

## 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)
FY03/2019		11,907	517	573	323	32.15	9.00	473.95
FY03/2020		12,778	732	771	219	22.45	9.00	478.24
FY03/2021CoE		13,000	(200)	(200)	(372)	(37.97)	10.00	-
FY03/2020	YoY	7.3%	41.6%	34.5%	(32.0%)	-	-	-
FY03/2021CoE	YoY	1.7%	-	-	-	-	-	-
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 FY03/2020		6,240	320	335	180	-	-	-
Q3 to Q4 FY03/2020		6,538	412	435	39	-	-	-
Q1 to Q2 FY03/2021CoE		6,000	(340)	(340)	(441)	-	-	-
Q3 to Q4 FY03/2021CoE		7,000	140	140	69	-	-	-
Q1 to Q2 FY03/2021CoE	YoY	(3.8%)	-	-	-	-	-	-
Q3 to Q4 FY03/2021CoE	YoY	7.1%	(66.1%)	(67.9%)	73.2%	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (15 July 2020)

#### Billing Persistently


Startia Holdings, currently being in the process of building new structure for earnings on digital marketing by means of specializing in subscription model to bill persistently, is heading for consistent long-term growth after some short-term losses. Midterm management plan NEXT'S 2025 is calling for prospective sales of ¥31,000m and operating profit of ¥3,300m in FY03/2025. This is based on assumption that the impacts stemming from COVID-19 will converge around September 2020. Over 5-year period towards FY03/2025, sales are expected to see CAGR of 19.4% and earnings CAGR of 35.1%, when based on the FY03/2020 results, suggesting that the Company is to see fast growth with its business performance. At the same time, the Company has revealed its target to achieve ROE of 10% or higher as soon as possible versus ROE of 4.7% in FY03/2020. By business segment, sales and earnings are to see CAGR of 29.1% and 65.3%, respectively, on the Digital Marketing Business side, while 16.9% and 21.7%, respectively, on the IT Infrastructure Business side. In the first place, the Company has been running operations to build IT infrastructure for smaller business on the IT Infrastructure Business side as the key source of earnings, while operating profit on the Digital Marketing Business side will exceed that of the IT Infrastructure side in FY03/2025, with the operations to promote optimization and monetization for information held by customer companies. Nevertheless, the Company will suffer from significant losses on the Digital Marketing Business side in FY03/2021, due to outright sales contributing significantly to short-term earnings coming off and to upfront investment being made.

IR Representative: Takao Uematsu, Director and Group Operating Officer

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## 2.0 Company Profile

### IT Infrastructure to Digital Marketing

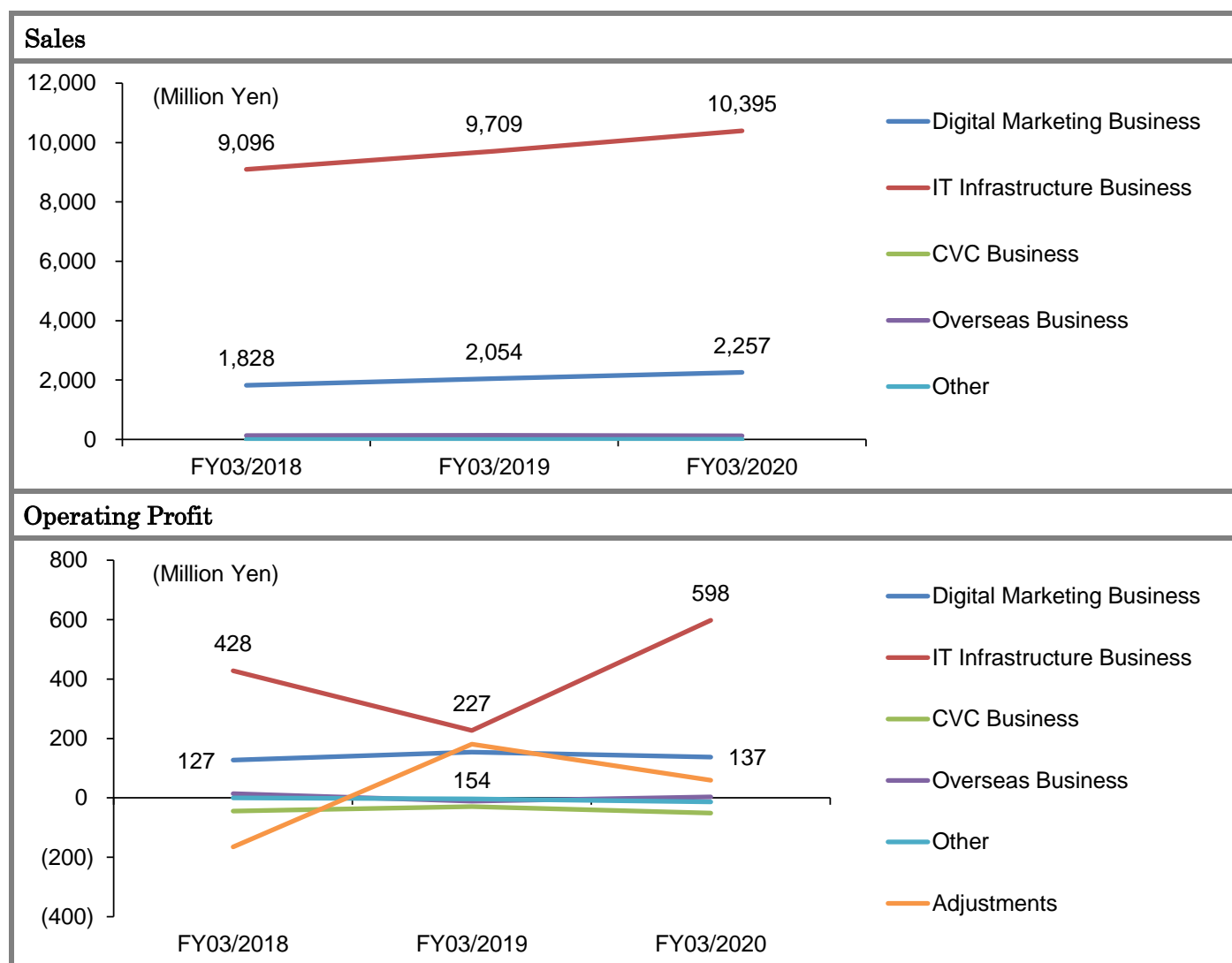
<b>Company Name</b>	Startia Holdings, Inc. <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	
<b>Established</b>	21 February 1996	
<b>Listing</b>	28 February 2014: Tokyo Stock Exchange 1st section (ticker: 3393) 20 December 2005: Tokyo Stock Exchange Mothers	
<b>Capital</b>	¥824m (as of the end of March 2020)	
<b>No. of Shares</b>	10,240,400 shares, including 11 treasury shares (as of the end of March 2020, the number of treasury shares: after excluding 409,200 shares held by trust account relating to Board Benefit Trust)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Burden from upfront investment on digital marketing to see high growth</li> <li>● Switchover to business model of subscription to bill persistently</li> <li>● Long-term growth also for building of IT infrastructure for smaller business</li> </ul>	
<b>Business Segments</b>	I . Digital Marketing Business II . IT Infrastructure Business III. CVC Business IV. Overseas Business	
<b>Top Management</b>	Representative Director, President and Group CEO: Hideyuki Hongo	
<b>Shareholders</b>	Hideyuki Hongo 40.38%, Hikari Tsushin 5.64%, Akira Saiga 4.88% (as of the end of March 2020, but for treasury shares as many as 11 in the number of shares)	
<b>Head Office</b>	Shinjuku-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 637, Unconsolidated:42 (as of the end of March 2020)	

Source: Company Data

## 3.0 Recent Trading and Prospects

### FY03/2020 Results

In FY03/2020, sales came in at ¥12,778m (up 7.3% YoY), operating profit ¥732m (up 41.6%), recurring profit ¥771m (up 34.5%) and profit attributable to owners of parent ¥219m (down 32.0%), while operating profit margin 5.7% (up 1.4% points). Compared with assumptions of initial Company forecasts, sales were worse by ¥44m (0.3%), operating profit better by ¥226m (44.7%), recurring profit better by ¥267m (53.0%) and profit attributable to owners of parent worse by ¥71m (24.5%).

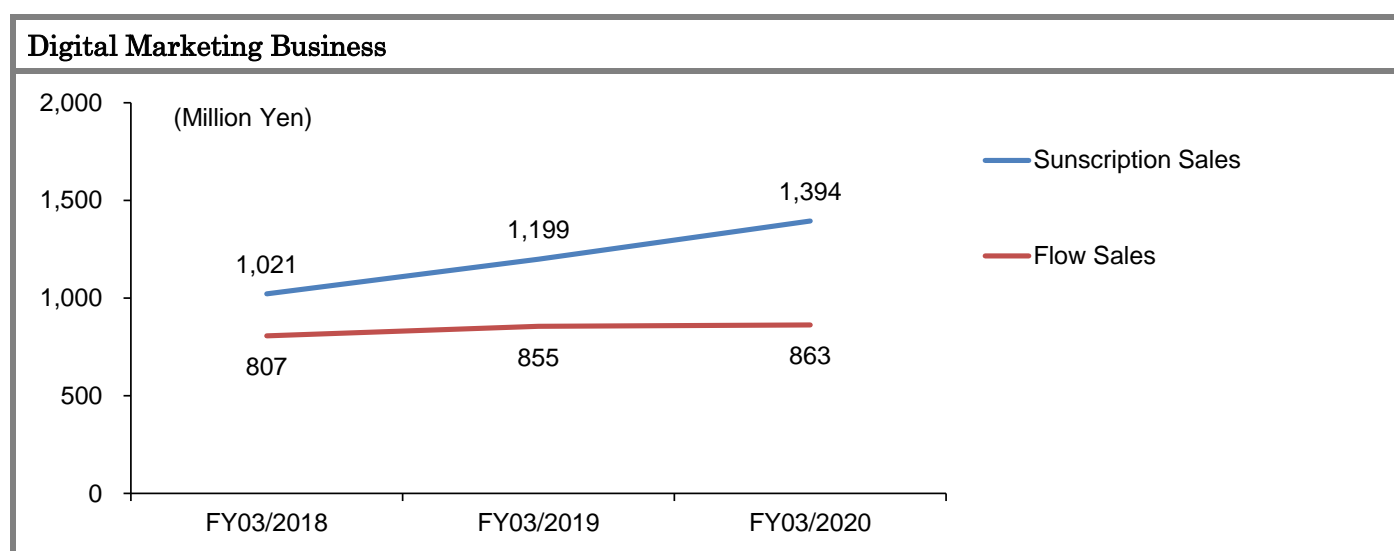


Source: Company Data, WRJ Calculation

Sales were roughly in line with expectations, but SG&A expenses fell short of expectations, according to the Company. Following the transition to a holding company structure in April 2018, each of its operating companies has begun to realize productivity improvements, while personnel-related expenses were compressed due to resignations and some absence of mid-career hiring. On top of this, there were some other unused expenses, having resulted in operating profit and recurring profit far higher than initially expected.

