

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 Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2019		5,731	294	330	228	-	-	-
Q3 to Q4 FY03/2019		6,176	222	243	95	-	-	-
Q1 to Q2 FY03/2020		6,240	320	335	180	-	-	-
Q3 to Q4 FY03/2020CoE		6,581	185	168	109	-	-	-
Q1 to Q2 FY03/2020	YoY	8.9%	8.6%	1.5%	(21.1%)	-	-	-
Q3 to Q4 FY03/2020CoE	YoY	6.6%	(16.6%)	(30.7%)	15.6%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (13 November 2019)


Laying the Foundations

On 8 November 2019, Startia Holdings to currently focus on digital marketing released its Q1 to Q2 FY03/2020 results. It has been revealed that the Company is laying the foundations for future growth and that short-term earnings are better than expected due to the impacts from the consumption tax hike. On the Digital Marketing Business side, sales on a subscription basis remain buoyant due to the Company's efforts to do so with an objective to accumulate stock that consistently generates stable earnings over the long term. Meanwhile, on the IT Infrastructure Business, delivery of high-priced hardware is progressing ahead of schedule. On top of this, as mid-career recruitment has not progressed as much as initially planned and thus expenses associated with this. In H2, the impacts of the consumption tax hike will come to a halt, while it could be the case that expenses will be smaller than initially planned even on a full-year basis, given increasingly difficult situations for securing human resources. We are to attend the upcoming results meeting on 28 November as well as interviewing with management afterwards so that we should be able to update [Startia Holdings \(3393\) Information to Make Money \(15 October 2019\)](#) and release anew.

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2.0 Company Profile

IT Infrastructure to Digital Marketing

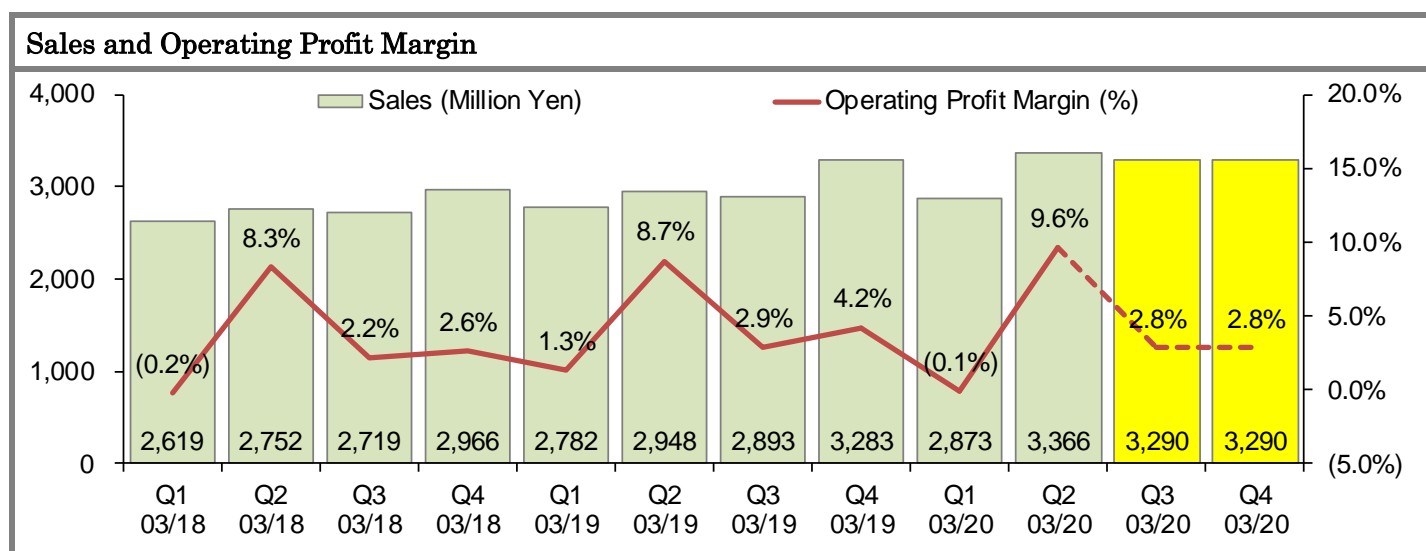
Company Name	Startia Holdings, Inc. Company Website (machine translation) IR Information (ditto) Share Price (Japanese)	
Established	21 February 1996	
Listing	28 February 2014: Tokyo Stock Exchange 1st section (ticker: 3393) 20 December 2005: Tokyo Stock Exchange Mothers section	
Capital	¥824m (as of the end of September 2019)	
No. of Shares	10,240,400 shares, including 438,711 treasury shares (as of the end of Sep. 2019)	
Main Features	<ul style="list-style-type: none"> ● Focus on digital marketing to see high growth and essentially high profitability ● Freemium plan to drive opportunities for sales and earnings in the future ● Steady growth for IT infrastructure for smaller business 	
Businesses	I . Digital Marketing Business II . IT Infrastructure Business III. CVC Business IV. Overseas Business	
Top Management	President and Group CEO: Hideyuki Hongo	
Shareholders	Hideyuki Hongo 40.3%, Hikari Tsushin 6.6%, Akira Saiga 4.8% (as of the end of September 2019)	
Headquarters	Shinjuku-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 623, Unconsolidated: 51 (as of the end of March 2019)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2020 Results

