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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%	-	-	-
Consolidated Quarter (Million Yen)		**Sales**	**Operating Profit**	**Recurring Profit**	**Profit Attributable to Owners of Parent**	**EPS (Yen)**	**DPS (Yen)**	**BPS (Yen)**
Q1 FY03/2020		2,873	(2)	(12)	(31)	-	-	-
Q1 FY03/2021		2,758	(143)	(132)	(100)	-	-	-
Q1 FY03/2021	YoY	(4.0%)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (29 September 2020)

Pursuit of Continued Billing

Startia Holdings focusing on digital marketing to grow fast, is planning to see a long-term growth by beefing up earnings from continued billing. Midterm management plan NEXT'S 2025 is calling for prospective sales of ¥31,000m and operating profit of ¥3,300m in FY03/2025. When based on FY03/2020 results, the Company expects CAGR of 19.4% in sales and 35.1% in earnings over the 5-year period towards FY03/2025. However, in FY03/2021, the Company will see a transitional period for a long-term growth. While inevitably suffering from the impacts stemming from COVID-19, it is also inevitable to suffer from the impacts of the Company's measure to pull out of outright sale and fully make a changeover to continued billing for digital marketing since the beginning of Q1. Furthermore, upfront investment is planned to strengthen continued billing, which will also have significant negative impacts on short-term earnings. Continued billing has a strong tendency to postpone the timing to book sales, when compared with that of outright sale. Therefore, short-term earnings are to essentially come down, but booking sales through continued billing is nothing but ongoing accumulation of a stock to generate earnings and thus the Company suggests that this will realize prospective earnings larger and stabler than those of outright sale in a long-term view.

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2.0 Company Profile

Humanly Coping with Cutting Edge Technology

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
Capital	¥824m (as of the end of June 2020)
No. of Shares	10,240,400 shares, including 58 treasury shares (as of the end of June 2020, the number of treasury shares: after excluding 393,300 shares held by trust account relating to Board Benefit Trust)
Main Features	● Burden from upfront investment on digital marketing to grow fast ● Pulled out of outright sale and fully made a changeover to continued billing ● Long-term growth also for building of IT infrastructure for smaller business
Business Segments	Ⅰ. Digital Marketing Business Ⅱ. IT Infrastructure Business Ⅲ. CVC Business Ⅳ. Overseas Business
Top Management	Representative Director, President and Group CEO: Hideyuki Hongo
Shareholders	Hideyuki Hongo 40.38%, Hikari Tsushin 5.64%, Akira Saiga 4.88% (as of the end of March 2020, but for treasury shares)
Head Office	Shinjuku-ku, Tokyo, JAPAN
No. of Employees	Consolidated: 637, Unconsolidated:42 (as of the end of March 2020)