On the other hand, profit attributable to owners of parent fell short of expectations due to impairment loss of ¥154m and unexpected income taxes adjustment of ¥75m (loss), both booked for Q4. The reason for this is that outright sales to significantly contribute to short-term earnings have been sluggish on the Digital Marketing Business side for digital marketing tools (packaged software) developed in-house. In terms of trends amongst customer companies, there is a strong need to use all those digital marketing tools for continuous billing where short-term expenditures are kept low, resulting in firmness in subscription sales with the Company, but flow sales are slowing, which are booked by outright sales with high unit selling prices. In response, the Company has announced a policy of withdrawing from outright sales on the Digital Marketing Business side, while concentrating its management resources on expanding subscription sales.

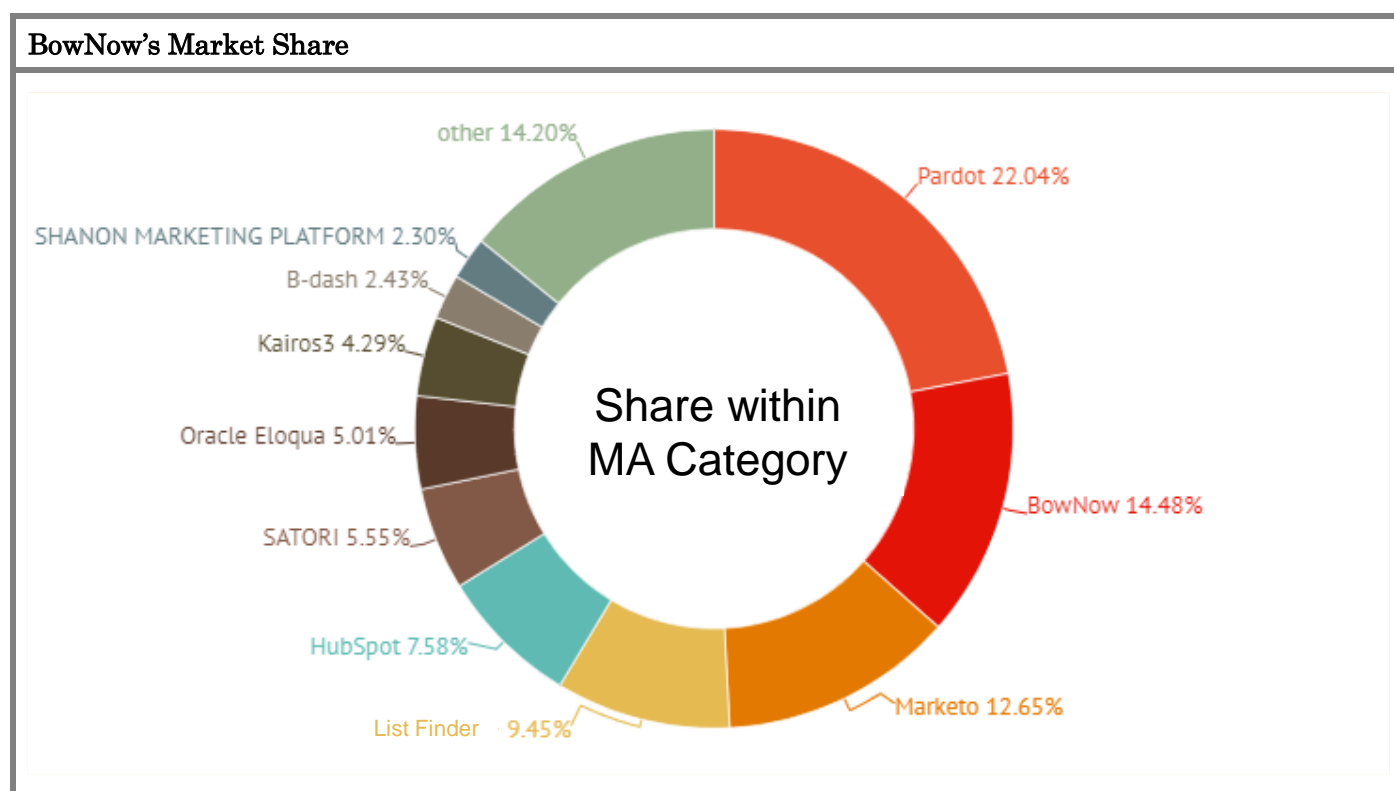
Sales and earnings with the Company hinge on those of Digital Marketing Business and IT Infrastructure Business. On the Digital Marketing Business side, sales came in at ¥2,257m (up 9.9%), operating profit ¥137m (down 11.1%) and operating profit margin 6.1% (down 1.4% points). On the IT Infrastructure Business side, sales came in at ¥10,395m (up 7.1%), operating profit ¥598m (up 163.4%) and operating profit margin 5.8% (up 3.4%).



Source: Company Data, WRJ Calculation

On the Digital Marketing Business side, subscription sales came in at ¥1,394m (up 16.3%) and flow sales ¥863m (up 0.9%). Here, the Company sells various digital marketing tools developed by its subsidiary, Startia Lab, Inc., and is promoting optimization and monetization of information held by customer companies. According to the Company, sales here can be broadly divided into those of the application group and those of the service group. The contents of the application group are website CMS, AR, e-book, Smartphone LP, Smartphone apps and product DB, with which anybody could easily distribute information through digital contents, while the contents of the service group are website production, marketing consultation, ad management, etc.

In other words, the Company runs operations to provide services in the service group to promote the viewing of digital contents created through the use of products in the application group. Further, the Company is trying to get at realization of Cloud Circus scheme to support marketing process of customer companies all-in-one from the upstream to the downstream by means of progressing development of freemium on marketing automation (MA) tool, BowNow, for the sake of cultivating potential digital shift needs.

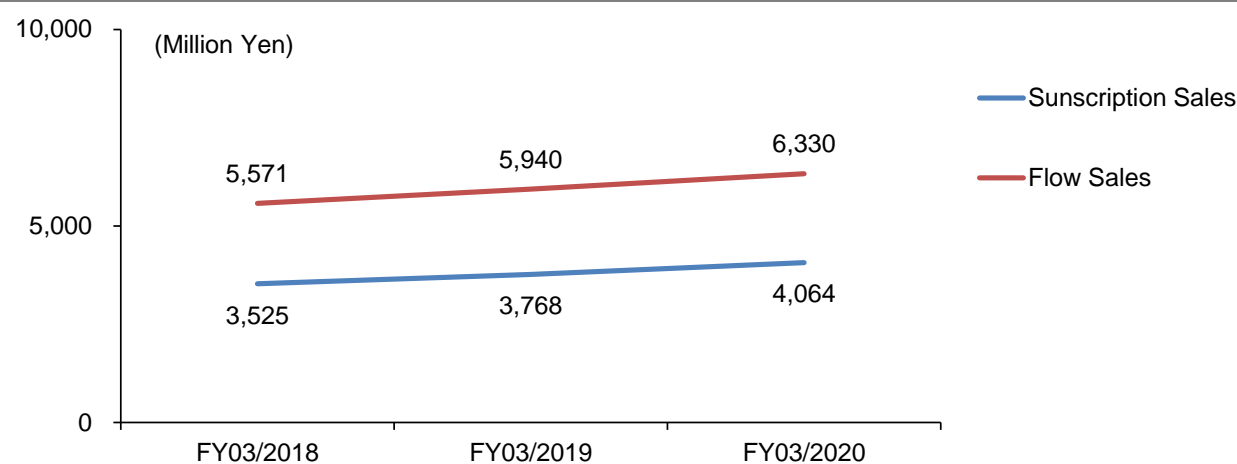


Source: [DataSign Inc.\(in Japanese\)](#)

As of the end of FY03/2020, the number of subscription accounts on the Digital Marketing Business side stood at almost as many as 15,000 on a cumulative basis, if freemium plans included. When we simply compare this to subscription sales of ¥1,394m in FY03/2020 with no consideration that freemium plans are included in the denominator, ARPU of ¥93,000 ( $\cong$  ¥1,394m, divided by 15,000; Average Revenue Per User) is suggested. Meanwhile, according to Survey of Web Services Used on Approximately 180,000 Websites in Japan (as of the end of February 2020) by DataSign Inc., the Company's BowNow ranks the second behind Pardot (services by salesforce.com inc.), i.e., holding a 14.48% share in terms of the number of adoptions and ranking the first out of the providers based in Japan.

BowNow, in comparison with MA tools by providers mentioned here, has a feature that it is rather simpler and easy to be adopted by small-sized companies, while being marketed mainly through proposals of freemium plans. Meanwhile, given that there is a remarkably high degree of use for marketing tools developed in-house, the Company recognizes no competitors in a narrow sense. Furthermore, it is the case that the Company has not spent on advertising very much, when compared with B-dash (services by from scratch Co.,Ltd.), for example, that has been heavily focusing on TV commercials. However, the Company is now heading for this direction, as has been disclosed at the announcement of NEXT'S 2025.

## IT Infrastructure Business



Source: Company Data, WRJ Calculation

On the IT Infrastructure Business side, subscription sales came in at ¥4,064m (up 7.9%) and flow sales ¥6,330m (up 6.6%). The Company here is in charge of operations to build IT infrastructure for smaller business as many as some 25,000 in the number on a cumulative basis, selling and installing information and communication equipment, such as MFPs (Multifunctional Peripherals), UTM (United Threat Management), network devices, business phones as well as providing them with maintenance services, while conducting consistent system integration from construction of servers to provision of services on operation and maintenance. On top of this, the Company also sells Secure SAMBA to offer cloud storage services and RPA (Robotic Process Automation) products to provide automation of office work with solutions in this business segment.