In Q1 to Q2 FY03/2020, sales came in at ¥6,240m (up 8.9% YoY), operating profit ¥320m (up 8.6%), recurring profit ¥335m (up 1.5%) and profit attributable to owners of parent ¥180m (down 21.1%), while operating profit margin 5.1% (down 0.0% point). As disclosed on 6 November 2019, initial Company forecasts are exceeded. Sales are better by ¥167m (2.7%), operating profit by ¥208m (185.7%), recurring profit by ¥225m (204.5%) and profit attributable to owners of parent by ¥117m (185.7%).



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

On the Digital Marketing Business side, sales came in at ¥1,006m (up 4.0%), segment profit minus ¥13m (versus ¥54m during the same period of the previous year) and segment profit margin minus 1.4% (down 7.0% points). The results appear to have been roughly in line with expectations. Sales on an outright basis, comprising those of software in the form of package and carrying high profit margin, came down over the same period of the previous year. However, this is more than compensated for by strengths of sales on a subscription basis. This is in line with the Company's efforts to do so with an objective to accumulate stock that consistently generates stable earnings over the long term.

Sales on an outright basis have the aspect of frontloading earnings in a sense. Meanwhile, sales on a subscription basis have the aspect of delaying earnings. Still, sales on a subscription basis also have the aspect of generating stable earnings over the long term as well as likely to generate earnings larger at the end of the day. Based on an idea like this, the Company appears to be considering focusing more on expanding sales on a subscription basis. Meanwhile, the Company sees BowNow, a marketing automation tool, having been adopted by more than 3,000 companies collectively to date. This is partly driven by improved functionality to cope with needs of major companies. Given that the adoptions of this tool include those on a freemium plan basis, it appears that the implementation of this strategy is also exerting downward pressure on short-term earnings. However, as far as looking to the progress in conversion to paid services in the future, the potential for long-term sales and earnings to grow seems to be greater than before.

The results better than expected as a whole for the Company are basically attributable to frontloaded demand on the IT Infrastructure Business side, stemming from the consumption tax hike. Sales came in at ¥5,156m (up 9.7%), segment profit ¥291m (up 93.7%) and segment profit margin 5.6% (up 2.4% points). In particular, sales associated with UTM (United Threat Management), networking equipment and MFP (MultiFunctional Peripheral) have increased significantly, according to the Company.



Source: Company Data, WRJ Calculation

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%.

