

## Startia Holdings (3393)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2018		11,058	358	376	613	60.74	12.00	478.21
FY03/2019		11,907	517	573	323	32.15	9.00	473.95
FY03/2020CoE		12,822	506	504	290	28.32	9.00	-
FY03/2019	YoY	7.7%	44.4%	52.3%	(47.3%)	-	-	-
FY03/2020CoE	YoY	7.7%	(2.2%)	(12.1%)	(10.3%)	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY03/2019		2,782	37	49	62	-	-	-
Q2 FY03/2019		2,948	257	281	166	-	-	-
Q3 FY03/2019		2,893	83	84	36	-	-	-
Q4 FY03/2019		3,283	139	158	58	-	-	-
Q1 FY03/2020		2,873	(2)	(12)	(31)	-	-	-
Q1 FY03/2020	YoY	3.3%	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Results Update (13 August 2019)


#### Digital Marketing

On 9 August 2019, Startia Holdings, focusing on provision of sales promotion services through digital marketing, released its Q1 FY03/2020 results. It has been revealed that the Company suffered from slack period in Q1 as in the past years, while the Company is calling for prospective operating profit of ¥1,000m in FY03/2022 as its midterm earnings target. When based on FY03/2019 results of ¥517m, the Company is to see CAGR of 24.5% for operating profit over the upcoming three years. On top of selling proprietary packaged software represented by COCOAR, BowNow and ActiBook or of creating websites, the Company is now keen on provision of CloudCircus, i.e., integrated digital marketing services to be able to take advantage of COCOAR (to create AR) and others on a subscription basis with fixed rate, providing total solutions on digital marketing. While leading companies have started to utilize all those services, the Company is materializing marketing automation for medium-sized companies, driving sales and earnings on the Digital Marketing Business side to a large extent in the future. Meanwhile, the Company is going for consistent increases of sales and earnings on the IT Infrastructure Business side, which is the existing earnings source with small-sized / medium-sized companies more than collective 20,000 in the number as own customers. On this side, the Company now goes for its mission of “snuggling up to customers’ healthy growth and continuation” just thoroughly, which appears to be one of the key drivers here. We are to interview with management in order to discuss the issues more in depths so that we should be able to resume coverage on the Company.