In FY03/2020, sales were driven by strengths on operations to sell, install and provide maintenance services for network devices in particular as well as by those of system integration. Meanwhile, both subscription sales and flow sales performed well. With respect to subscription sales, the Company suggests that sales associated with BiziSUKU are contributing, which provides a wide variety of services centered on a concept of "useful for business". As of the end of FY03/2020, the number of subscription accounts for the Company's IT Infrastructure Business stood at as many as 18,215 on a cumulative basis. When we simply compare this to subscription sales of ¥4,064m in FY03/2020, ARPU of ¥223,000 ( $\div$  ¥4,064m, divided by 18,215) is suggested. On the other hand, the strong performance of flow sales, which greatly contribute to short-term earnings is raised as the main reason for significantly increased earnings for this business segment.

## FY03/2020 Company Forecasts and Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2020CoE	15-May-19	Q4 Results	12,822	506	504	290
FY03/2020CoE	09-Aug-19	Q1 Results	12,822	506	504	290
FY03/2020CoE	06-Nov-19	Revision	12,822	506	504	290
FY03/2020CoE	08-Nov-19	Q2 Results	12,822	506	504	290
FY03/2020CoE	07-Feb-20	Q3 Results	12,822	506	504	290
FY03/2020Act	15-May-20	Q4 Results	12,778	732	771	219
		Amount of Gap	(44)	226	267	(71)
		Rate of Gap	(0.3%)	44.7%	53.0%	(24.5%)
FY03/2020CoE	15-May-19	Q4 Results	12,822	506	504	290
FY03/2020Act	15-May-20	Q4 Results	12,778	732	771	219
		Amount of Gap	(44)	226	267	(71)
		Rate of Gap	(0.3%)	44.7%	53.0%	(24.5%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2020CoE	15-May-19	Q4 Results	6,073	112	110	63
Q1 to Q2 FY03/2020CoE	09-Aug-19	Q1 Results	6,073	112	110	63
Q1 to Q2 FY03/2020CoE	06-Nov-19	Revision	6,240	320	335	180
		Amount of Gap	167	208	225	117
		Rate of Gap	2.7%	185.7%	204.5%	185.7%
Q1 to Q2 FY03/2020Act	08-Nov-19	Q2 Results	6,240	320	335	180
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Q1 to Q2 FY03/2020CoE	15-May-19	Q4 Results	6,073	112	110	63
Q1 to Q2 FY03/2020Act	08-Nov-19	Q2 Results	6,240	320	335	180
		Amount of Gap	167	208	225	117
		Rate of Gap	2.7%	185.7%	204.5%	185.7%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2020CoE	15-May-19	Q4 Results	6,749	394	394	227
Q3 to Q4 FY03/2020CoE	09-Aug-19	Q1 Results	6,749	394	394	227
Q3 to Q4 FY03/2020CoE	06-Nov-19	Revision	6,582	186	169	110
		Amount of Gap	(167)	(208)	(225)	(117)
		Rate of Gap	(2.5%)	(52.8%)	(57.1%)	(51.5%)
Q3 to Q4 FY03/2020CoE	08-Nov-19	Q2 Results	6,582	186	169	110
Q3 to Q4 FY03/2020CoE	07-Feb-20	Q3 Results	6,582	186	169	110
Q3 to Q4 FY03/2020Act	15-May-20	Q4 Results	6,538	412	435	39
		Amount of Gap	(44)	226	266	(71)
		Rate of Gap	(0.7%)	121.5%	157.4%	(64.5%)
Q3 to Q4 FY03/2020CoE	15-May-19	Q4 Results	6,749	394	394	227
Q3 to Q4 FY03/2020Act	15-May-20	Q4 Results	6,538	412	435	39
		Amount of Gap	(211)	18	41	(188)
		Rate of Gap	(3.1%)	4.6%	10.4%	(82.8%)

Source: Company Data, WRJ Calculation

## 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>6,240</b>	<b>9,240</b>	<b>12,778</b>		<b>+871</b>
Cost of Sales	1,582	3,145	4,760	6,582	1,641	3,469	5,168	7,062		+480
Gross Profit	1,199	2,585	3,864	5,325	1,232	2,770	4,071	5,715		+390
SG&A Expenses	1,162	2,290	3,485	4,807	1,235	2,450	3,716	4,982		+175
<b>Operating Profit</b>	<b>37</b>	<b>294</b>	<b>378</b>	<b>517</b>	<b>(2)</b>	<b>320</b>	<b>355</b>	<b>732</b>		<b>+215</b>
Non Operating Balance	12	35	36	55	(9)	15	27	38		(17)
<b>Recurring Profit</b>	<b>49</b>	<b>330</b>	<b>415</b>	<b>573</b>	<b>(12)</b>	<b>335</b>	<b>383</b>	<b>771</b>		<b>+197</b>
Extraordinary Balance	18	23	23	25	0	2	2	(111)		(136)
Profit before Income Taxes	67	353	438	598	(12)	338	385	659		+61
Total Income Taxes	13	135	186	289	20	159	193	441		+152
NP Belonging to Non-Controlling SHs	(8)	(9)	(12)	(13)	(1)	(1)	(1)	(1)		+12
<b>Profit Attributable to Owners of Parent</b>	<b>62</b>	<b>228</b>	<b>264</b>	<b>323</b>	<b>(31)</b>	<b>180</b>	<b>193</b>	<b>219</b>		<b>(103)</b>
Sales YoY	+6.2%	+6.7%	+6.6%	+7.7%	+3.3%	+8.9%	+7.1%	+7.3%		-
Operating Profit YoY	-	+33.0%	+34.7%	+44.4%	-	+8.6%	(6.0%)	+41.6%		-
Recurring Profit YoY	-	+40.6%	+41.6%	+52.3%	-	+1.5%	(7.7%)	+34.5%		-
Profit Attributable to Owners of Parent YoY	+52.8%	+8.6%	(45.1%)	(47.3%)	-	(21.1%)	(26.9%)	(32.0%)		-
Gross Profit Margin	43.1%	45.1%	44.8%	44.7%	42.9%	44.4%	44.1%	44.7%		+0.0%
Sales to SG&A Expenses Ratio	41.8%	40.0%	40.4%	40.4%	43.0%	39.3%	40.2%	39.0%		(1.4%)
Operating Profit Margin	1.3%	5.1%	4.4%	4.3%	(0.1%)	5.1%	3.8%	5.7%		+1.4%
Recurring Profit Margin	1.8%	5.8%	4.8%	4.8%	(0.4%)	5.4%	4.1%	6.0%		+1.2%
Profit Attributable to Owners of Parent Margin	2.2%	4.0%	3.1%	2.7%	(1.1%)	2.9%	2.1%	1.7%		(1.0%)
Total Income Taxes/Profit before Income Taxes	20.3%	38.2%	42.6%	48.3%	(166.6%)	47.3%	50.3%	66.9%		+18.6%
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>3,366</b>	<b>3,000</b>	<b>3,538</b>		<b>+255</b>
Cost of Sales	1,582	1,562	1,614	1,821	1,641	1,828	1,698	1,894		+72
Gross Profit	1,199	1,385	1,278	1,461	1,232	1,538	1,301	1,643		+182
SG&A Expenses	1,162	1,128	1,195	1,321	1,235	1,214	1,266	1,266		(55)
<b>Operating Profit</b>	<b>37</b>	<b>257</b>	<b>83</b>	<b>139</b>	<b>(2)</b>	<b>323</b>	<b>35</b>	<b>377</b>		<b>+238</b>
Non Operating Balance	12	23	1	19	(9)	24	12	11		(8)
<b>Recurring Profit</b>	<b>49</b>	<b>281</b>	<b>84</b>	<b>158</b>	<b>(12)</b>	<b>347</b>	<b>47</b>	<b>388</b>		<b>+229</b>
Extraordinary Balance	18	5	0	1	0	2	0	(114)		(116)
Profit before Income Taxes	67	286	84	160	(12)	350	47	273		+113
Total Income Taxes	13	121	51	102	20	139	34	247		+145
NP Belonging to Non-Controlling SHs	(8)	(1)	(3)	(0)	(1)	0	0	0		+0
<b>Profit Attributable to Owners of Parent</b>	<b>62</b>	<b>166</b>	<b>36</b>	<b>58</b>	<b>(31)</b>	<b>211</b>	<b>13</b>	<b>26</b>		<b>(32)</b>
Sales YoY	+6.2%	+7.1%	+6.4%	+10.7%	+3.3%	+14.2%	+3.7%	+7.8%		-
Operating Profit YoY	-	+13.0%	+41.2%	+79.2%	-	+25.4%	(57.7%)	+170.9%		-
Recurring Profit YoY	-	+18.7%	+45.7%	+89.6%	-	+23.7%	(44.0%)	+145.2%		-
Profit Attributable to Owners of Parent YoY	+52.8%	(2.0%)	(86.6%)	(55.3%)	-	+27.0%	(63.3%)	(54.9%)		-
Gross Profit Margin	43.1%	47.0%	44.2%	44.5%	42.9%	45.7%	43.4%	46.5%		+2.0%
Sales to SG&A Expenses Ratio	41.8%	38.3%	41.3%	40.3%	43.0%	36.1%	42.2%	35.8%		(4.5%)
Operating Profit Margin	1.3%	8.7%	2.9%	4.2%	(0.1%)	9.6%	1.2%	10.7%		+6.4%
Recurring Profit Margin	1.8%	9.5%	2.9%	4.8%	(0.4%)	10.3%	1.6%	11.0%		+6.2%
Profit Attributable to Owners of Parent Margin	2.2%	5.6%	1.3%	1.8%	(1.1%)	6.3%	0.4%	0.7%		(1.0%)
Total Income Taxes/Profit before Income Taxes	20.3%	42.5%	60.7%	63.9%	(166.6%)	39.8%	71.8%	90.3%		+26.4%

