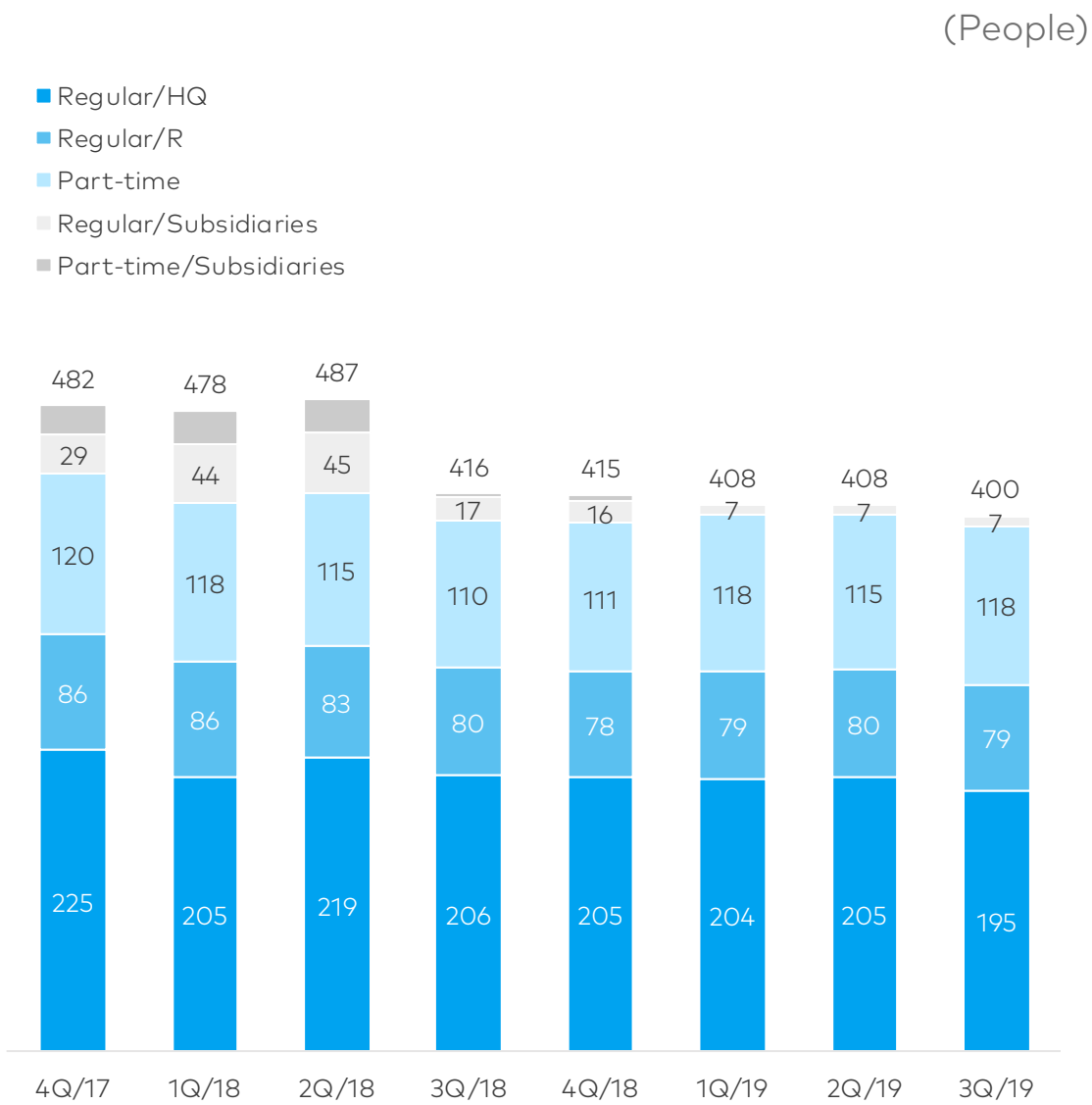


# Segments and Core Media

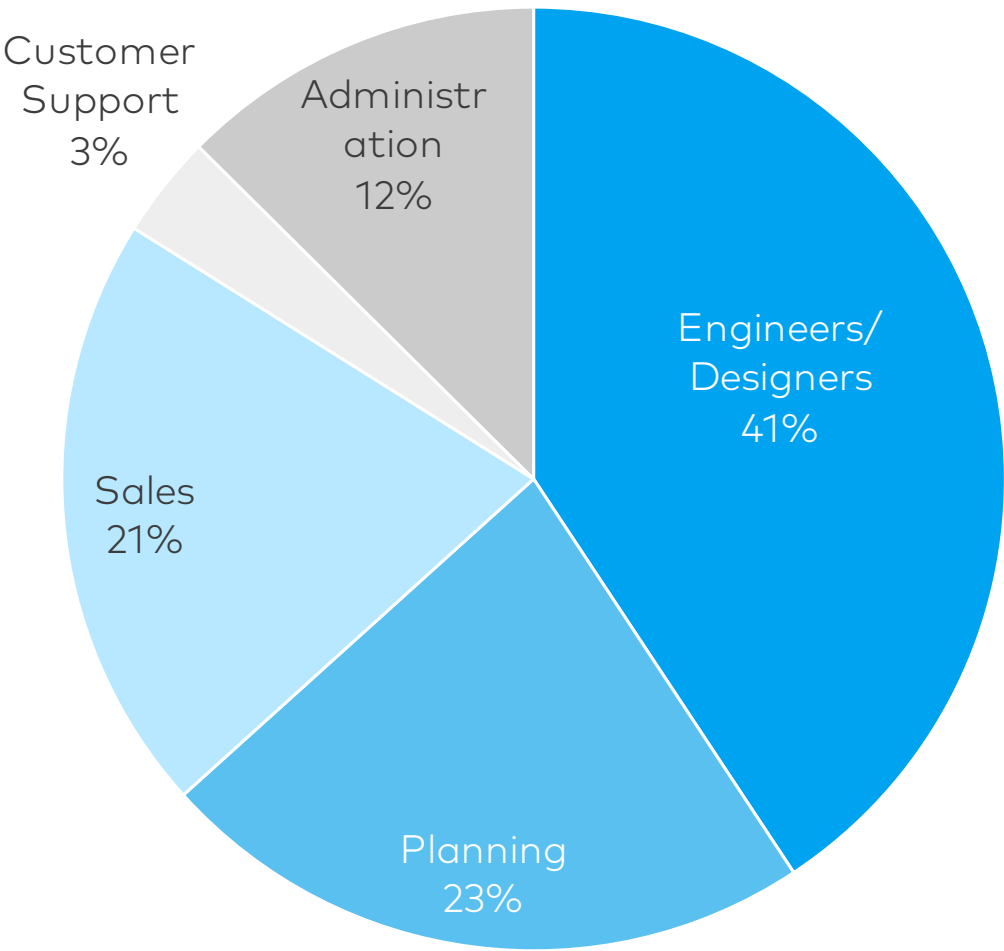
Human Resources		Machbaito: Success fee-based part-time job posting site
		Tenshoku Kaigi: Career change service with reviews
		Tenshoku Navi: Success fee-based full-time job posting site
		Syukatsu Kaigi: New graduate employment support service
		Tenshoku Draft: Competitive bidding-type career change service
Real Estate		DOOR Chintai: Success fee-based real estate posting site
		IESHIL: Real estate information service
Others		Chiryo Note: Medical information site

\*DOOR Chintai will be transferred to CareerIndex Inc. as of December 1

No. of Employees (Consolidated)



Breakdown of Full-time Employees



\*Non-consolidated, head office full-time employees only  
\*Local full-time employees primarily in charge of customer support and sales