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		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Sales	2,782	5,731	8,624	11,907	2,873	6,240	-	-	-	+508
CoGS	1,582	3,145	4,760	6,582	1,641	3,469	-	-	-	+323
Gross Profit	1,199	2,585	3,864	5,325	1,232	2,770	-	-	-	+184
SG&A Expenses	1,162	2,290	3,485	4,807	1,235	2,450	-	-	-	+159
Operating Profit	37	294	378	517	(2)	320	-	-	-	+25
Non Operating Balance	12	35	36	55	(9)	15	-	-	-	(20)
Recurring Profit	49	330	415	573	(12)	335	-	-	-	+5
Extraordinary Balance	18	23	23	25	0	2	-	-	-	(20)
Profit before Income Taxes	67	353	438	598	(12)	338	-	-	-	(15)
Total Income Taxes	13	135	186	289	20	159	-	-	-	+24
NP Belonging to Non-Controlling SHs	(8)	(9)	(12)	(13)	(1)	(1)	-	-	-	+8
Profit Attributable to Owners of Parent	62	228	264	323	(31)	180	-	-	-	(48)
Sales YoY	+6.2%	+6.7%	+6.6%	+7.7%	+3.3%	+8.9%	-	-	-	-
Operating Profit YoY	-	+33.0%	+34.7%	+44.4%	-	+8.6%	-	-	-	-
Recurring Profit YoY	-	+40.6%	+41.6%	+52.3%	-	+1.5%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+52.8%	+8.6%	(45.1%)	(47.3%)	-	(21.1%)	-	-	-	-
Gross Profit Margin	43.1%	45.1%	44.8%	44.7%	42.9%	44.4%	-	-	-	(0.7%)
Sales to SG&A Expenses Ratio	41.8%	40.0%	40.4%	40.4%	43.0%	39.3%	-	-	-	(0.7%)
Operating Profit Margin	1.3%	5.1%	4.4%	4.3%	(0.1%)	5.1%	-	-	-	(0.0%)
Recurring Profit Margin	1.8%	5.8%	4.8%	4.8%	(0.4%)	5.4%	-	-	-	(0.4%)
Profit Attributable to Owners of Parent Margin	2.2%	4.0%	3.1%	2.7%	(1.1%)	2.9%	-	-	-	(1.1%)
Total Income Taxes / Profit before Income Taxes	20.3%	38.2%	42.6%	48.3%	(166.6%)	47.3%	-	-	-	+9.0%
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		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Sales	2,782	2,948	2,893	3,283	2,873	3,366	-	-	-	+417
CoGS	1,582	1,562	1,614	1,821	1,641	1,828	-	-	-	+265
Gross Profit	1,199	1,385	1,278	1,461	1,232	1,538	-	-	-	+152
SG&A Expenses	1,162	1,128	1,195	1,321	1,235	1,214	-	-	-	+86
Operating Profit	37	257	83	139	(2)	323	-	-	-	+65
Non Operating Balance	12	23	1	19	(9)	24	-	-	-	+1
Recurring Profit	49	281	84	158	(12)	347	-	-	-	+66
Extraordinary Balance	18	5	0	1	0	2	-	-	-	(2)
Profit before Income Taxes	67	286	84	160	(12)	350	-	-	-	+64
Total Income Taxes	13	121	51	102	20	139	-	-	-	+17
NP Belonging to Non-Controlling SHs	(8)	(1)	(3)	(0)	(1)	0	-	-	-	+1
Profit Attributable to Owners of Parent	62	166	36	58	(31)	211	-	-	-	+44
Sales YoY	+6.2%	+7.1%	+6.4%	+10.7%	+3.3%	+14.2%	-	-	-	-
Operating Profit YoY	-	+13.0%	+41.2%	+79.2%	-	+25.4%	-	-	-	-
Recurring Profit YoY	-	+18.7%	+45.7%	+89.6%	-	+23.7%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+52.8%	(2.0%)	(86.6%)	(55.3%)	-	+27.0%	-	-	-	-
Gross Profit Margin	43.1%	47.0%	44.2%	44.5%	42.9%	45.7%	-	-	-	(1.3%)
Sales to SG&A Expenses Ratio	41.8%	38.3%	41.3%	40.3%	43.0%	36.1%	-	-	-	(2.2%)
Operating Profit Margin	1.3%	8.7%	2.9%	4.2%	(0.1%)	9.6%	-	-	-	+0.9%
Recurring Profit Margin	1.8%	9.5%	2.9%	4.8%	(0.4%)	10.3%	-	-	-	+0.8%
Profit Attributable to Owners of Parent Margin	2.2%	5.6%	1.3%	1.8%	(1.1%)	6.3%	-	-	-	+0.6%
Total Income Taxes / Profit before Income Taxes	20.3%	42.5%	60.7%	63.9%	(166.6%)	39.8%	-	-	-	(2.7%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information (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		
Digital Marketing Business	482	967	1,482	2,054	465	1,006	-	-	-	+39
IT Infrastructure Business	2,273	4,700	7,032	9,709	2,356	5,156	-	-	-	+455
CVC Business	0	0	0	0	0	0	-	-	-	0
Overseas Business	26	62	107	141	48	73	-	-	-	+11
Other	0	0	0	1	2	3	-	-	-	+3
Adjustments	0	0	0	0	0	0	-	-	-	(0)
Sales	2,782	5,731	8,624	11,907	2,873	6,240	-	-	-	+508
Digital Marketing Business	14	54	92	154	(50)	(13)	-	-	-	(68)
IT Infrastructure Business	(0)	150	129	241	(1)	291	-	-	-	+140
CVC Business	(1)	(2)	(3)	(30)	(0)	(0)	-	-	-	+1
Overseas Business	(28)	(38)	(38)	(11)	20	9	-	-	-	+47
Other	(1)	(3)	(4)	(4)	(7)	(13)	-	-	-	(10)
Segment Profit	(16)	161	176	350	(39)	272	-	-	-	+111
Elimination	53	133	202	167	36	47	-	-	-	(86)
Operating Profit	37	294	378	517	(2)	320	-	-	-	+25
Digital Marketing Business	3.1%	5.7%	6.3%	7.5%	(10.9%)	(1.4%)	-	-	-	(7.0%)
IT Infrastructure Business	(0.0%)	3.2%	1.8%	2.5%	(0.0%)	5.6%	-	-	-	+2.4%
CVC Business	-	-	-	-	-	-	-	-	-	-
Overseas Business	(110.6%)	(61.6%)	(35.3%)	(8.2%)	41.6%	12.7%	-	-	-	+74.2%
Other	-	-	-	-	-	-	-	-	-	-
Elimination	1.9%	2.3%	2.3%	1.4%	1.3%	0.8%	-	-	-	(1.6%)
Operating Profit Margin	1.3%	5.1%	4.4%	4.3%	(0.1%)	5.1%	-	-	-	(0.0%)