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	1,540	2,257		+202
IT Infrastructure Business	2,273	4,700	7,032	9,709	2,356	5,156	7,595	10,395		+685
CVC Business	-	-	-	-	-	-	0	0		+0
Overseas Business	26	62	107	141	48	73	99	121		(20)
Other	-	0	0	1	2	3	3	4		+2
Adjustments	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>6,240</b>	<b>9,240</b>	<b>12,778</b>		<b>+871</b>
Digital Marketing Business	14	54	92	154	(50)	(13)	(3)	137		(17)
IT Infrastructure Business	(0)	150	129	241	(1)	291	302	598		+356
CVC Business	(1)	(2)	(3)	(30)	(0)	(0)	(0)	(51)		(21)
Overseas Business	(28)	(38)	(38)	(11)	20	9	7	3		+14
Other	(1)	(3)	(4)	(4)	(7)	(13)	(14)	(14)		(10)
<b>Segment Profit</b>	<b>(16)</b>	<b>161</b>	<b>176</b>	<b>335</b>	<b>(39)</b>	<b>272</b>	<b>290</b>	<b>673</b>		<b>+337</b>
Adjustments	53	133	202	181	36	47	64	59		(122)
<b>Operating Profit</b>	<b>37</b>	<b>294</b>	<b>378</b>	<b>517</b>	<b>(2)</b>	<b>320</b>	<b>355</b>	<b>732</b>		<b>+215</b>
Digital Marketing Business	3.1%	5.7%	6.3%	7.5%	(10.9%)	(1.4%)	(0.2%)	6.1%		(1.4%)
IT Infrastructure Business	(0.0%)	3.2%	1.8%	2.3%	(0.0%)	5.6%	4.0%	5.8%		+3.4%
CVC Business	-	-	-	-	-	-	(178.4%)	-		-
Overseas Business	(110.6%)	(61.6%)	(35.3%)	(8.2%)	41.6%	12.7%	7.5%	2.5%		+10.7%
Other	-	(1,161.3%)	(548.3%)	(291.7%)	(290.4%)	(398.1%)	(396.8%)	(363.0%)		(71.4%)
Adjustments	1.9%	2.3%	2.3%	1.5%	1.3%	0.8%	0.7%	0.5%		(1.1%)
<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>5.1%</b>	<b>3.8%</b>	<b>5.7%</b>		<b>+1.4%</b>

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	534	717		+144
IT Infrastructure Business	2,273	2,427	2,331	2,676	2,356	2,799	2,439	2,799		+123
CVC Business	-	-	-	-	-	-	0	-		-
Overseas Business	26	36	45	33	48	25	25	21		(12)
Other	-	0	0	0	2	1	0	0		(0)
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>3,366</b>	<b>3,000</b>	<b>3,538</b>		<b>+255</b>
Digital Marketing Business	14	40	37	62	(50)	37	9	141		+79
IT Infrastructure Business	(0)	150	(21)	112	(1)	292	11	296		+183
CVC Business	(1)	(1)	(1)	(27)	(0)	(0)	0	(51)		(23)
Overseas Business	(28)	(9)	0	26	20	(10)	(1)	(4)		(30)
Other	(1)	(1)	(0)	(0)	(7)	(6)	(1)	0		+0
<b>Segment Profit</b>	<b>(16)</b>	<b>178</b>	<b>15</b>	<b>159</b>	<b>(39)</b>	<b>311</b>	<b>18</b>	<b>382</b>		<b>+223</b>
Adjustments	53	79	68	(20)	36	11	17	(5)		+14
<b>Operating Profit</b>	<b>37</b>	<b>257</b>	<b>83</b>	<b>139</b>	<b>(2)</b>	<b>323</b>	<b>35</b>	<b>377</b>		<b>+238</b>
Digital Marketing Business	3.1%	8.3%	7.3%	10.9%	(10.9%)	6.9%	1.9%	19.7%		+8.8%
IT Infrastructure Business	(0.0%)	6.2%	(0.9%)	4.2%	(0.0%)	10.4%	0.5%	10.6%		+6.4%
CVC Business	-	-	-	-	-	-	7.1%	-		-
Overseas Business	(110.6%)	(26.7%)	0.9%	78.8%	41.6%	(43.1%)	(7.1%)	(21.1%)		(99.9%)
Other	-	(559.0%)	(184.8%)	(20.9%)	(290.4%)	(656.6%)	(382.4%)	77.5%		+98.5%
Adjustments	1.9%	2.7%	2.4%	(0.6%)	1.3%	0.3%	0.6%	(0.1%)		+0.5%
<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>9.6%</b>	<b>1.2%</b>	<b>10.7%</b>		<b>+6.4%</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 and Deposit	3,164	3,117	3,395	3,293	2,983	2,855	2,976	3,414	+121	
Accounts Receivables	1,523	1,605	1,517	1,918	1,615	1,984	1,671	2,079	+160	
Inventory	134	131	118	106	131	112	143	203	+96	
Other	370	480	598	801	487	523	395	489	(311)	
<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>5,476</b>	<b>5,186</b>	<b>6,187</b>	<b>+67</b>	
Tangible Assets	101	133	124	116	124	118	111	113	(3)	
Intangible Assets	388	400	424	499	476	503	502	360	(138)	
Investments and Other Assets	1,384	1,276	1,394	1,482	1,437	1,420	1,372	1,249	(232)	
<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>2,043</b>	<b>1,986</b>	<b>1,723</b>	<b>(375)</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>7,519</b>	<b>7,173</b>	<b>7,910</b>	<b>(307)</b>	
Accounts Payables	672	669	618	810	685	725	684	763	(47)	
Short Term Debt	316	233	466	466	466	466	466	600	+133	
Other	740	872	916	1,465	879	999	837	1,281	(184)	
<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>2,191</b>	<b>1,988</b>	<b>2,644</b>	<b>(98)</b>	
Long Term Debt	408	350	879	751	626	498	373	512	(239)	
Other	131	78	71	93	70	77	83	52	(41)	
<b>Fixed Liabilities</b>	<b>539</b>	<b>428</b>	<b>950</b>	<b>845</b>	<b>697</b>	<b>575</b>	<b>457</b>	<b>564</b>	<b>(280)</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>2,767</b>	<b>2,445</b>	<b>3,208</b>	<b>(379)</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>4,578</b>	<b>4,569</b>	<b>4,607</b>	<b>+176</b>	
Other	389	270	191	198	173	172	157	93	(104)	
<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>4,751</b>	<b>4,727</b>	<b>4,701</b>	<b>+71</b>	
<b>Total Liabilities and Net Assets</b>	<b>7,066</b>	<b>7,145</b>	<b>7,572</b>	<b>8,218</b>	<b>7,256</b>	<b>7,519</b>	<b>7,173</b>	<b>7,910</b>	<b>(307)</b>	
Equity Capital	4,768	4,913	4,595	4,628	4,528	4,751	4,727	4,701	+73	
Interest Bearing Debt	725	583	1,346	1,218	1,093	965	840	1,112	(105)	
Net Debt	(2,439)	(2,534)	(2,048)	(2,075)	(1,889)	(1,890)	(2,135)	(2,302)	(227)	
Equity Ratio	67.5%	68.8%	60.7%	56.3%	62.4%	63.2%	65.9%	59.4%	-	
Net Debt Equity Ratio	(51.2%)	(51.6%)	(44.6%)	(44.8%)	(41.7%)	(39.8%)	(45.2%)	(49.0%)	-	
ROE (12 months)	14.6%	14.0%	8.5%	6.8%	5.0%	5.7%	5.4%	4.7%	-	
ROA (12 months)	6.8%	7.1%	7.0%	7.2%	7.1%	7.9%	7.3%	9.6%	-	
Quick Ratio	271%	266%	245%	190%	226%	221%	234%	208%	-	
Current Ratio	300%	300%	281%	223%	257%	250%	261%	234%	-	

Source: Company Data, WRJ Calculation

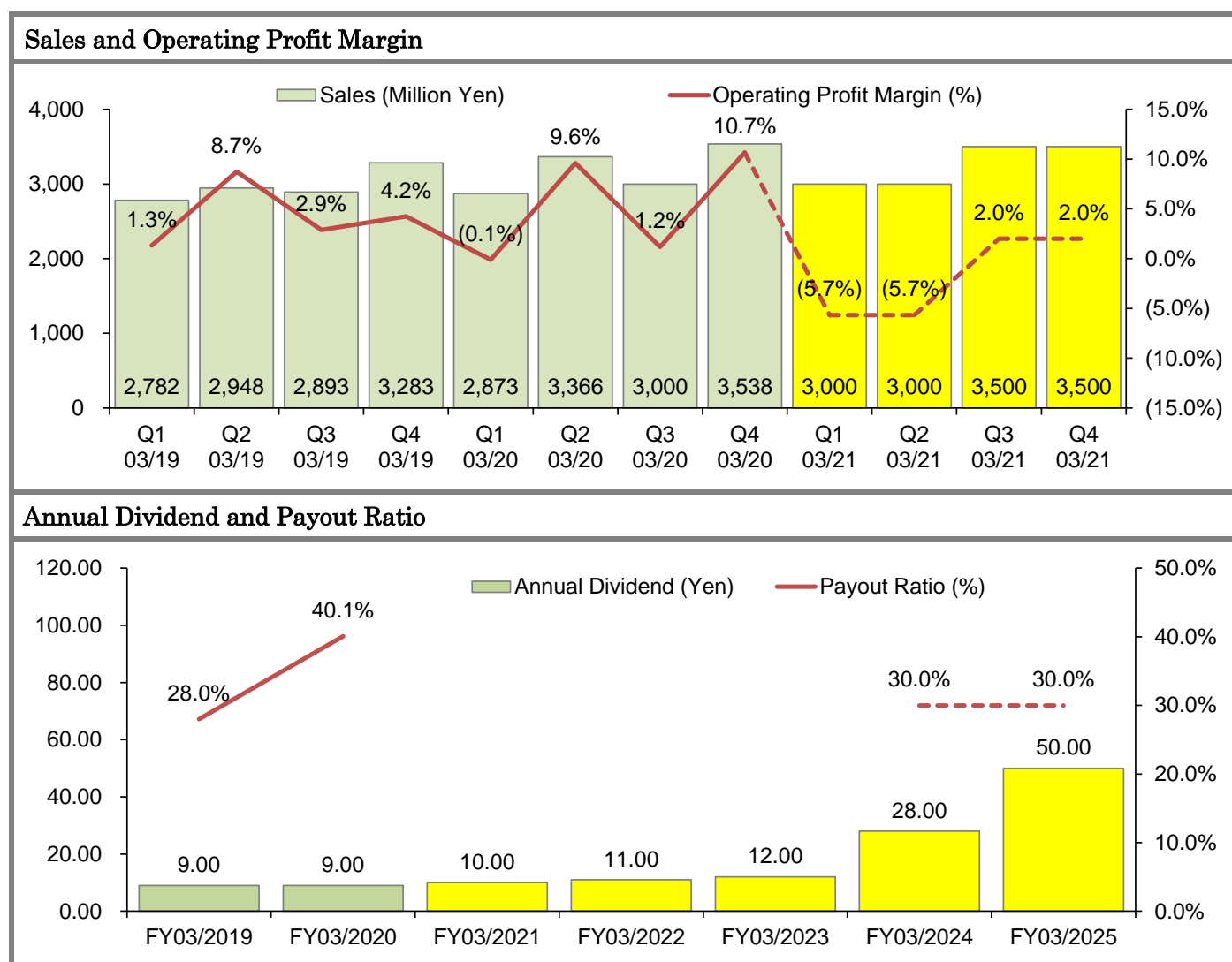
## Cash Flow Statement (Cumulative)