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## 2.0 Company Profile

### Focus on Digital Marketing

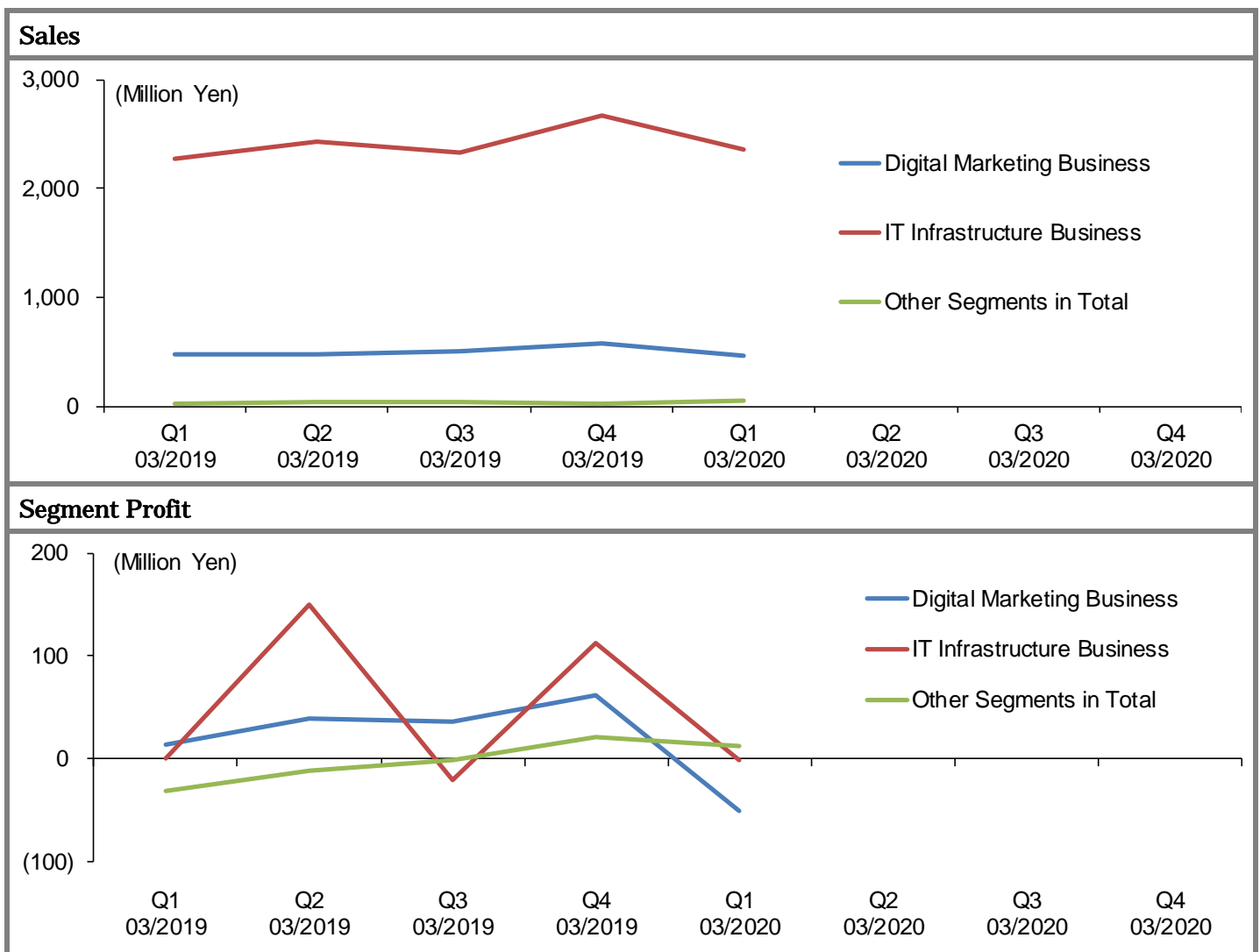
<b>Company Name</b>	Startia Holdings, Inc. <a href="#">Company Website (machine translation)</a> <a href="#">IR Information (ditto)</a> <a href="#">Share Price (Japanese)</a>	
<b>Established</b>	21 February 1996	
<b>Listing</b>	28 February 2014: Tokyo Stock Exchange 1st Section (ticker: 3393) 20 December 2005: Tokyo Stock Exchange Mothers	
<b>Capital</b>	¥824m (as of the end of June 2019)	
<b>No. of Shares</b>	10,240,400 shares, including 456,711 treasury shares (as of the end of June 2019)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Providing CloudCircus, i.e., integrated digital marketing services to be able to take advantage of COCOAR (to create AR), BowNow (MA tool), ActiBook (to create e-book) on a subscription basis with fixed rate</li> <li>● Supporting to build IT infrastructure for small-sized / medium-sized companies</li> <li>● High growth potential for digital marketing in particular</li> </ul>	
<b>Businesses</b>	<ul style="list-style-type: none"> <li>. Digital Marketing Business</li> <li>. IT Infrastructure Business</li> <li>. CVC Business</li> <li>. Overseas Business</li> <li>. Other</li> </ul>	
<b>Top Management</b>	President and Group CEO: Hideyuki Hongo	
<b>Shareholders</b>	Hideyuki Hongo 40.3%, Hikari Tsushin 6.6%, Akira Saiga 4.8% (as of the end of March 2019)	
<b>Headquarters</b>	Shinjuku-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 623, Unconsolidated: 51 (as of the end of March 2019)	

Source: Company Data

## 3.0 Recent Trading and Prospects

### Q1 FY03/2020 Results

In Q1 FY03/2020, sales came in at ¥2,873m (up 3.3% YoY), operating profit negative ¥2m (versus ¥37m during the same period of the previous year), recurring profit negative ¥12m (¥49m) and profit attributable to owners of parent negative ¥31m (¥62m), while operating profit margin negative 0.1% (down 1.4% points). Due to seasonal factors, sales in Q1 have tendency to remain small and thus earnings are corrected every year. In the first place, FY03/2020 initial Company forecasts are going for increased sales and decreased earnings due to expenses stemming from aggressive investments in human resources for the future growth and also to those on investments in computer systems. Meanwhile, sales are delayed to Q2 from Q1 to some extent, having resulted in limited increases of sales and earnings correction larger to this extent. However, sales are simply delayed and Company suggests Q1 to Q2 results should be in line.