Segmented Information (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		
Digital Marketing Business	482	484	515	572	465	540	-	-	-	+56
IT Infrastructure Business	2,273	2,427	2,331	2,676	2,356	2,799	-	-	-	+371
CVC Business	0	0	0	0	0	0	-	-	-	0
Overseas Business	26	36	45	33	48	25	-	-	-	(11)
Other	0	0	0	0	2	1	-	-	-	+0
Adjustments	0	0	0	(0)	0	0	-	-	-	(0)
Sales	2,782	2,948	2,893	3,283	2,873	3,366	-	-	-	+417
Digital Marketing Business	14	40	37	62	(50)	37	-	-	-	(2)
IT Infrastructure Business	(0)	150	(21)	112	(1)	292	-	-	-	+141
CVC Business	(1)	(1)	(1)	(27)	(0)	(0)	-	-	-	+0
Overseas Business	(28)	(9)	0	26	20	(10)	-	-	-	(1)
Other	(1)	(1)	(0)	(0)	(7)	(6)	-	-	-	(4)
Segment Profit	(16)	178	15	173	(39)	311	-	-	-	+133
Elimination	53	79	68	(34)	36	11	-	-	-	(68)
Operating Profit	37	257	83	139	(2)	323	-	-	-	+65
Digital Marketing Business	3.1%	8.3%	7.3%	10.9%	(10.9%)	6.9%	-	-	-	(1.4%)
IT Infrastructure Business	(0.0%)	6.2%	(0.9%)	4.2%	(0.0%)	10.4%	-	-	-	+4.2%
CVC Business	-	-	-	-	-	-	-	-	-	-
Overseas Business	(110.6%)	(26.7%)	0.9%	78.8%	41.6%	(43.1%)	-	-	-	(16.4%)
Other	-	-	-	-	-	-	-	-	-	-
Elimination	1.9%	2.7%	2.4%	(1.1%)	1.3%	0.3%	-	-	-	(2.4%)
Operating Profit Margin	1.3%	8.7%	2.9%	4.2%	(0.1%)	9.6%	-	-	-	+0.9%