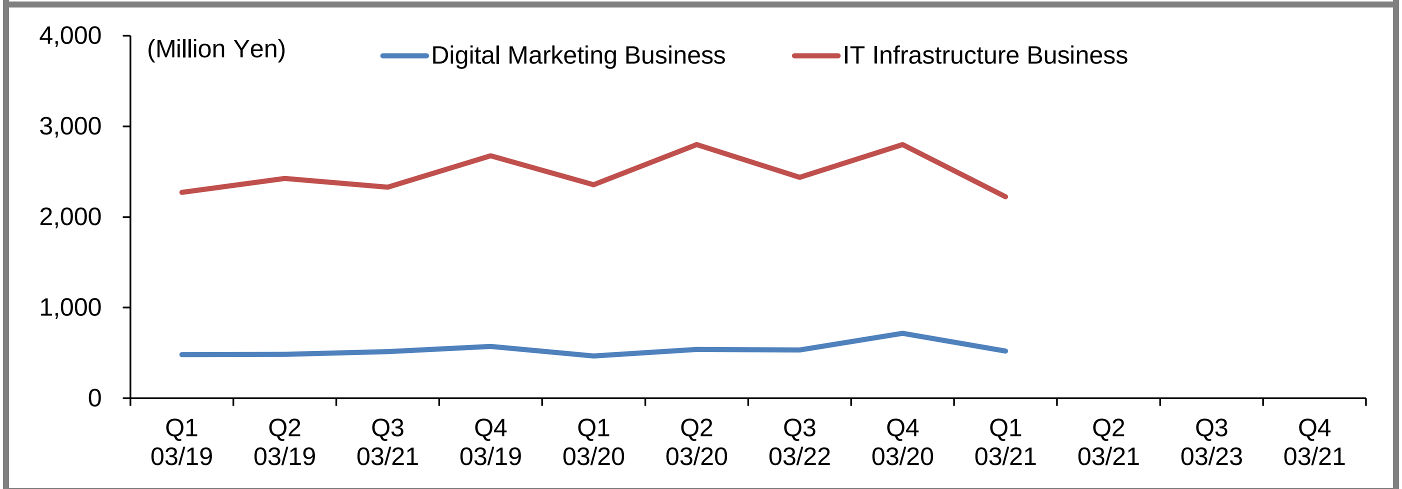
Source: Company Data

3.0 Recent Trading and Prospects

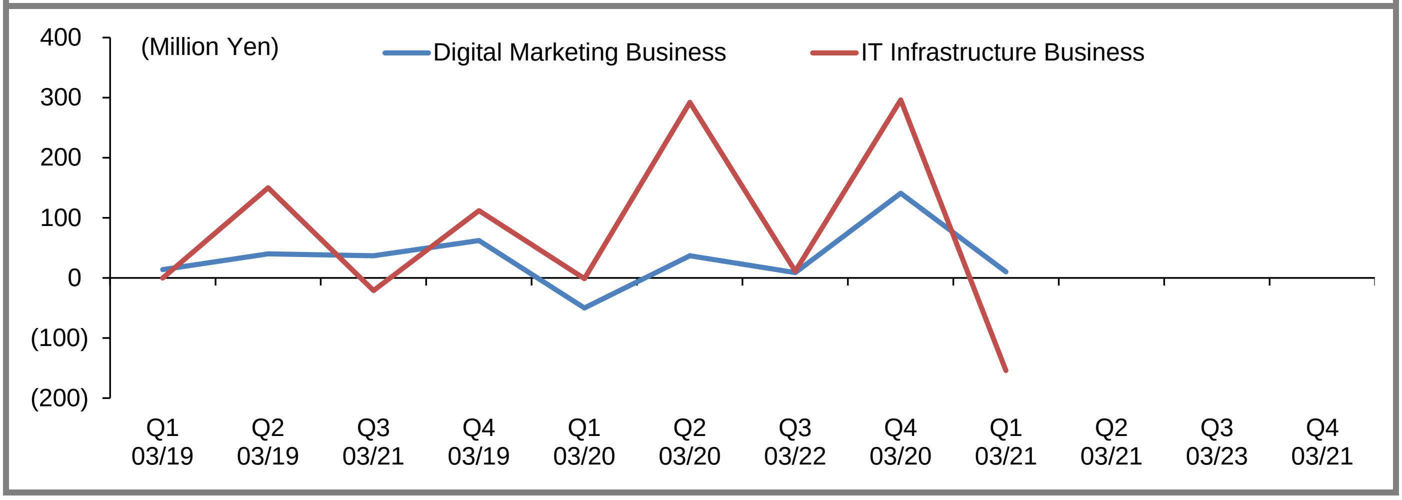
Q1 FY03/2021 Results

In Q1 FY03/2021, sales came in at ¥2,758m (down 4.0% YoY), operating profit minus ¥143m (versus minus ¥2m during the same period of the previous year), recurring profit minus ¥132m (minus ¥12m) and profit attributable to owners of parent minus ¥100m (minus ¥31m), while operating profit margin minus 5.2% (down 5.1% points). According to the Company, the results were in line with assumptions of initial Company forecasts.