Source: Company Data, WRJ Calculation

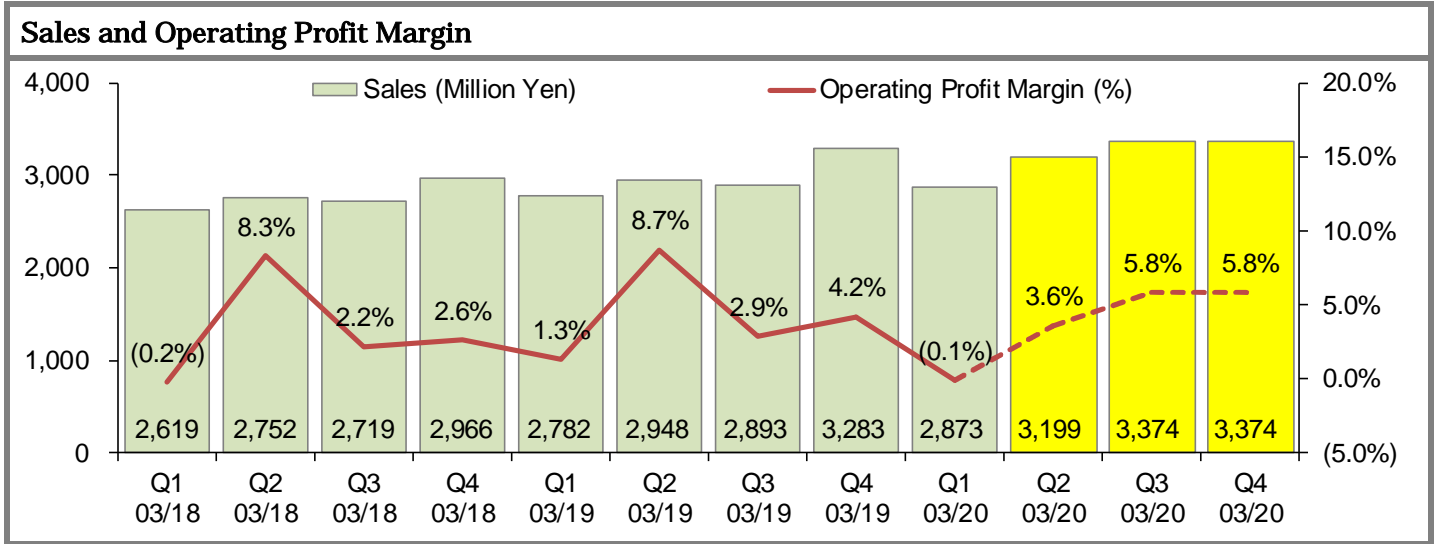
On the Digital Marketing Business side, sales came in at ¥465m (down 3.5%) and segment profit negative ¥50m (¥14m), while sales ¥2,356m (up 3.7%) and segment profit negative ¥1m (¥0m) on the IT Infrastructure Business side. On top of this, the Company is also involved with CVC Business, Overseas Business and Other by business segment, but even when all summed up sales and earnings are not very substantial as constituents out of the Company as a whole. Meanwhile, we have made retroactive adjustments with this report in line with a change of segmentation to have started in FY03/2020. Specifically speaking, Business Application Business used to be an independent business segment, while it is now included as a part of IT Infrastructure Business.

On the Digital Marketing Business side, sales are buoyant as far as proprietary software are concerned, including COCOAR (to create AR), BowNow (marketing automation tool) and ActiBook (to create e-book), but sales as a whole for the business segment have failed to increase over the same period of the previous year, negatively affected by delayed sales on large-scale website creation to Q2 from Q1. Nevertheless, this will be a temporary issue, while full-year Company forecasts assume sales of ¥2,387m (up 16.2%) for this business segment. Going forward, it appears that prospective sales here are to accelerate and thus benefits from increased sales enhanced, resulting in consistently improved segment profit margin as far as we could gather.

On the IT Infrastructure Business side, the Company sees steady increases of sales associated with provision of IT solutions by means of system integration and maintenance services on hardware mainly for small-sized / medium-sized companies suffering from difficulties to set up own IT division and/or hire IT specialist due to constraint on human resources. In Q1, the Company suggests sales have remained buoyant for network devices in particular, which is a key driver for sales with this business segment.