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	2,855	-	-	-	(261)
Accounts Receivables	1,523	1,605	1,517	1,918	1,615	1,984	-	-	-	+378
Inventory	134	131	118	106	131	112	-	-	-	(19)
Other	370	480	598	801	487	523	-	-	-	+43
Current Assets	5,192	5,334	5,629	6,119	5,218	5,476	-	-	-	+141
Tangible Assets	101	133	124	116	124	118	-	-	-	(14)
Intangible Assets	388	400	424	499	476	503	-	-	-	+102
Investments and Other Assets	1,384	1,276	1,394	1,482	1,437	1,420	-	-	-	+143
Fixed Assets	1,874	1,810	1,942	2,098	2,038	2,043	-	-	-	+232
Total Assets	7,066	7,145	7,572	8,218	7,256	7,519	-	-	-	+373
Accounts Payables	672	669	618	810	685	725	-	-	-	+55
Short Term Debt	316	233	466	466	466	466	-	-	-	+233
Other	740	872	916	1,465	879	999	-	-	-	+127
Current Liabilities	1,729	1,775	2,002	2,742	2,031	2,191	-	-	-	+416
Long Term Debt	408	350	879	751	626	498	-	-	-	+148
Other	131	78	71	93	70	77	-	-	-	(0)
Fixed Liabilities	539	428	950	845	697	575	-	-	-	+147
Total Liabilities	2,268	2,203	2,953	3,588	2,728	2,767	-	-	-	+564
Shareholders' Equity	4,408	4,670	4,428	4,431	4,354	4,578	-	-	-	(92)
Other	389	270	191	198	173	172	-	-	-	(97)
Net Assets	4,798	4,941	4,619	4,629	4,528	4,751	-	-	-	(190)
Total Liabilities & Net Assets	7,066	7,145	7,572	8,218	7,256	7,519	-	-	-	+373
Equity Capital	4,768	4,913	4,595	4,628	4,528	4,751	-	-	-	(162)
Interest Bearing Debt	725	583	1,346	1,218	1,093	965	-	-	-	+381
Net Debt	(2,439)	(2,534)	(2,048)	(2,075)	(1,889)	(1,890)	-	-	-	+643
Equity Ratio	67.5%	68.8%	60.7%	56.3%	62.4%	63.2%	-	-	-	-
Net Debt Equity Ratio	(51.2%)	(51.6%)	(44.6%)	(44.8%)	(41.7%)	(39.8%)	-	-	-	-
ROE (12 months)	14.6%	14.0%	8.5%	6.8%	5.0%	5.7%	-	-	-	-
ROA (12 months)	6.8%	7.1%	7.0%	7.2%	7.1%	7.9%	-	-	-	-
Quick Ratio	271%	266%	245%	190%	226%	221%	-	-	-	-
Current Ratio	300%	300%	281%	223%	257%	250%	-	-	-	-

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	-	49	-	-	-	+158
Investing Cash Flow	-	(113)	-	(537)	-	(178)	-	-	-	(64)
Operating CF and Investing CF	-	(222)	-	(343)	-	(128)	-	-	-	+93
Financing Cash Flow	-	(372)	-	(73)	-	(294)	-	-	-	+78

Source: Company Data, WRJ Calculation

Disclaimer

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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