Sales



Segment Profit



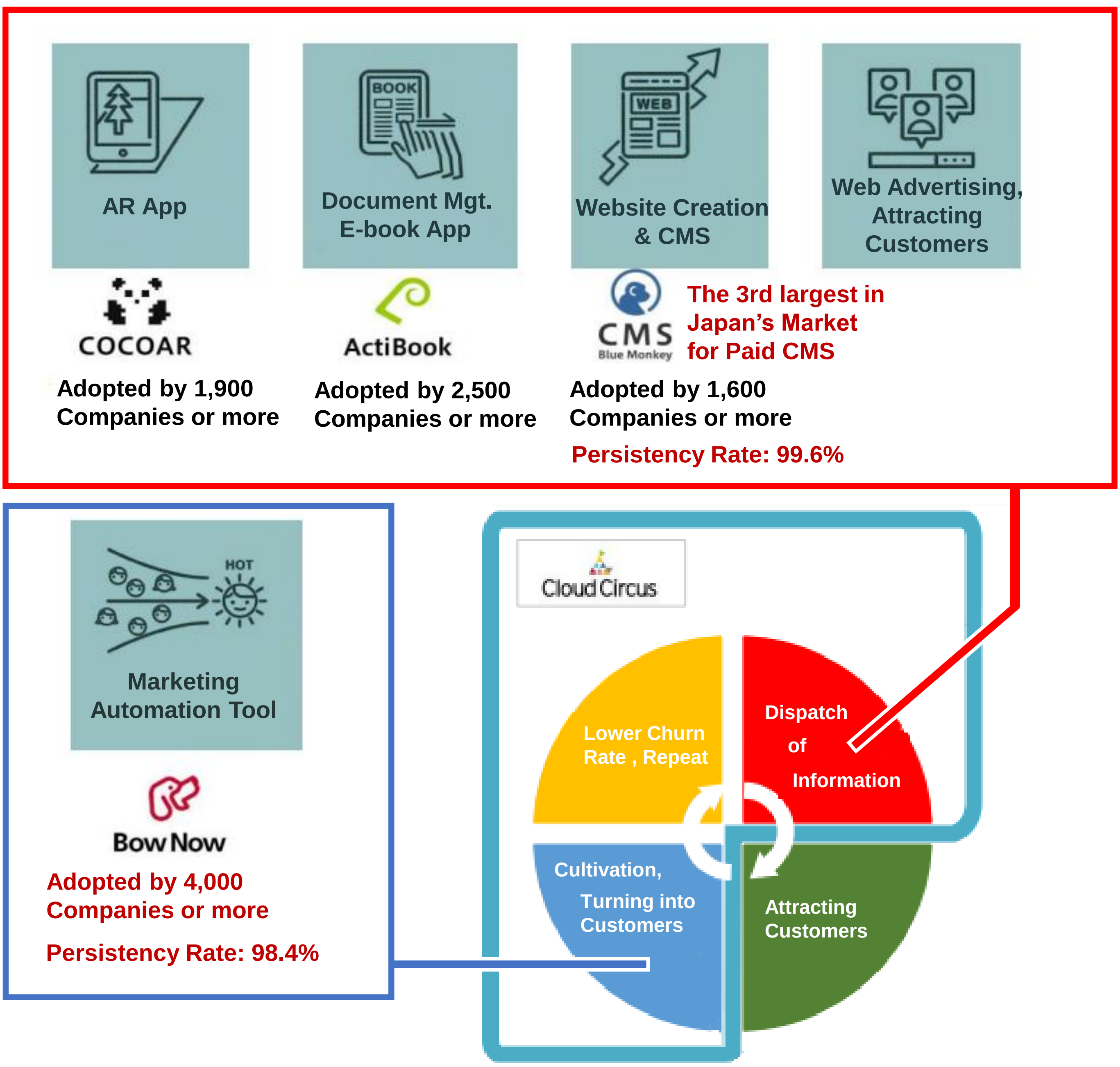
Source: Company Data, WRJ Calculation

By business segment, Digital Marketing Business saw sales of ¥520m (up 11.8%), segment profit of ¥10m (minus ¥50m) and segment profit margin of 2.1% (up 13.0% points), while IT Infrastructure Business sales of ¥2,224m (down 5.6%), segment profit of minus ¥154m (minus ¥1m) and segment profit margin of 7.0% (down 6.9% points). The performance as a whole for the Company basically hinge on those two business segments, while both of them suffered from the impacts stemming from COVID-19. i.e., sales having fallen to the extent corresponding to this. In particular, sales of IT Infrastructure Business suffered from this.