### FY03/2020 Company Forecasts

FY03/2020 initial Company forecasts have remained unchanged, going for prospective sales of ¥12,822m (up 7.7% YoY), operating profit of ¥506m (down 2.2%), recurring profit of ¥504m (down 12.1%) and profit attributable to owners of parent of ¥290m (down 10.3%), while operating profit margin of 3.9% (down 0.4% points). At the same time, Company forecasts have remained unchanged also for prospective annual dividend, going for ¥9.00 per share, implying payout ratio of 31.8%.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2020: H2 Company forecasts, pro rata)

## 4.0 Financial Statements

### Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
<b>Sales</b>	<b>2,782</b>	<b>5,731</b>	<b>8,624</b>	<b>11,907</b>	<b>2,873</b>	-	-	-	-	<b>+91</b>
CoGS	1,582	3,145	4,760	6,582	1,641	-	-	-	-	+58
Gross Profit	1,199	2,585	3,864	5,325	1,232	-	-	-	-	+32
SG&A Expenses	1,162	2,290	3,485	4,807	1,235	-	-	-	-	+72
<b>Operating Profit</b>	<b>37</b>	<b>294</b>	<b>378</b>	<b>517</b>	<b>(2)</b>	-	-	-	-	<b>(40)</b>
Non Operating Balance	12	35	36	55	(9)	-	-	-	-	(21)
<b>Recurring Profit</b>	<b>49</b>	<b>330</b>	<b>415</b>	<b>573</b>	<b>(12)</b>	-	-	-	-	<b>(61)</b>
Extraordinary Balance	18	23	23	25	0	-	-	-	-	(18)
Profit before Income Taxes	67	353	438	598	(12)	-	-	-	-	(79)
Total Income Taxes	13	135	186	289	20	-	-	-	-	+6
NP Belonging to Non-Controlling SHs	(8)	(9)	(12)	(13)	(1)	-	-	-	-	+6
<b>Profit Attributable to Owners of Parent</b>	<b>62</b>	<b>228</b>	<b>264</b>	<b>323</b>	<b>(31)</b>	-	-	-	-	<b>(93)</b>
Sales YoY	+6.2%	+6.7%	+6.6%	+7.7%	+3.3%	-	-	-	-	-
Operating Profit YoY	-	+33.0%	+34.7%	+44.4%	-	-	-	-	-	-
Recurring Profit YoY	-	+40.6%	+41.6%	+52.3%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	+52.8%	+8.6%	(45.1%)	(47.3%)	-	-	-	-	-	-
Gross Profit Margin	43.1%	45.1%	44.8%	44.7%	42.9%	-	-	-	-	(0.2%)
Sales to SG&A Expenses Ratio	41.8%	40.0%	40.4%	40.4%	43.0%	-	-	-	-	+1.2%
Operating Profit Margin	1.3%	5.1%	4.4%	4.3%	(0.1%)	-	-	-	-	(1.4%)
Recurring Profit Margin	1.8%	5.8%	4.8%	4.8%	(0.4%)	-	-	-	-	(2.2%)
Profit Attributable to Owners of Parent Margin	2.2%	4.0%	3.1%	2.7%	(1.1%)	-	-	-	-	(3.3%)
Total Income Taxes / Profit before Income Taxes	20.3%	38.2%	42.6%	48.3%	(166.6%)	-	-	-	-	(186.8%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
<b>Sales</b>	<b>2,782</b>	<b>2,948</b>	<b>2,893</b>	<b>3,283</b>	<b>2,873</b>	-	-	-	-	<b>+91</b>
CoGS	1,582	1,562	1,614	1,821	1,641	-	-	-	-	+58
Gross Profit	1,199	1,385	1,278	1,461	1,232	-	-	-	-	+32
SG&A Expenses	1,162	1,128	1,195	1,321	1,235	-	-	-	-	+72
<b>Operating Profit</b>	<b>37</b>	<b>257</b>	<b>83</b>	<b>139</b>	<b>(2)</b>	-	-	-	-	<b>(40)</b>
Non Operating Balance	12	23	1	19	(9)	-	-	-	-	(21)
<b>Recurring Profit</b>	<b>49</b>	<b>281</b>	<b>84</b>	<b>158</b>	<b>(12)</b>	-	-	-	-	<b>(61)</b>
Extraordinary Balance	18	5	0	1	0	-	-	-	-	(18)
Profit before Income Taxes	67	286	84	160	(12)	-	-	-	-	(79)
Total Income Taxes	13	121	51	102	20	-	-	-	-	+6
NP Belonging to Non-Controlling SHs	(8)	(1)	(3)	0	(1)	-	-	-	-	+6
<b>Profit Attributable to Owners of Parent</b>	<b>62</b>	<b>166</b>	<b>36</b>	<b>58</b>	<b>(31)</b>	-	-	-	-	<b>(93)</b>
Sales YoY	+6.2%	+7.1%	+6.4%	+10.7%	+3.3%	-	-	-	-	-
Operating Profit YoY	-	+13.0%	+41.2%	+79.2%	-	-	-	-	-	-
Recurring Profit YoY	-	+18.7%	+45.7%	+89.6%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	+52.8%	(2.0%)	(86.6%)	(55.3%)	-	-	-	-	-	-
Gross Profit Margin	43.1%	47.0%	44.2%	44.5%	42.9%	-	-	-	-	(0.2%)
Sales to SG&A Expenses Ratio	41.8%	38.3%	41.3%	40.3%	43.0%	-	-	-	-	+1.2%
Operating Profit Margin	1.3%	8.7%	2.9%	4.2%	(0.1%)	-	-	-	-	(1.4%)
Recurring Profit Margin	1.8%	9.5%	2.9%	4.8%	(0.4%)	-	-	-	-	(2.2%)
Profit Attributable to Owners of Parent Margin	2.2%	5.6%	1.3%	1.8%	(1.1%)	-	-	-	-	(3.3%)
Total Income Taxes / Profit before Income Taxes	20.3%	42.5%	60.7%	63.9%	(166.6%)	-	-	-	-	(186.8%)