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	-	529	+335	
Investing Cash Flow	-	(113)	-	(537)	-	(178)	-	(234)	+302	
<b>Operating CF and Investing CF</b>	<b>-</b>	<b>(222)</b>	<b>-</b>	<b>(343)</b>	<b>-</b>	<b>(128)</b>	<b>-</b>	<b>294</b>	<b>+637</b>	
Financing Cash Flow	-	(372)	-	(73)	-	(294)	-	(163)	(89)	

Source: Company Data, WRJ Calculation

### FY03/2021 Company Forecasts

FY03/2021 Company forecasts are going for prospective sales of ¥13,000m (up 1.7% YoY), operating profit of minus ¥200m (versus ¥732m in the previous year), recurring profit of minus ¥200m (¥771m) and profit attributable to owners of parent of minus ¥372m (¥219m), while operating profit margin of minus 1.5% (down 7.3% points). At the same time, Company forecasts are going for prospective annual dividend of ¥10.00 per share.

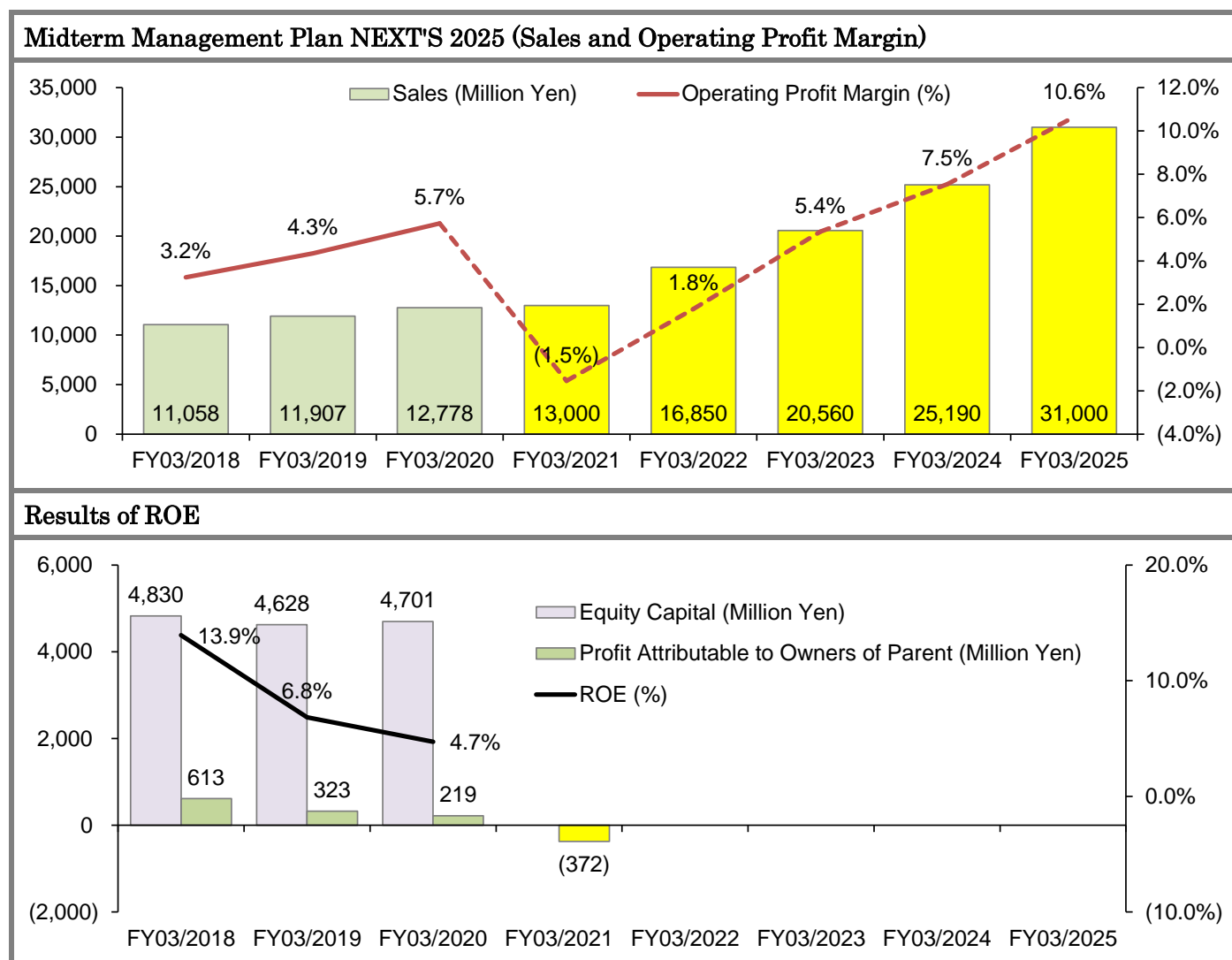


Source: Company Data, WRJ Calculation (quarters in FY03/2021: half-year Company forecasts, pro rata)

The Company paid annual dividend of ¥9.00, implying payout ratio of 28.0%, for FY03/2019, which was followed by annual dividend of ¥9.00, implying payout ratio of 40.1%, for FY03/2020, when profit attributable to owners of parent came down sharply due to impairment, suggesting that the Company makes it a rule to pay dividend with a stability. Meanwhile, the Company has formulated a new basic policy on dividend on the occasion of releasing midterm management plan NEXT'S 2025. For the first three years (FY03/2021 to FY03/2023) of its period to correspond to that of active investment, the Company is to continue increasing dividend by ¥1 every year, while planning to introduce performance-based dividend payment for the last two years (FY03/2024 to FY03/2025) or a period of monetization, with a target to achieve payout ratio of 30.0%. In FY03/2021, the Company is to inevitably suffer from damages on capital available for dividend payments, but it has changed its policy to go for consistent increase of dividend from stable dividend, given a conviction for prospective earnings of NEXT'S 2025 to be met, while it appears that the Company is trying to get at persistently increasing dividend in line with persistently increasing earnings, at the end of the day, where the former is decided by the latter as far as holding the same performance-based policy on dividend.

## Long-Term Prospects

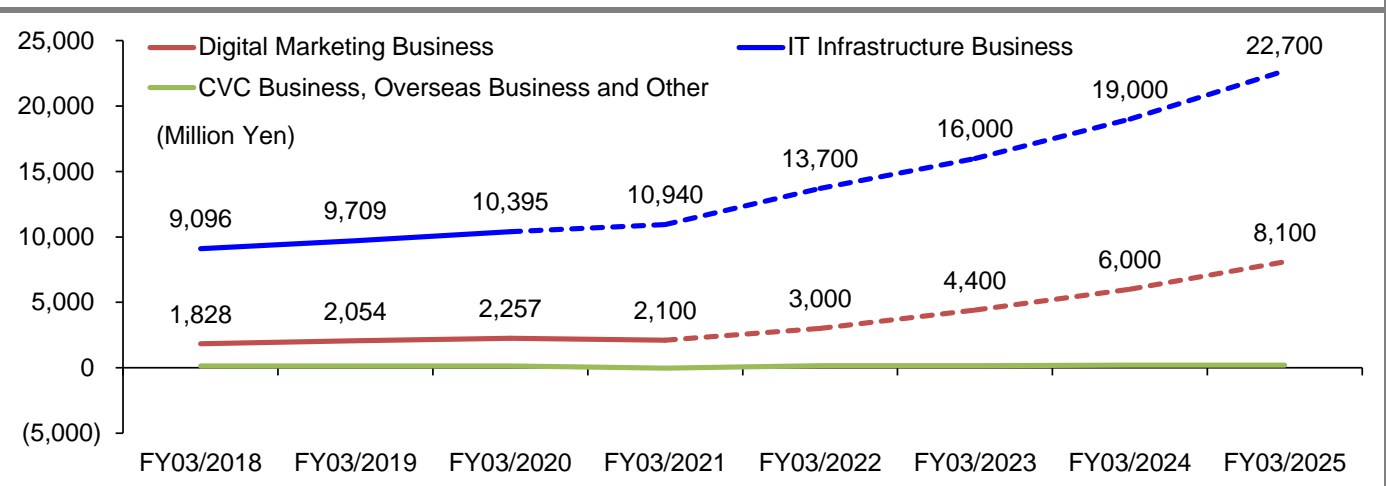
On 15 May 2020, the Company announced the FY03/2020 results and announced its 5-year midterm management plan NEXT'S 2025 (FY03/2021 to FY03/2025) at the same time. The Company is calling for prospective sales of ¥31,000m, operating profit of ¥3,300m and operating profit margin of 10.6% in FY03/2025 or the last year of the plan. This is based on assumption that the impacts stemming from COVID-19 will converge around September 2020. Meanwhile, the Company has revealed its target to achieve ROE of 10% or higher as soon as possible versus ROE of 4.7% in FY03/2020. In FY03/2018, the Company saw ROE of 13.9%, which is higher than the target this time, but it was attributable to one-off factor that the Company saw gain on sale of investment securities as much as ¥399m as extraordinary profit.