Digital Marketing Business

On the Digital Marketing Business side, the Company runs operations to support customer companies making money by means of optimizing information held by them through a variety of tools developed in-house. Meanwhile, the Company refers to all those operations collectively as “Cloud Circus”, comprising those of supporting marketing process from the upstream to the downstream on an all-in-one basis by means of utilizing applications and services included here.

Main Products and Services of Digital Marketing Business



Source: Company Data

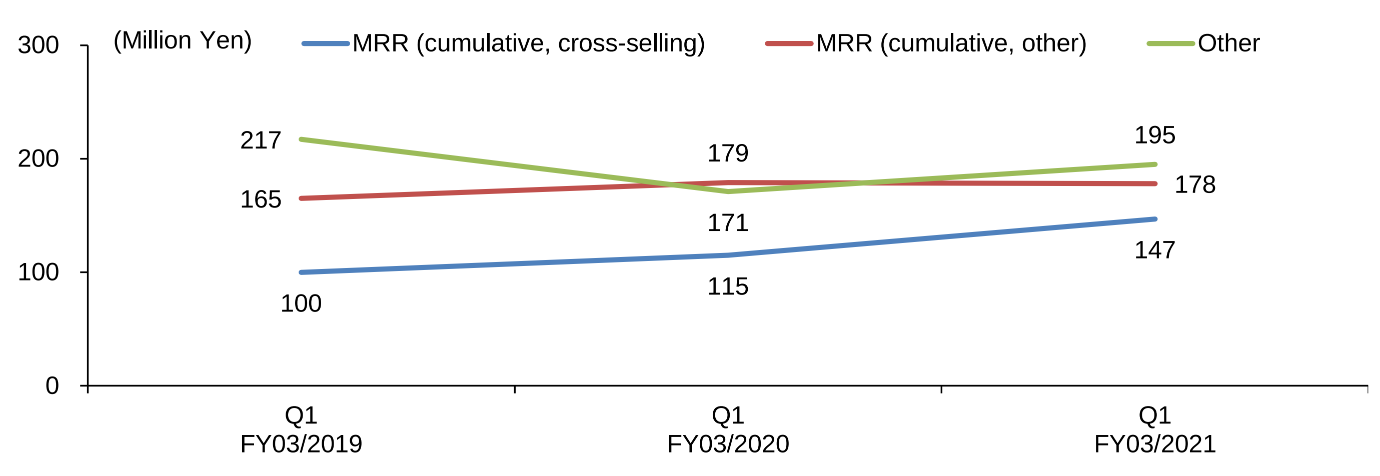
As products of applications, the Company refers to CMS (Content Management System) "Blue Monkey", AR (Augmented Reality) app "COCOAR", e-book app "Actibook", smartphone LP (Landing Page), smartphone apps and Product DB (Database), i.e., a variety of tools with which anyone can easily create digital contents for dispatching. Meanwhile, as contents of services, the Company refers to website creation, consulting for marketing and management of advertising, which help attracting customers and/or acquiring prospective customers on the website where the said digital contents created are posted. On top of this, the Company is also involved with provision of marketing automation tool “BowNow”, which efficiently converts prospective customers acquired here to real customers.

In Q1, segment sales increased steadily over the same period of the previous year and segment profit margin improve substantially. However, Company forecasts are going for decreased sales and significantly worsened earnings on a full-year basis, i.e., prospective sales of ¥2,100m (down 7.0% YoY), segment profit of minus ¥500m (versus ¥137m in the previous year) and segment profit margin of minus 23.8% (down 29.9% points).