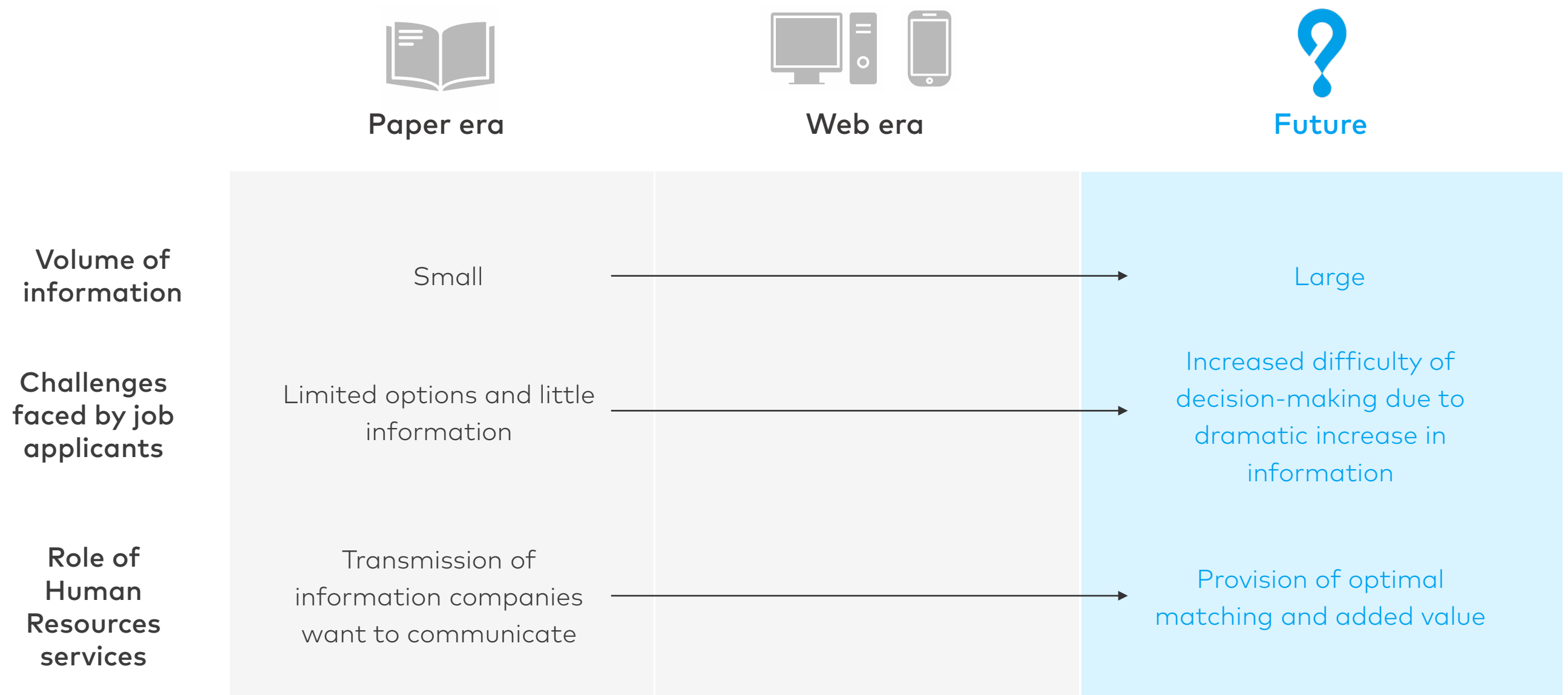
## 3. Appendix

Our Strategy

# Changes in Market for Human Resources Information Services

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- Volume of information has increased dramatically, and new players continue to enter market, including search engines.
- Value of Human Resources service shifting from transmission of information to provision of optimal matching and added value.