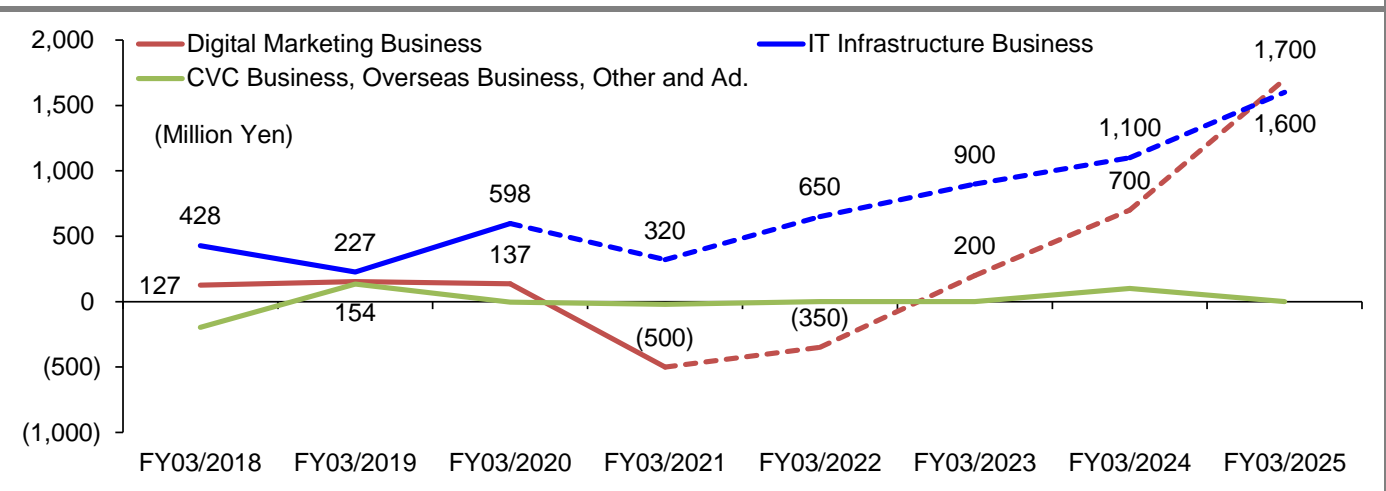
Source: Company Data, WRJ Calculation

When based on the FY03/2020 results, sales are expected to see CAGR of 19.4% and earnings CAGR of 35.1% over 5 years leading up to FY03/2025. By business segment, sales and earnings on the Digital Marketing Business side where the Company runs operations to promote optimization and monetization for information held by customer companies will grow fast than those on the IT Infrastructure Business side where it runs operations to build IT infrastructure for smaller business. The Company has been running the operations with those on the IT Infrastructure Business side as the mainstay for earnings, but operating profit on the Digital Marketing Business side will exceed that of IT Infrastructure Business side in FY03/2025.

### Midterm Management Plan NEXT'S 2025 (Sales)



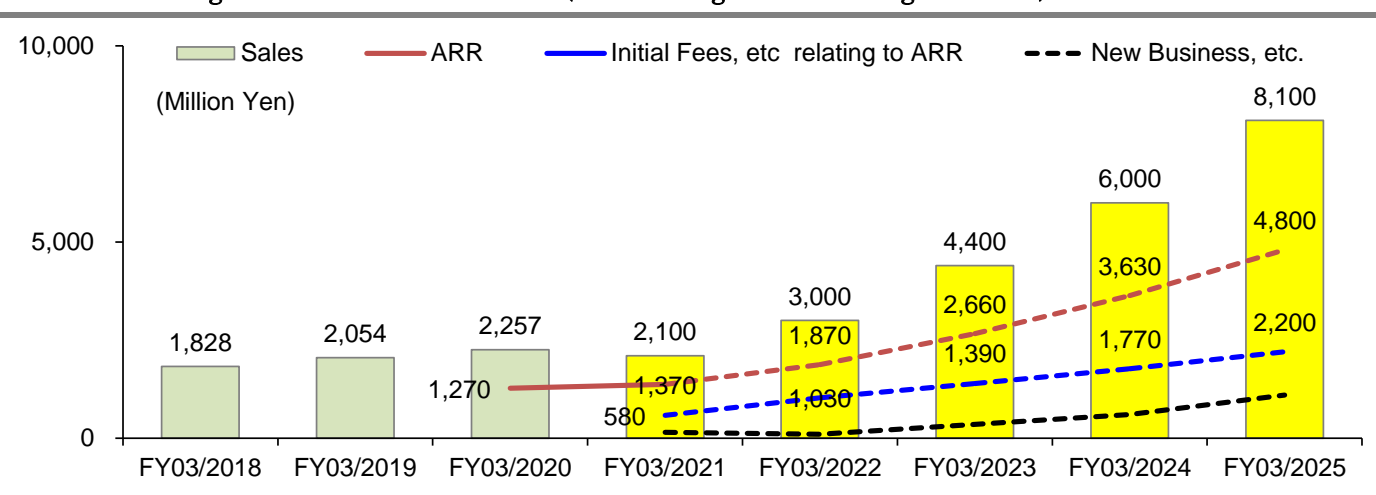
### Midterm Management Plan NEXT'S 2025 (Operating Profit)



Source: Company Data, WRJ Calculation

Over the 5-year period by FY03/2025, Digital Marketing Business is expected to see CAGR of 29.1% in sales and 65.3% in earnings versus 16.9% and 21.7%, respectively, for IT Infrastructure Business. However, Digital Marketing Business will suffer from slowing sales and large-scale losses in FY03/2021. This is due to outright sales contributing significantly to short-term earnings coming off and upfront investment being made. Meanwhile, on the IT Infrastructure Business side, sales growth rate is to come down and operating profit is to adjust temporarily. Although they are assumed to converge around September 2020, the impacts stemming from COVID-19 will become obvious in Q1 to Q2 (April to September 2020), negatively affecting to sales, according to the Company. On top of this, the Company also suggests that personnel-related expenses will surge due to increased hiring of new graduates, etc.

### Midterm Management Plan NEXT'S 2025 (Sales of Digital Marketing Business)



Source: Company Data, WRJ Calculation

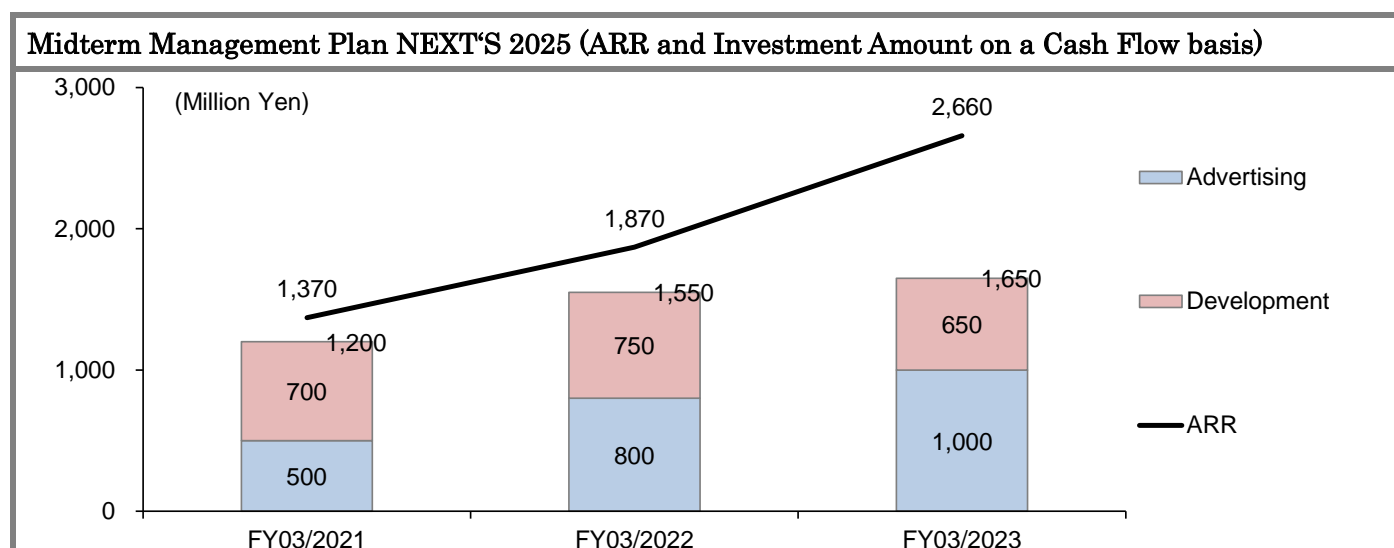
Sales on the Digital Marketing Business side will be driven by ARR (Annual Recurring Revenue). In FY03/2020, sales came in at ¥1,270m, having accounted for 56.2% of total versus prospective sales of ¥4,800m to account for 59.3% in FY03/2025, implying that ARR is the mainstay here in the first place and the Company's exposure to this is to continue edging up over time. With respect to ARR, the Company is going for a growth rate of 7.9% in FY03/2021 over FY03/2020, but the bulk of outright sales will come off, resulting in decreased sales as a whole for this business segment.

Along with persistent growth of ARR, sales of Initial Fees, etc. relating to ARR are expected to perform in the same way. So-called SaaS sales, comprising those of both, are expected to account for 92.9% of total in FY03/2021 and 86.4% in FY03/2025, implying that a situation is going on that SaaS sales will remain being almost everything on the Digital Marketing Business side. The reason why the sales composition ratio gradually declines over time is that sales of New Businesses, etc. are to grow even faster.

At present, scale of sales is tiny and thus, in a sense, high growth potential going forward with respect to New Businesses, etc., where the Company is trying to get at a horizontal expansion for all about the application group on the Digital Marketing Business side, i.e., AR, e-book, etc., with which anybody could easily create digital contents and distribute information. For example, the Company's AR app was adopted in the event to celebrate the 20th anniversary for *One Piece* or the Japanese anime ("Utagejima 2019 Monkey D. Luffy's Island in the height of summer": July 2019), mainly hosted by the city of Yokosuka setting the goal to become "the city of music, sports and entertainment", where the app was used to provide innovative entertainment. Going forward, the Company will remain keen on marketing for events like this on a proposal basis. On top of this, the Company is also starting to focus on publishing of electronic books, etc.

Meanwhile, SaaS (Software as a Service) refers to the situation where users use the software that runs on the provider (server) side as a service over a network such as Internet, instead of introducing the software to the user (client) side. The Company plans to ensure that SaaS sales are steadily rising over the long term by selling digital marketing tools (software) developed in-house on a continuous billing basis. The other thing is that there is no difference in the contents of SaaS, compared with traditional ASP (Application Service Provider). Still, ASP is now called as SaaS because of a marketing prospective, given that the importance of ASP has increased dramatically.