The reason cited for the increased sales in Q1 is that continued billing revenue has been trending strongly. Furthermore, the Company saw some one-off sales associated with commissioned development. Meanwhile, it appears that it was the case that the impacts stemming from pulling out of outright sale was rather limited during the same period. Sales of outright sale, which have a large contribution to short-term earnings, had been fairly concentrated in Q4 in the past years, which led to concentration of segment profit in Q4 at the same time. That is to say, in Q4 FY03/2021, it appears that segment sales are to come down sharply over the same period of the previous year and thus segment profit.

On top of this, with respect to Digital Marketing Business, FY03/2021 Company forecasts are going for prospective segment sales of ¥2,100m (down 7.0%), as above-mentioned, versus collective expenses of ¥1,200m for advertising and development. In other words, the Company is trying to enhance continued billing revenue in a long-term perspective by means of spending on expenses equating to almost 60% of sales, implying this will be a major burden for short-term earnings. Meanwhile, in Q1, the Company suggests that the spending on advertising and development was limited, while it appears that a full-scale startup of spending is planned for H2.

Sales of Digital Marketing Business



Source: Company Data, WRJ Calculation

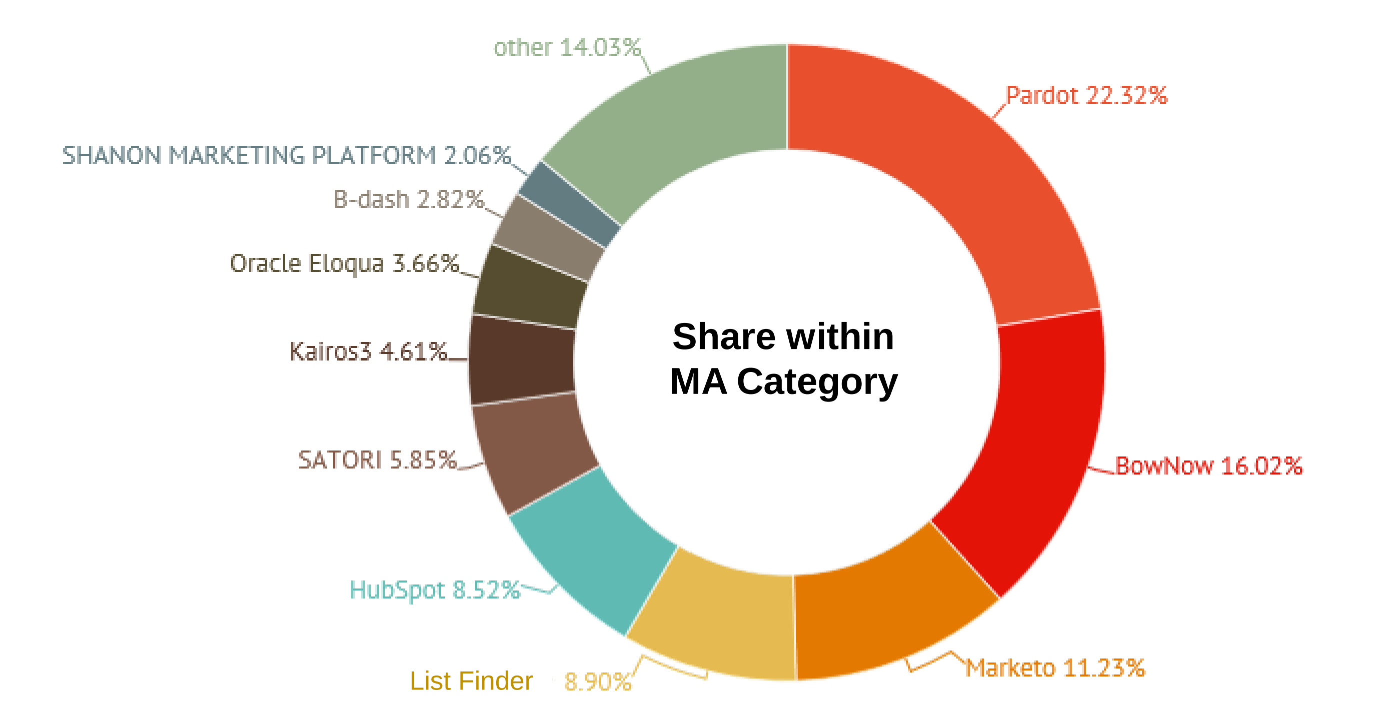
In Q1, the Company saw sales of ¥325m (up 10.5%) on a cumulative basis through April to June 2020 for MRR (Monthly Recurring Revenue), representing monthly continued billing revenue, while sales of ¥195m (up 14.0%) for Other. With respect to FY03/2019 and FY03/2020, the Company used to book sales by both outright sale and continued billing, while the Company has reclassified sales in the past based on the current criteria, which has been disclosed for information, as the Company has pulled out of outright sale and fully made a changeover to continued billing since the beginning of FY03/2021.

