

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 Results Update (19 May 2020)

Thorough Switchover to Subscription

On 15 May 2020, Startia Holdings, focusing on digital marketing, released its FY03/2020 results. It has been revealed that initial Company forecasts are far exceeded for earnings. At the same time, the Company has announced its midterm management plan "NEXT'S 2025" (FY03/2021 to FY03/2025). For FY03/2025 or the last year of the plan, the Company is calling for prospective sales of ¥31,000m, operating profit of ¥3,300m and operating profit margin of 10.6%. Based on the FY03/2020 results, sales are to increase by 19.4% on a CAGR basis during the period and by 35.1% for earnings, while operating profit margin to rise by 4.9% points. On the IT Infrastructure Business side, where the Company builds IT infrastructure for smaller business, sales and earnings are to see steady increases during the period. Meanwhile, on the Digital Marketing Business side, where the Company optimizes information held by its customers through own IT services and supports them in making money, prospective segment profit in FY03/2025 is to exceed that of IT Infrastructure Business, after making loss for some time until the Company sets up foundation for earnings thoroughly based on business model of subscription (to bill on a duration basis). We are to take part in the Company's financial results briefing (online) scheduled on Friday, 29 May, while interviewing with management afterwards through web-conferencing service, so that we should be able to update [Startia Holdings \(3393\) Critical Point \(17 March 2020\)](#) and release anew.

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2.0 Company Profile

IT Infrastructure to Digital Marketing

Company Name	Startia Holdings, Inc. Company Website IR Information 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 March 2020)	
No. of Shares	10,240,400 shares, including 11 treasury shares (as of the end of March 2020)	
Main Features	<ul style="list-style-type: none"> ● Focus on digital marketing to see high growth ● Thorough switchover to business model of subscription (to bill on a duration basis) ● Long-term growth also for operations to build IT infrastructure for smaller business 	
Business Segments	I . Digital Marketing Business II . IT Infrastructure Business III. CVC Business IV. Overseas Business	
Top Management	President & CEO: Hideyuki Hongo	
Shareholders	Hideyuki Hongo 40.3%, Hikari Tsushin 9.3%, Akira Saiga 4.8% (as of the end of March 2020)	
Head Office	Shinjuku-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 668, Unconsolidated: 51 (as of the end of December 2019)	

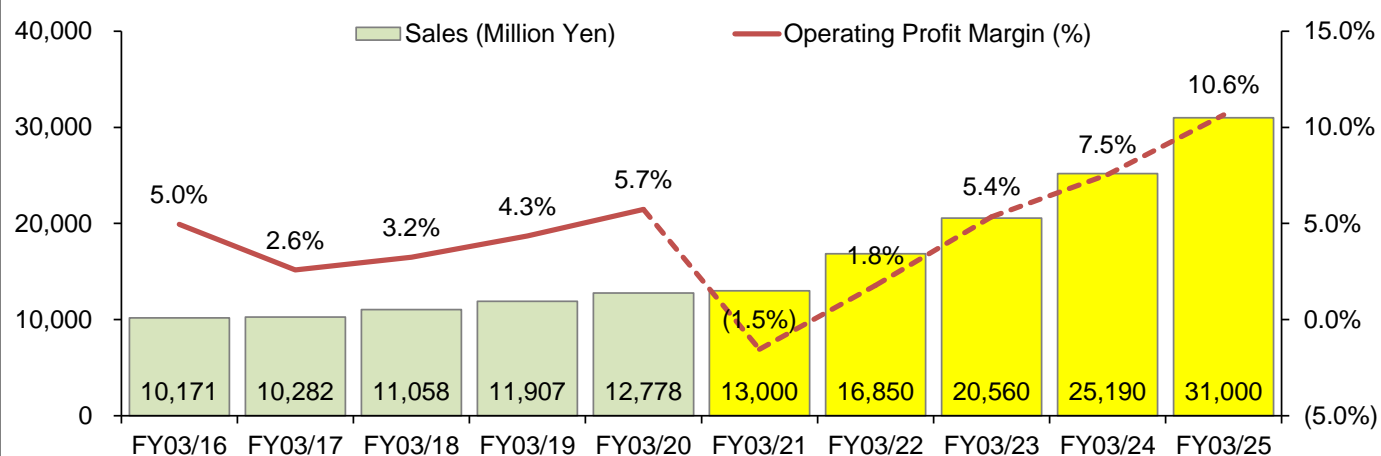
Source: Company Data

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 initial Company forecasts, sales are worse by ¥44m (0.3%), but operating profit was better by ¥226m (44.7%) and recurring profit better by ¥267m (53.0%). According to the Company, sales are almost in line, while productivity improvements, cost savings and undigested expenses are occurring. For example, personnel-related expenses have been reduced. Meanwhile, profit attributable to owners of parent is worse by ¥71m (24.5%).