By FY03/2023, the Company suggests that it will remain as a phase to “aim at a shift towards high growth model”, implementing “active investment to accelerate growth”. In other words, upfront investment will be made and thus burden stemming from here will increase, which is mentioned as one of the reasons why the Company is to continue suffering from operating loss in FY03/2022, i.e., even after doing so in FY03/2021. More importantly, the Company is going for a startup of harvest phase in FY03/2024, leading to an event that operating profit here is to exceed that of IT Infrastructure Business in FY03/2025 as mentioned earlier. Meanwhile, the Company suggests that upfront investment burden over the first three years, prior to the harvest phase, will be all recouped during the same period.



Source: Company Data, WRJ Calculation

As the contents of “investment” in "active investment to accelerate growth", the Company suggests that it actively spends on advertising and development. When collective investment amount on a cash flow basis is compared with the absolute amount of ARR, the latter exceeds the former every year during the said period and thus the former is more than compensated for by the latter, according to the Company. Still, it is not substantial enough to compensate also for the impacts stemming from outright sales contributing significantly to short-term earnings coming off and thus the said period is of the preparation phase prior to the harvest phase in terms of earnings as far as we could see.



With respect to spending on advertising, the Company plans to place a considerable emphasis on that of branding on top of the existing advertising on the web. The former is expected to expand the benefits of the latter, while the improved recognition on the Company is to drive that of the Company's SaaS and thus sales associated with this. Meanwhile, with respect to spending on development, the Company is to concentrate on that of BowNow on the expense of traditional AR and e-book with an objective to realize aforementioned Cloud Circus scheme.

In the first place, there remains room for a large expansion in the market to which the Company is confronted on the Digital Marketing Business side, where the scale of the market is expected to worth some ¥700,000m in 5 years, i.e., 1.3 times larger than now, according to the Company. At the same time, this is suggested to be equal to the market size for digital marketing created collectively by some 340,000 companies with 10 to 1,000 employees, while the Company is currently exposed mainly to sales associated with companies with 50 to 1,000 employees. Conversely, the Company has customer companies as many as some 25,000 on a cumulative basis, mainly those of 10 to 50 employees, on the IT Infrastructure Business side. Given a factor like this, the Company plans to beef up sales promotions for services on the Digital Marketing Business side to own customer companies here for the future. In other words, the Company is to focus on so-called cross-selling.

The Company is going for strategic policies to make progress with sales promotions like this, implementing "strengthening of products", "strengthening of competitiveness" and "strengthening of actions". With all those strategic policies, the Company is to see improvements in main KPIs, comprising SaaS sales, the number of accounts, the number of cross-selling companies and ARPU, so that the Company should be able to meet the business performance target of NEXT'S 2025.

In terms of "strengthening of products", the Company is working to develop new products in the area of CSM (Customer Success Manager: providing successful experiences to customer companies). In the process of reaching the current status, the Company has provided tools to create contents for the dissemination of information by customer companies, handled marketing consulting to attract their customers and supported them to make prospects into their customers through BowNow, but recently there has been growing demand for them to prevent cancellations while enhance repeat business, planning to develop new products to respond to all those needs for the launch in the market.

In terms of "strengthening of competitiveness", the Company will be deeply involved with the marketing value chain in the domain of its current mainstay BtoB customer companies, while it will focus on so-called cross-selling for smaller business as above-mentioned for the sake of raising sales per customer. Therefore, the Company will intentionally avoid being involved with fierce price-oriented competition in the areas of major companies, while it will increase its competitiveness in relatively niche areas. For BtoC customer companies, the Company's involvement with the marketing value chain is limited to the area of information dissemination and the Company will proceed with measures to attract their customers for the future and it will increase sales per customer also here.

In terms of "strengthening of actions", the Company will build an in-house sales system depending on attributes, such as BtoB customer companies, BtoC customer companies and partner companies, implementing the optimal strategic action plan for each. In BtoB customer companies, cross-selling has proven successful in the first place, pursuing further sales growth through aforementioned focus on branding going forward. In BtoC customer companies, the Company intends to develop products and expand sales by transplanting successful experiences with BtoB customer companies. In partner companies that represent the Company's distributors, outright sales have remained to date. The Company is to promote its shift to continuous billing and increase the rate of growth for ARR at an early stage.

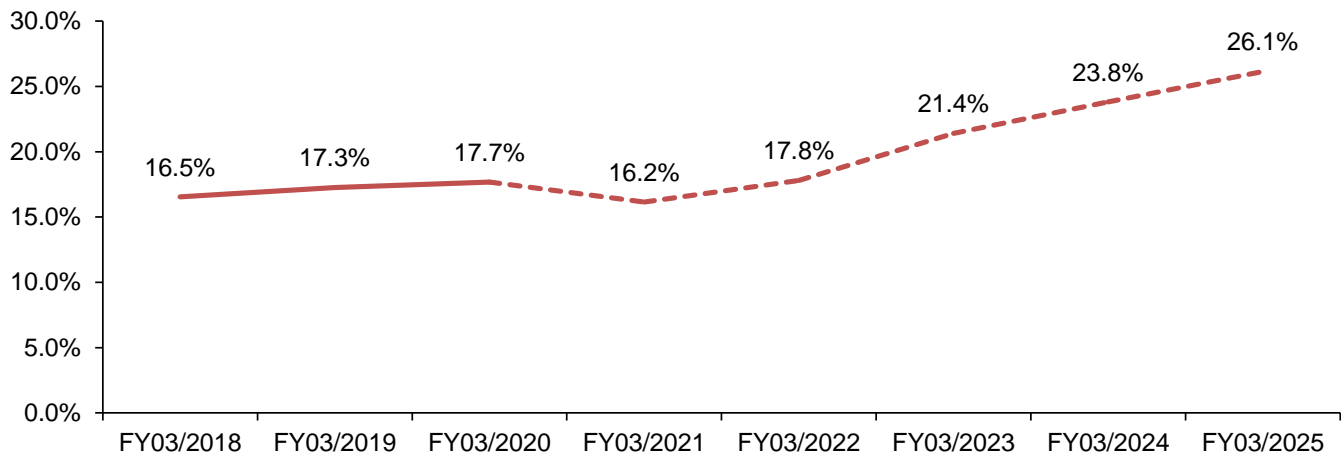
Meanwhile, in order to beef up sales on the IT Infrastructure Business side, the Company is keen on raising main KPIs, such as the number of contracts on a continuous billing basis, the number of companies using multiple products and sales per representative, so that the Company should be able to meet the business performance target of NEXT'S 2025. In terms of sales per representative, the Company is going for ¥43.8m in FY03/2021 and ¥51.9m in FY03/2025, while the Company suggests this will drive sales and earnings as a whole for this business segment to a large extent. In order to raise sales per representative, the Company is to expand the range of products it handles in the first place, while it will also acquire new customers by opening new branches and/or doing so through mergers. Considering the recent spread of COVID-19, the Company has an impression that smaller peers in the market suffering from a difficulty to continue business may emerge more than before, which will be a favorable opportunity for the Company to take over customers of all those smaller peers.

## 4.0 Business Model

### IT Infrastructure to Digital Marketing

When the Company transitioned to a holding company structure in April 2018, the plan was revealed to set it as the basic growth model that the Company was to bring up operations on the Digital Marketing Business side, based on earnings on the IT Infrastructure Business side and the Company has made progress with this in the process of reaching the current status.

Sales Composition Ratio of Digital Marketing Business



Source: Company Data, WRJ Calculation

In FY03/2018, immediately before the transition to a holding company structure, sales on the Digital Marketing Business side accounted for 16.5% of sales as a whole for the Company, which was followed by 17.3% in FY03/2019 and 17.7% in FY03/2020, suggesting that the above-mentioned plan is steadily making progress. Towards FY03/2021, sales are to account for temporarily decreased proportion of total, as the Company is implementing a policy to specialize in sales on a continuous billing basis, while pulling out of outright sales. Still, in FY03/2022 and thereafter, the Company is to see consistently increased sales over the long term and thus increased ratio to total in sales. Meanwhile, the Company is now heading for running operations on the Digital Marketing Business side also in ex-Japan Asia as a new model for growth.

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	YoY Net Chg.
<b>Sales</b>	<b>10,171</b>	<b>10,282</b>	<b>11,058</b>	<b>11,907</b>	<b>12,778</b>	<b>13,000</b>	<b>+221</b>
Cost of Sales	5,561	5,745	6,144	6,582	7,062	-	-
Gross Profit	4,609	4,536	4,914	5,325	5,715	-	-
SG&A Expenses	4,106	4,271	4,555	4,807	4,982	-	-
<b>Operating Profit</b>	<b>503</b>	<b>265</b>	<b>358</b>	<b>517</b>	<b>732</b>	<b>(200)</b>	<b>(932)</b>
Non Operating Balance	41	20	18	55	38	0	(38)
<b>Recurring Profit</b>	<b>544</b>	<b>285</b>	<b>376</b>	<b>573</b>	<b>771</b>	<b>(200)</b>	<b>(971)</b>
Extraordinary Balance	(33)	(103)	389	25	(111)	-	-
Profit before Income Taxes	510	182	766	598	659	-	-
Total Income Taxes	261	174	169	289	441	-	-
NP Belonging to Non-Controlling SHs	(3)	2	(16)	(13)	(1)	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>253</b>	<b>5</b>	<b>613</b>	<b>323</b>	<b>219</b>	<b>(372)</b>	<b>(591)</b>
Sales YoY	+17.1%	+1.1%	+7.5%	+7.7%	+7.3%	+1.7%	-
Operating Profit YoY	(32.6%)	(47.3%)	+35.1%	+44.4%	+41.6%	-	-
Recurring Profit YoY	(38.0%)	(47.6%)	+31.9%	+52.3%	+34.5%	-	-
Profit Attributable to Owners of Parent YoY	(57.3%)	(97.7%)	-	(47.3%)	(32.0%)	-	-
Gross Profit Margin	45.3%	44.1%	44.4%	44.7%	44.7%	-	-
Sales to SG&A Expenses Ratio	40.4%	41.5%	41.2%	40.4%	39.0%	-	-
Operating Profit Margin	5.0%	2.6%	3.2%	4.3%	5.7%	(1.5%)	(7.3%)
Recurring Profit Margin	5.4%	2.8%	3.4%	4.8%	6.0%	(1.5%)	(7.6%)
Profit Attributable to Owners of Parent Margin	2.5%	0.1%	5.5%	2.7%	1.7%	(2.9%)	(4.6%)
Total Income Taxes / Profit before Income Taxes	51.2%	95.5%	22.1%	48.3%	-	-	-