MRR on a cumulative basis comprised sales of ¥147m (up 27.8%) for cross-selling and sales of ¥178 m (down 0.6%) for other than cross-selling. "Cross-selling" represents "a way of business model that realizes additional sales with plus something extra related to the single main product or service that has already been proposed and explained". Therefore, sales for "cross-selling" are those of customer companies that have adopted more than one product or service, while sales for "other than cross-selling" are those of customer companies that have adopted a single "product or service".

In spite of the impacts stemming from COVID-19, the Company saw continued billing revenue increased by 10.5%. Amongst the existing customer companies, the Company suffered from temporarily increased churn rate, while the conventional way to cultivate new customer companies by visiting door-to-door as it had been the case was hardly accepted. However, just because of such situations, the Company noticed and coped with a move to focus on attracting customers through digital marketing, having resulted in increased sales.

In particular, cross-selling, consisting of marketing automation tool "BowNow" and CMS (Content Management System) "Blue Monkey", has been most successful. The Company suggests that there have been not a few cases that rather small companies have newly adopted them at the same time through web meetings with the Company. There are a number of open-source blog software that can be used as charge-free CMSs, such as WordPress, while there are some reasons why non-free "Blue Monkey" is chosen. For example, the Company spots its superiority on the security issues. Given it is non-free, "Blue Monkey" has enhanced capability of maintenance services to cope with the security issues, eventually resulting in better cost efficiency, according to the Company.

35 Brands of Marketing Automation



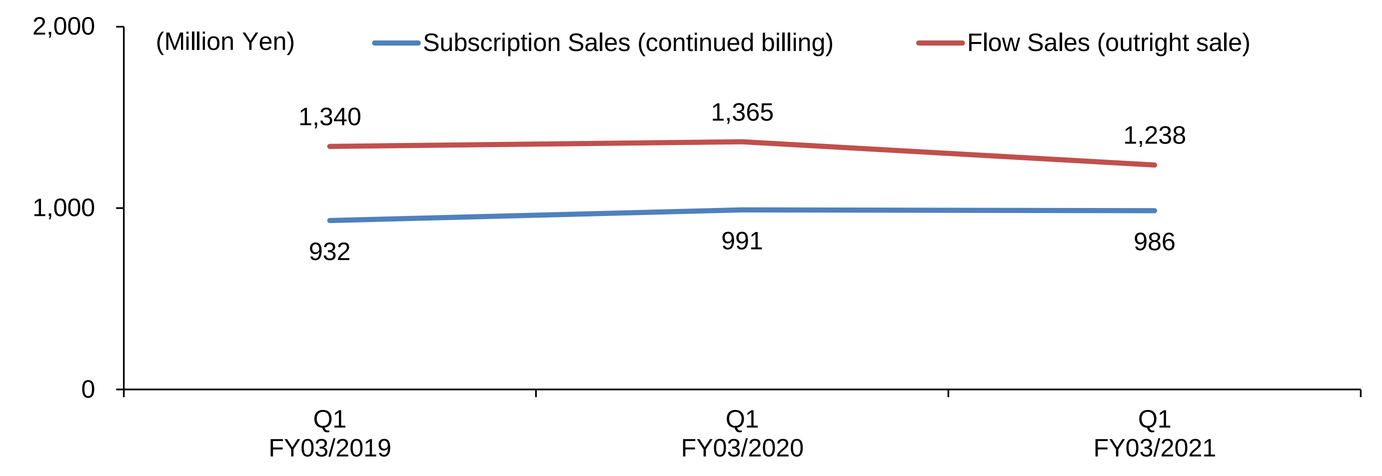
Source: DataSign Inc.(in Japanese)