Source: Company Data, WRJ Calculation

## Segmented Information (Cumulative, Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Digital Marketing Business	482	967	1,482	2,054	465	-	-	-		(16)
IT Infrastructure Business	2,273	4,700	7,032	9,709	2,356	-	-	-		+83
Other Segments in Total	26	62	108	142	51	-	-	-		+25
Adjustments	0	0	0	-	-	-	-	-		0
<b>Sales</b>	<b>2,782</b>	<b>5,731</b>	<b>8,624</b>	<b>11,907</b>	<b>2,873</b>	-	-	-		<b>+91</b>
Digital Marketing Business	14	54	92	154	(50)	-	-	-		(65)
IT Infrastructure Business	(0)	150	129	241	(1)	-	-	-		(1)
Other Segments in Total	(31)	(44)	(45)	(24)	12	-	-	-		+44
<b>Segment profit</b>	<b>(16)</b>	<b>161</b>	<b>176</b>	<b>372</b>	<b>(39)</b>	-	-	-		<b>(22)</b>
Adjustments	53	133	202	144	36	-	-	-		(17)
<b>Operating Profit</b>	<b>37</b>	<b>294</b>	<b>378</b>	<b>517</b>	<b>(2)</b>	-	-	-		<b>(40)</b>
Digital Marketing Business	3.1%	5.7%	6.3%	7.5%	(10.9%)	-	-	-		(14.0%)
IT Infrastructure Business	(0.0%)	3.2%	1.8%	2.5%	(0.0%)	-	-	-		(0.0%)
Other Segments in Total	(121.5%)	(70.1%)	(42.0%)	(16.8%)	25.3%	-	-	-		+146.9%
<b>Operating Profit Margin</b>	<b>1.3%</b>	<b>5.1%</b>	<b>4.4%</b>	<b>4.3%</b>	<b>(0.1%)</b>	-	-	-		<b>(1.4%)</b>
Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Digital Marketing Business	482	484	515	572	465	-	-	-		(16)
IT Infrastructure Business	2,273	2,427	2,331	2,676	2,356	-	-	-		+83
Other Segments in Total	26	36	45	34	51	-	-	-		+25
Adjustments	0	0	0	(0)	-	-	-	-		0
<b>Sales</b>	<b>2,782</b>	<b>2,948</b>	<b>2,893</b>	<b>3,283</b>	<b>2,873</b>	-	-	-		<b>+91</b>
Digital Marketing Business	14	40	37	62	(50)	-	-	-		(65)
IT Infrastructure Business	(0)	150	(21)	112	(1)	-	-	-		(1)
Other Segments in Total	(31)	(12)	(1)	21	12	-	-	-		+44
<b>Segment profit</b>	<b>(16)</b>	<b>178</b>	<b>15</b>	<b>196</b>	<b>(39)</b>	-	-	-		<b>(22)</b>
Adjustments	53	79	68	(57)	36	-	-	-		(17)
<b>Operating Profit</b>	<b>37</b>	<b>257</b>	<b>83</b>	<b>139</b>	<b>(2)</b>	-	-	-		<b>(40)</b>
Digital Marketing Business	3.1%	8.3%	7.3%	10.9%	(10.9%)	-	-	-		(14.0%)
IT Infrastructure Business	(0.0%)	6.2%	(0.9%)	4.2%	(0.0%)	-	-	-		(0.0%)
Other Segments in Total	(121.5%)	(33.9%)	(3.5%)	63.0%	25.3%	-	-	-		+146.9%
<b>Operating Profit Margin</b>	<b>1.3%</b>	<b>8.7%</b>	<b>2.9%</b>	<b>4.2%</b>	<b>(0.1%)</b>	-	-	-		<b>(1.4%)</b>