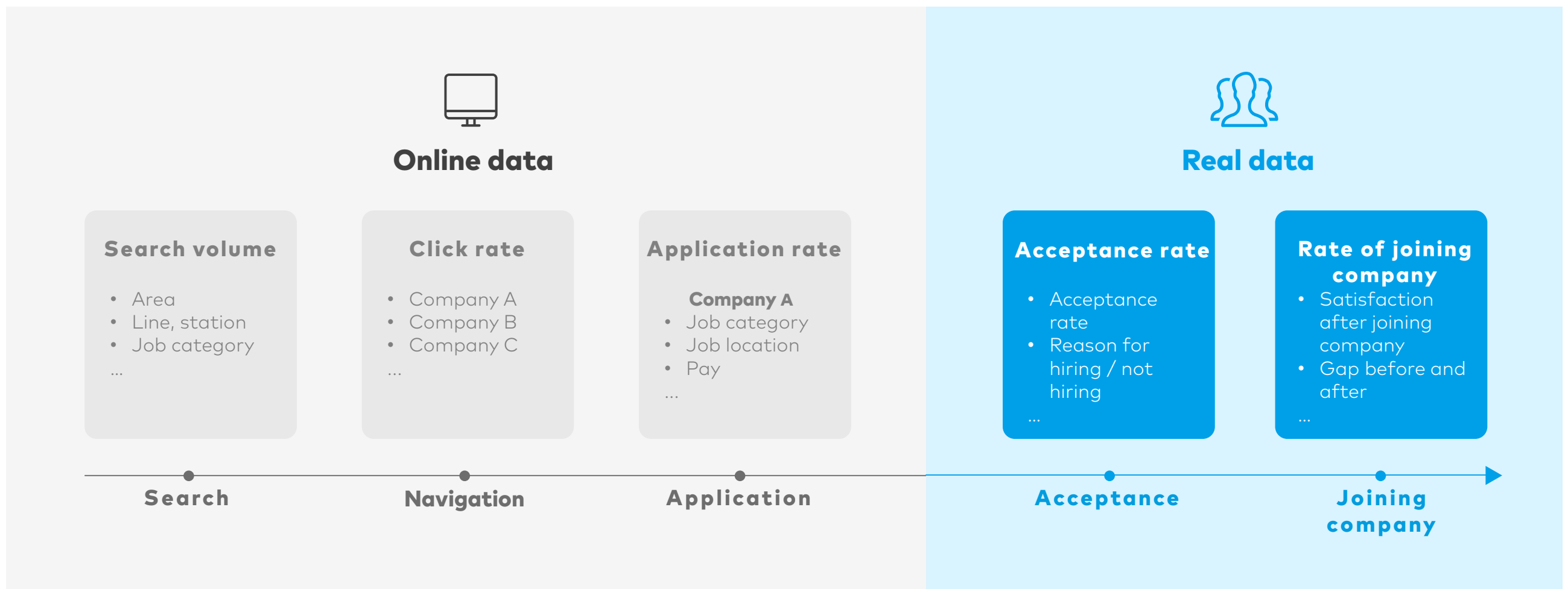


# Our Strategy : Real Data Engineering

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Data associated with provision of intrinsic service value and not available online is called "real data."

Services designed based on value and "real data."