With respect to "BowNow", the Company used to focus on sales strategy of promoting the use of the freemium first, which is to be followed by the use of the non-free. Most recently, meanwhile, the Company has started to see increased sales stemming from here in line with steady progress for the non-free. For example, in the Survey of Web Services Used on Approximately 150,000 Websites in Japan (August 2020) conducted by DataSign Inc., it can be confirmed that "BowNow" has been adopted by a fairly large number of customer companies, ranking second in market share (16.02%) for 35 Brands of Marketing Automation.

IT Infrastructure Business

On the IT Infrastructure Business side, the Company runs operations to build IT infrastructure for smaller companies. In Q1, the Company suffered from decreased sales over the same period of the previous year, substantially, given the impacts stemming from COVID-19, while segment profit margin declined sharply. Meanwhile, Company forecasts are going for prospective sales to rise on a full-year basis. Still, the Company is to suffer from temporarily adjusted earnings in line with increased personnel-related expenses due mainly to hiring of new graduates enhanced more than the past conventional years. Specifically, Company forecasts are going for prospective sales of ¥10,940 m (up 5.2%), segment profit of ¥320m (down 46.6%) and segment profit margin of 2.9% (down 2.8% points). Company forecasts assume that the impacts stemming from COVID-19 will converge around September 2020. That is to say, it appears that prospective segment sales in H2 are expected to recover as the impacts from here are not to reappear.

Sales of Digital Marketing Business



Source: Company Data, WRJ Calculation

In Q1, subscription sales (continued billing) came in at ¥986m (down 0.5%) and flow sales (outright sale) ¥1,238m (down 9.3%). The impacts stemming from COVID-19 appear to have occurred particularly for flow sales. Subscription sales have remained almost unchanged over the same period of the previous year. Sill, sales related to pay-as-you-go billing, represented by those of counter, came down in line with temporary absence from work and/or shift to telecommuting at customer companies. In this context, “counter”, which is Japanese English, represents maintenance services not to charge for repair and toner of MFPs (Multifunction Peripherals) but for the usage fees in line with the number of sheets printed instead. Meanwhile, flow sales are booked through outright sale of MFPs, networking equipment, business phones, etc., where it was too hard to develop conventional sales promotions through visiting door-to-door as aggressively as before, given temporary absence from work and/or shift to telecommuting at customer companies.

Income Statement (Cumulative／Quarterly)