Midterm Management Plan "NEXT'S 2025" (FY03/2021 to FY03/2025)



Source: Company Data, WRJ Calculation

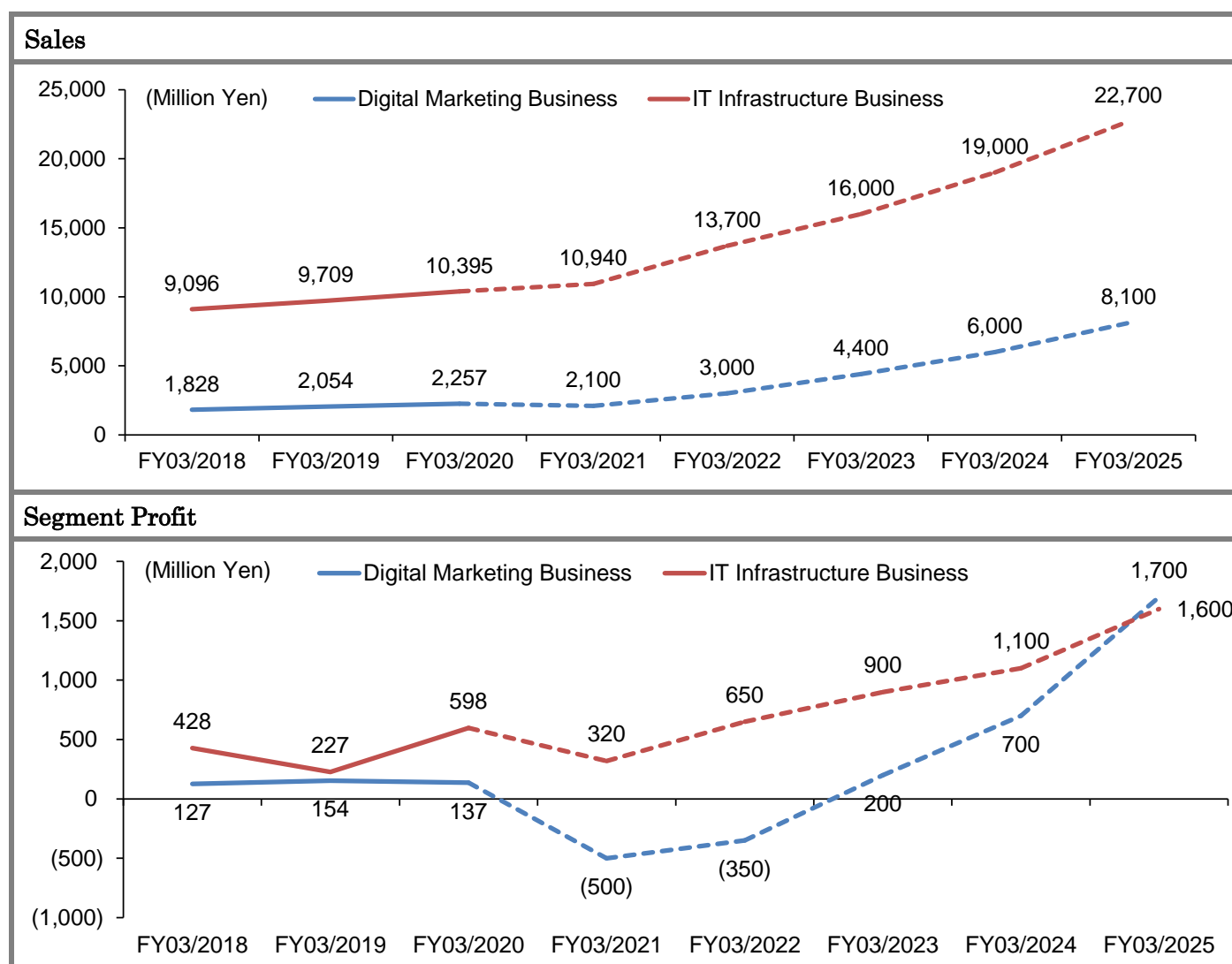
On the Digital Marketing Business side, sales came in at ¥2,257m (up 9.9%), segment profit ¥137m (down 11.1%) and segment profit margin 6.1% (down 1.4% points). Meanwhile, on the IT Infrastructure Business side, sales came in at ¥10,395m (up 7.1%), segment profit ¥598m (up 163.4%) and segment profit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

On the Digital Marketing Business side, sales associated with business model of subscription (to bill on a duration basis) came in at ¥1,394m (up 16.3%) and sales associated with business model of flow (outright sales) came in at ¥863m (up 0.9%), implying that the latter is stagnating. In the first place, the Company has been keen on sales promotions both for subscription and flow, but it appears that the needs of customers are rapidly shifting to subscription.