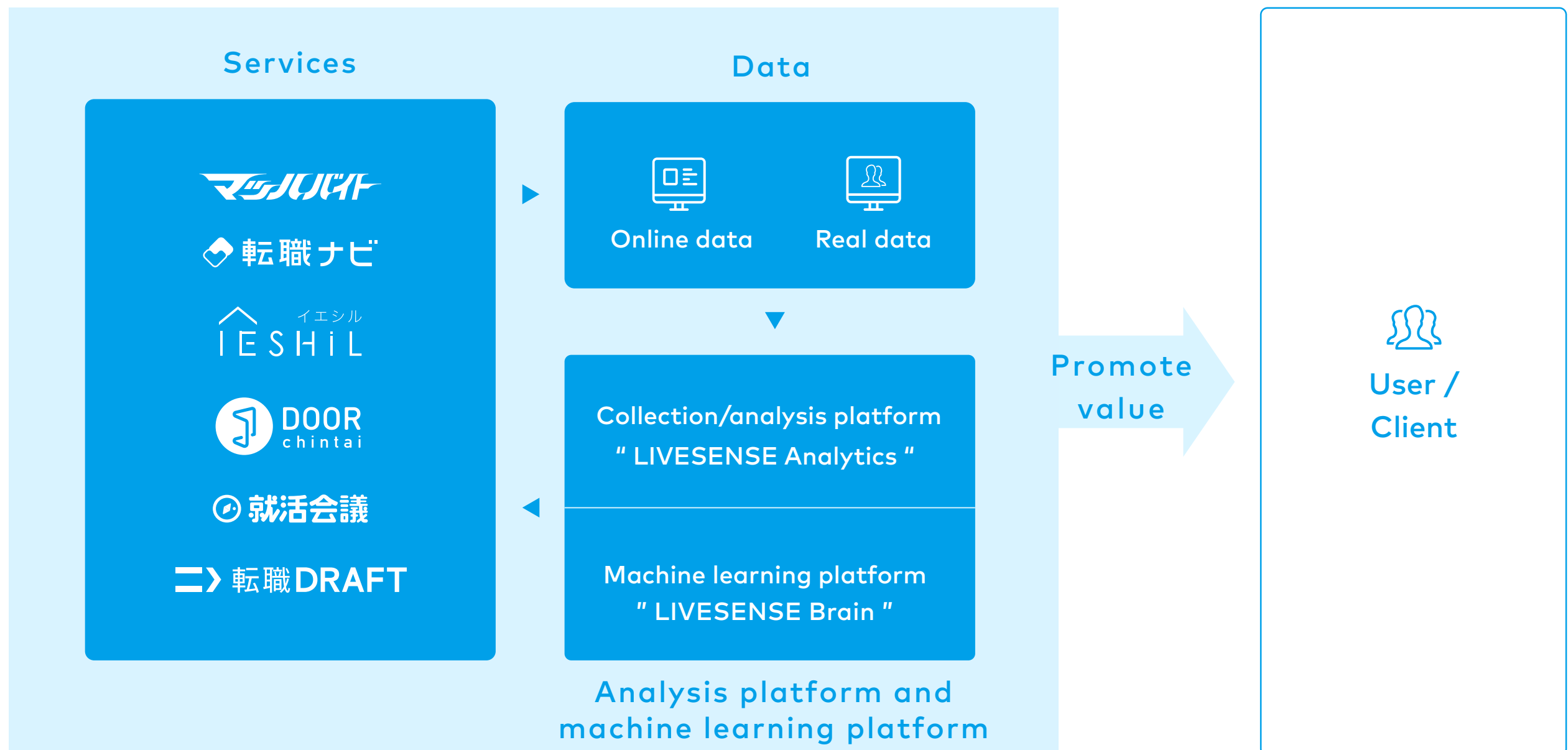


- Intrinsic value of career services is success in career change and success after joining company, not applying on site  
-> KGI (rate of joining company, satisfaction after joining company, etc.) showing intrinsic value not yet sufficiently made available for online use and data contributing to improvement of KGI are called "real data"