Source: Company Data, WRJ Calculation

### Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Digital Marketing Business	-	-	1,828	2,054	2,257	-	-
IT Infrastructure Business	-	-	9,096	9,709	10,395	-	-
CVC Business	-	-	1	-	0	-	-
Overseas Business	-	-	132	141	121	-	-
Other	-	-	-	1	4	-	-
Adjustments	-	-	-	-	-	-	-
<b>Sales</b>	<b>10,171</b>	<b>10,282</b>	<b>11,058</b>	<b>11,907</b>	<b>12,778</b>	<b>13,000</b>	<b>+221</b>
Digital Marketing Business	-	-	127	154	137	-	-
IT Infrastructure Business	-	-	428	227	598	-	-
CVC Business	-	-	(45)	(30)	(51)	-	-
Overseas Business	-	-	14	(11)	3	-	-
Other	-	-	-	(4)	(14)	-	-
<b>Segment Profit</b>	<b>-</b>	<b>-</b>	<b>524</b>	<b>335</b>	<b>673</b>	<b>-</b>	<b>-</b>
Adjustments	-	-	(165)	181	59	-	-
<b>Operating Profit</b>	<b>503</b>	<b>265</b>	<b>358</b>	<b>517</b>	<b>732</b>	<b>(200)</b>	<b>(932)</b>
Digital Marketing Business	-	-	7.0%	7.5%	6.1%	-	-
IT Infrastructure Business	-	-	4.7%	2.3%	5.8%	-	-
CVC Business	-	-	-	-	-	-	-
Overseas Business	-	-	10.8%	(8.2%)	2.5%	-	-
Other	-	-	-	-	(363.0%)	-	-
Adjustments	-	-	(1.5%)	1.5%	0.5%	-	-
<b>Operating Profit Margin</b>	<b>5.0%</b>	<b>2.6%</b>	<b>3.2%</b>	<b>4.3%</b>	<b>5.7%</b>	<b>(1.5%)</b>	<b>(7.3%)</b>

Source: Company Data, WRJ Calculation

### Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
No. of Shares FY End (thousand shares)	10,240	10,240	10,240	10,240	10,240	-	-
Earnings/ EPS (thousand shares)	10,195	10,193	10,101	10,060	9,797	-	-
Treasury Shares FY End (thousand shares)	44	139	139	475	409	-	-
Earnings per Share	24.82	0.58	60.74	32.15	22.45	(37.97)	-
Earnings per Share (fully diluted)	24.41	-	-	-	-	-	-
Book Value per Share	400.57	393.04	478.21	473.95	478.24	-	-
Dividend per Share	9.00	9.00	12.00	9.00	9.00	10.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
FY	FY	FY	FY	FY	FY	FY	YoY
03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.	
Share Split Factor	1	1	1	1	1	1	-
Earnings per Share	24.82	0.58	60.74	32.15	22.45	(37.97)	-
Book Value per Share	400.57	393.04	478.21	473.95	478.24	-	-
Dividend per Share	9.00	9.00	12.00	9.00	9.00	10.00	-
Payout Ratio	36.3%	1,551.7%	19.8%	28.0%	40.1%	(26.3%)	-

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Cash and Deposit	2,638	2,221	3,718	3,293	3,414	-	-
Accounts Receivables	1,597	1,772	1,684	1,918	2,079	-	-
Inventory	66	89	104	106	203	-	-
Other	398	416	420	801	489	-	-
<b>Current Assets</b>	<b>4,700</b>	<b>4,498</b>	<b>5,927</b>	<b>6,119</b>	<b>6,187</b>	-	-
Tangible Assets	172	108	99	116	113	-	-
Intangible Assets	927	531	398	499	360	-	-
Investments and Other Assets	728	756	1,320	1,482	1,249	-	-
<b>Fixed Assets</b>	<b>1,828</b>	<b>1,396</b>	<b>1,819</b>	<b>2,098</b>	<b>1,723</b>	-	-
<b>Total Assets</b>	<b>6,529</b>	<b>5,894</b>	<b>7,747</b>	<b>8,218</b>	<b>7,910</b>	-	-
Accounts Payables	640	681	766	810	763	-	-
Short Term Debt	333	346	400	466	600	-	-
Other	904	684	1,222	1,465	1,281	-	-
<b>Current Liabilities</b>	<b>1,878</b>	<b>1,712</b>	<b>2,388</b>	<b>2,742</b>	<b>2,644</b>	-	-
Long Term Debt	559	200	466	751	512	-	-
Other	1	11	26	93	52	-	-
<b>Fixed Liabilities</b>	<b>561</b>	<b>211</b>	<b>493</b>	<b>845</b>	<b>564</b>	-	-
<b>Total Liabilities</b>	<b>2,440</b>	<b>1,923</b>	<b>2,881</b>	<b>3,588</b>	<b>3,208</b>	-	-
<b>Shareholders' Equity</b>	<b>4,095</b>	<b>3,932</b>	<b>4,455</b>	<b>4,431</b>	<b>4,607</b>	-	-
Other	(7)	38	409	198	93	-	-
<b>Net Assets</b>	<b>4,088</b>	<b>3,970</b>	<b>4,865</b>	<b>4,629</b>	<b>4,701</b>	-	-
<b>Total Liabilities and Net Assets</b>	<b>6,529</b>	<b>5,894</b>	<b>7,747</b>	<b>8,218</b>	<b>7,910</b>	-	-
Equity Capital	4,084	3,970	4,830	4,628	4,701	-	-
Interest Bearing Debt	893	546	866	1,218	1,112	-	-
Net Debt	(1,745)	(1,674)	(2,852)	(2,075)	(2,302)	-	-
Equity Ratio	62.6%	67.3%	62.3%	56.3%	59.4%	-	-
Net Debt Equity Ratio	(42.7%)	(42.2%)	(59.1%)	(44.8%)	(49.0%)	-	-
ROE (12 months)	6.3%	0.1%	13.9%	6.8%	4.7%	-	-
ROA (12 months)	8.9%	4.6%	5.5%	7.2%	9.6%	-	-
Quick Ratio	225%	233%	226%	190%	208%	-	-
Current Ratio	250%	263%	248%	223%	234%	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Operating Cash Flow	366	155	846	194	529	-	-
Investing Cash Flow	(762)	(165)	401	(537)	(234)	-	-
<b>Operating CF and Investing CF</b>	<b>(396)</b>	<b>(10)</b>	<b>1,248</b>	<b>(343)</b>	<b>294</b>	-	-
Financing Cash Flow	705	(403)	276	(73)	(163)	-	-

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### The First Midterm Management Plan

On February 21, 1996, telecomnet limited company, the predecessor of the Company, was established by the current Representative Director and President, Hideyuki Hongo. Having had been newly identified as Startia, Inc. in February 2004, the Company was listed on the Mothers of Tokyo Stock Exchange in December of the following year and on the first section of Tokyo Stock Exchange in February 2014. On 9 May of the same year, the Company announced its 2-year recurring profit plan (FY03/2015 to FY03/2016). Further, after the transition to a holding company structure in April 2018, the Company has announced NEXT'S 2025 (FY03/2021 to FY03/2025), the first midterm management plan for the Company. According to Hongo, the announcement of NEXT'S 2025 this time is of long-awaited, having had gone through considerable amount of internal discussions about how to utilize the Company's strengths for the prospective growth and calculation in a fairly precise manner having had been carried out since two years before the transition to a holding company structure. For that reason alone, he has a conviction for the business performance target to be met.

Meanwhile, Hongo advocates to implement sustainability management. He is looking to evolution on two spindles, i.e., Innovation and Growth, assuming realization of SDGs. In terms of Innovation, the Company will thoroughly implement in-house Digital transformation (DX) and use its track records to support DX development at customer companies. In terms of Growth, the Company will try to realize long-term and consistent growth on the Digital Marketing Business side, which is the feature with subscription sales, while it appears that growth will continue on the Infrastructure Business side in the form of resources being allocated to sales promotions on both subscription sales and flow sales.

## Company History

Date	Contents of Transitions
February 1996	Established telecomnet limited company (3-2, Yamaguchi, Tokorozawa-city, Saitama-prefecture)
October 1996	Identified as ND Telecom Co., Ltd.
August 2003	Relocated head office to Shinjuku, Tokyo
February 2004	Identified as Startia, Inc.
December 2005	Listed on the Mothers section of the Tokyo Stock Exchange
June 2006	Launched “Digit@Link ActiBook” or software to create e-book
February 2008	Launched “Secure SAMBA” or cloud storage services for corporations
April 2009	Established Startia Lab, Inc. (currently consolidated subsidiary)
May 2009	Acquired shares of MAC OFFICE INC. (currently equity-accounted affiliate)
October 2011	Established STARTIASOFT INC. (currently equity-accounted affiliate) or joint company with 西安世維軟件有限公司
January 2012	Acquired shares of Urban Plan Inc. (currently equity-accounted affiliate)
September 2012	Launched NetResQ or in-house IT network maintenance services
November 2012	Started offering “ActiBook AR COCOAR” or services to create AR contents
February 2014	Listed on the 1st section of Tokyo Stock Exchange
October 2015	Acquired shares of NOS Ltd. (currently consolidated subsidiary)
July 2016	Acquired shares of BCMEDIA Co., Ltd. (currently consolidated subsidiary)
February 2017	Converted NOS Ltd. (currently consolidated subsidiary) into wholly owned subsidiary through additional acquisition of shares
July 2017	Established Startia Will, Inc. (currently consolidated subsidiary)
November 2017	Established Startia Split Preparation, Inc. (currently consolidated subsidiary, Startia, Inc.)
Ditto	Established Startia Raise, Inc. (currently consolidated subsidiary)
Ditto	Established Startia Asia Pte. Ltd. (currently consolidated subsidiary)
Ditto	Established Mtame, Inc. (currently consolidated subsidiary)
March 2018	Established Startia Taiwan (currently consolidated subsidiary)
April 2018	Acquired Startia Split Preparation, Inc. and Startia Raise, Inc. through absorption-type company split and transitioned to holding company structure.
Ditto	The Company changed its identification to Startia Holdings, Inc. and Startia Split Preparation, Inc. to Startia, Inc.
March 2020	Sold part of the shares of Xi’an Shida Noriya Software Co., Ltd. and excluded it from the scope of application of the equity method



**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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