Presumably in response to this, the Company has decided to specialize in business model of subscription (to bill on a duration basis), starting in FY03/2021. In other words, the Company "implements thorough switchover" to "billing on a duration basis" from "outright sales". Compared with the situations so far, sales are inevitably delayed and thus short-term earnings to deteriorate, having resulted in booking of impairment loss. More importantly, however, sales promotions for business model of subscription (to bill on a duration basis) has an aspect to accumulate stock to consistently generate stable earnings, implying a high potential to maximize earnings in a long-term view.

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

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	03/2020	
Sales	2,782	5,731	8,624	11,907	2,873	6,240	9,240	12,778		+871
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
Operating Profit	37	294	378	517	(2)	320	355	732		+215
Non Operating Balance	12	35	36	55	(9)	15	27	38		(17)
Recurring Profit	49	330	415	573	(12)	335	383	771		+197
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
Profit Attributable to Owners of Parent	62	228	264	323	(31)	180	193	219		(103)
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		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
Sales	2,782	2,948	2,893	3,283	2,873	3,366	3,000	3,538		+255
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)
Operating Profit	37	257	83	139	(2)	323	35	377		+238
Non Operating Balance	12	23	1	19	(9)	24	12	11		(8)
Recurring Profit	49	281	84	158	(12)	347	47	388		+229
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
Profit Attributable to Owners of Parent	62	166	36	58	(31)	211	13	26		(32)
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	-	-	-	-	-	-	
Sales	2,782	5,731	8,624	11,907	2,873	6,240	9,240	12,778	+871	
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)	
Segment Profit	(16)	161	176	335	(39)	272	290	673	+337	
Adjustments	53	133	202	181	36	47	64	59	(122)	
Operating Profit	37	294	378	517	(2)	320	355	732	+215	
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%)	
Operating Profit Margin	1.3%	5.1%	4.4%	4.3%	(0.1%)	5.1%	3.8%	5.7%	+1.4%	

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	
Sales	2,782	2,948	2,893	3,283	2,873	3,366	3,000	3,538	+255	
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	
Segment Profit	(16)	178	15	159	(39)	311	18	382	+223	
Adjustments	53	79	68	(20)	36	11	17	(5)	+14	
Operating Profit	37	257	83	139	(2)	323	35	377	+238	
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%	
Operating Profit Margin	1.3%	8.7%	2.9%	4.2%	(0.1%)	9.6%	1.2%	10.7%	+6.4%	

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)	
Current Assets	5,192	5,334	5,629	6,119	5,218	5,476	5,186	6,187	+67	
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)	
Fixed Assets	1,874	1,810	1,942	2,098	2,038	2,043	1,986	1,723	(375)	
Total Assets	7,066	7,145	7,572	8,218	7,256	7,519	7,173	7,910	(307)	
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)	
Current Liabilities	1,729	1,775	2,002	2,742	2,031	2,191	1,988	2,644	(98)	
Long Term Debt	408	350	879	751	626	498	373	512	(239)	
Other	131	78	71	93	70	77	83	52	(41)	
Fixed Liabilities	539	428	950	845	697	575	457	564	(280)	
Total Liabilities	2,268	2,203	2,953	3,588	2,728	2,767	2,445	3,208	(379)	
Shareholders' Equity	4,408	4,670	4,428	4,431	4,354	4,578	4,569	4,607	+176	
Other	389	270	191	198	173	172	157	93	(104)	
Net Assets	4,798	4,941	4,619	4,629	4,528	4,751	4,727	4,701	+71	
Total Liabilities and Net Assets	7,066	7,145	7,572	8,218	7,256	7,519	7,173	7,910	(307)	
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	
Operating CF and Investing CF	-	(222)	-	(343)	-	(128)	-	294	+637	
Financing Cash Flow	-	(372)	-	(73)	-	(294)	-	(163)	(89)	

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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