# Our Strategy : Real Data Engineering

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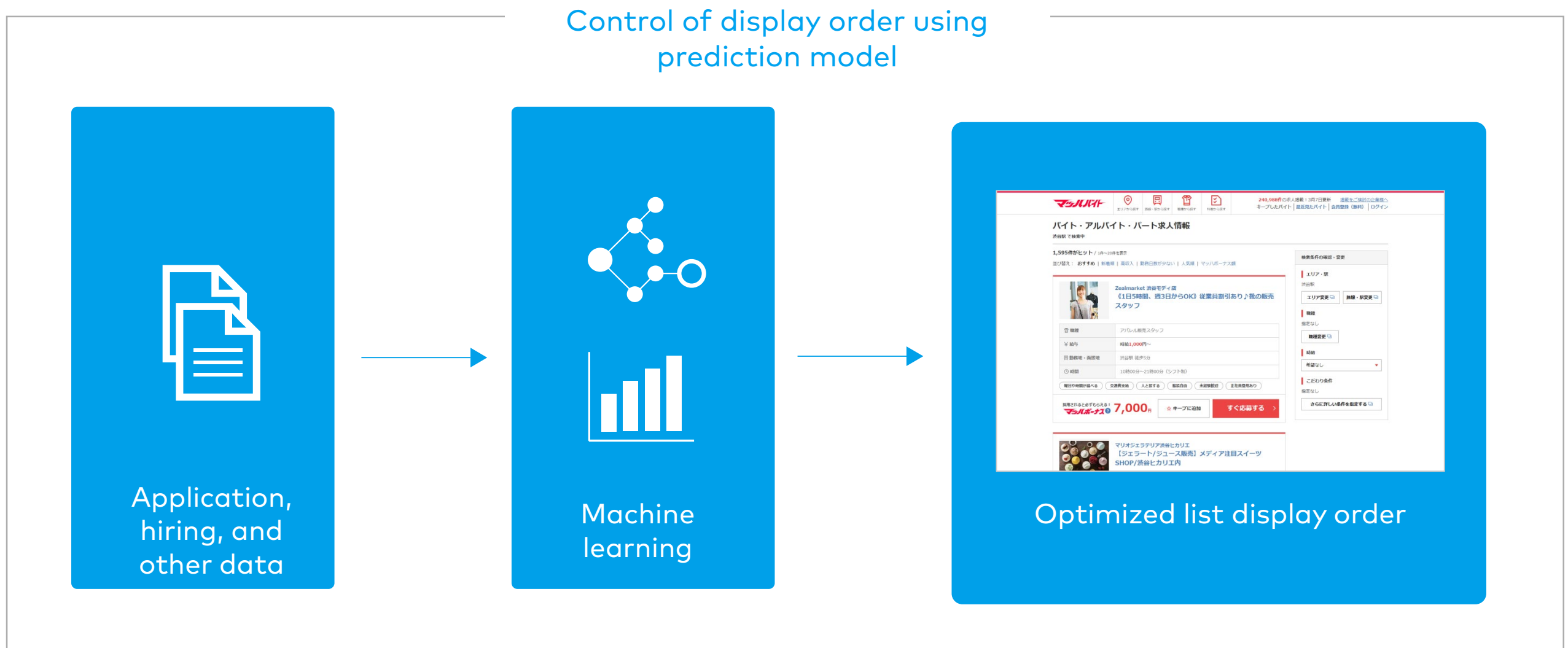
Promote conversion from data to value using proprietary analytics platform "LIVESENSE Analytics" and machine learning platform "LIVESENSE Brain".



# Examples of Service Improvements with Utilization of Data

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- Changed logic of display order on site using prediction model for application rate, hiring rate, etc.
- Job openings closer to the user's preferences with a greater chance of success are displayed first, resulting in improved user experience and profitability.





# LIVENSENSE

あたりまえを、発明しよう。

Livesense Inc. (below, the Company) has prepared this material to provide current information about the Company. The Company prepared this material using generally known information about social and economic conditions and certain assumptions that we deemed to be reasonable. The information found in this material is subject to change without notice due to changes in business conditions or for other reasons. This material contains forward-looking statements, which are based on current expectations, forecasts and assumptions that involve risks. These forward looking statements contain uncertainties, and actual results may differ substantially from these statements. These risks and uncertainties include general industry and market conditions as well as general Japanese and international economic conditions such as changes in interest rates and exchange rates. The Company has no obligation to update or correct the forward-looking statements contained in this material, regardless of any new information, future events, etc.

In light of the above, investors are advised to use their own judgment when making investments.