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
Cash & Deposit	3,164	3,117	3,395	3,293	2,983	-	-	-	-	(180)
Accounts Receivables	1,523	1,605	1,517	1,918	1,615	-	-	-	-	+92
Inventory	134	131	118	106	131	-	-	-	-	(2)
Other	370	480	598	801	487	-	-	-	-	+117
<b>Current Assets</b>	<b>5,192</b>	<b>5,334</b>	<b>5,629</b>	<b>6,119</b>	<b>5,218</b>	-	-	-	-	<b>+26</b>
Tangible Assets	101	133	124	116	124	-	-	-	-	+22
Intangible Assets	388	400	424	499	476	-	-	-	-	+87
Investments & Other Assets	1,384	1,276	1,394	1,482	1,437	-	-	-	-	+53
<b>Fixed Assets</b>	<b>1,874</b>	<b>1,810</b>	<b>1,942</b>	<b>2,098</b>	<b>2,038</b>	-	-	-	-	<b>+163</b>
<b>Total Assets</b>	<b>7,066</b>	<b>7,145</b>	<b>7,572</b>	<b>8,218</b>	<b>7,256</b>	-	-	-	-	<b>+189</b>
Accounts Payables	672	669	618	810	685	-	-	-	-	+13
Short Term Debt	316	233	466	466	466	-	-	-	-	+150
Other	740	872	916	1,465	879	-	-	-	-	+139
<b>Current Liabilities</b>	<b>1,729</b>	<b>1,775</b>	<b>2,002</b>	<b>2,742</b>	<b>2,031</b>	-	-	-	-	<b>+302</b>
Long Term Debt	408	350	879	751	626	-	-	-	-	+218
Other	131	78	71	93	70	-	-	-	-	-
<b>Fixed Liabilities</b>	<b>539</b>	<b>428</b>	<b>950</b>	<b>845</b>	<b>697</b>	-	-	-	-	<b>+158</b>
<b>Total Liabilities</b>	<b>2,268</b>	<b>2,203</b>	<b>2,953</b>	<b>3,588</b>	<b>2,728</b>	-	-	-	-	<b>+460</b>
<b>Shareholders' Equity</b>	<b>4,408</b>	<b>4,670</b>	<b>4,428</b>	<b>4,431</b>	<b>4,354</b>	-	-	-	-	<b>(54)</b>
Other	389	270	191	198	173	-	-	-	-	(215)
<b>Net Assets</b>	<b>4,798</b>	<b>4,941</b>	<b>4,619</b>	<b>4,629</b>	<b>4,528</b>	-	-	-	-	<b>(270)</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>7,066</b>	<b>7,145</b>	<b>7,572</b>	<b>8,218</b>	<b>7,256</b>	-	-	-	-	<b>+189</b>
Equity Capital	4,768	4,913	4,595	4,628	4,528	-	-	-	-	(240)
Interest Bearing Debt	725	583	1,346	1,218	1,093	-	-	-	-	+368
Net Debt	(2,439)	(2,534)	(2,048)	(2,075)	(1,889)	-	-	-	-	+549
Equity Ratio	67.5%	68.8%	60.7%	56.3%	62.4%	-	-	-	-	(5.1%)
Net Debt Equity Ratio	(51.2%)	(51.6%)	(44.6%)	(44.8%)	(41.7%)	-	-	-	-	+9.4%
ROE (12 months)	14.6%	14.0%	8.5%	6.8%	5.0%	-	-	-	-	(9.7%)
ROA (12 months)	6.8%	7.1%	7.0%	7.2%	7.1%	-	-	-	-	+0.4%
Quick Ratio	271%	266%	245%	190%	226%	-	-	-	-	-
Current Ratio	300%	300%	281%	223%	257%	-	-	-	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020		
Operating Cash Flow	-	(108)	-	194	-	-	-	-	-	-
Investing Cash Flow	-	(113)	-	(537)	-	-	-	-	-	-
<b>Operating CF &amp; Investing CF</b>	<b>-</b>	<b>(222)</b>	<b>-</b>	<b>(343)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financing Cash Flow	-	(372)	-	(73)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation



**Disclaimer**

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Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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