Income Statement (Million Yen)	Cons.Act Q1 03/2020	Cons.Act Q1 to Q2 03/2020	Cons.Act Q1 to Q3 03/2020	Cons.Act Q1 to Q4 03/2020	Cons.Act Q1 03/2021	Cons.Act Q1 to Q2 03/2021	Cons.Act Q1 to Q3 03/2021	Cons.Act Q1 to Q4 03/2021	YoY Net Chg.
Sales	**2,873**	**6,240**	**9,240**	**12,778**	**2,758**	**-**	**-**	**-**	**(115)**
Cost of Sales	1,641	3,469	5,168	7,062	1,597	-	-	-	(43)
Gross Profit	1,232	2,770	4,071	5,715	1,160	-	-	-	(71)
SG&A Expenses	1,235	2,450	3,716	4,982	1,304	-	-	-	+69
Operating Profit	**(2)**	**320**	**355**	**732**	**(143)**	**-**	**-**	**-**	**(140)**
Non Operating Balance	(9)	15	27	38	11	-	-	-	+20
Recurring Profit	**(12)**	**335**	**383**	**771**	**(132)**	**-**	**-**	**-**	**(120)**
Extraordinary Balance	-	2	2	(111)	(10)	-	-	-	(10)
Profit before Income Taxes	(12)	338	385	659	(142)	-	-	-	(130)
Total Income Taxes	20	159	193	441	(42)	-	-	-	(63)
NP Belonging to Non-Controlling SHs	(1)	(1)	(1)	(1)	-	-	-	-	+1
Profit Attributable to Owners of Parent	**(31)**	**180**	**193**	**219**	**(100)**	**-**	**-**	**-**	**(68)**
Sales YoY	+3.3%	+8.9%	+7.1%	+7.3%	(4.0%)	-	-	-	-
Operating Profit YoY	-	+8.6%	(6.0%)	+41.6%	-	-	-	-	-
Recurring Profit YoY	-	+1.5%	(7.7%)	+34.5%	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	(21.1%)	(26.9%)	(32.0%)	-	-	-	-	-
Gross Profit Margin	42.9%	44.4%	44.1%	44.7%	42.1%	-	-	-	(0.8%)
Sales to SG&A Expenses Ratio	43.0%	39.3%	40.2%	39.0%	47.3%	-	-	-	+4.3%
Operating Profit Margin	(0.1%)	5.1%	3.8%	5.7%	(5.2%)	-	-	-	(5.1%)
Recurring Profit Margin	(0.4%)	5.4%	4.1%	6.0%	(4.8%)	-	-	-	(4.4%)
Profit Attributable to Owners of Parent Margin	(1.1%)	2.9%	2.1%	1.7%	(3.6%)	-	-	-	(2.5%)
Total Income Taxes／Profit before Income Taxes	-	47.3%	50.3%	66.9%	-	-	-	-	-

Income Statement (Million Yen)	Cons.Act Q1 03/2020	Cons.Act Q2 03/2020	Cons.Act Q3 03/2020	Cons.Act Q4 03/2020	Cons.Act Q1 03/2021	Cons.Act Q2 03/2021	Cons.Act Q3 03/2021	Cons.Act Q4 03/2021	YoY Net Chg.
Sales	**2,873**	**3,366**	**3,000**	**3,538**	**2,758**	**-**	**-**	**-**	**(115)**
Cost of Sales	1,641	1,828	1,698	1,894	1,597	-	-	-	(43)
Gross Profit	1,232	1,538	1,301	1,643	1,160	-	-	-	(71)
SG&A Expenses	1,235	1,214	1,266	1,266	1,304	-	-	-	+69
Operating Profit	**(2)**	**323**	**35**	**377**	**(143)**	**-**	**-**	**-**	**(140)**
Non Operating Balance	(9)	24	12	11	11	-	-	-	+20
Recurring Profit	**(12)**	**347**	**47**	**388**	**(132)**	**-**	**-**	**-**	**(120)**
Extraordinary Balance	-	2	-	(114)	(10)	-	-	-	(10)
Profit before Income Taxes	(12)	350	47	273	(142)	-	-	-	(130)
Total Income Taxes	20	139	34	247	(42)	-	-	-	(63)
NP Belonging to Non-Controlling SHs	(1)	-	-	-	-	-	-	-	+1
Profit Attributable to Owners of Parent	**(31)**	**211**	**13**	**26**	**(100)**	**-**	**-**	**-**	**(68)**
Sales YoY	+3.3%	+14.2%	+3.7%	+7.8%	(4.0%)	-	-	-	-
Operating Profit YoY	-	+25.4%	(57.7%)	+170.9%	-	-	-	-	-
Recurring Profit YoY	-	+23.7%	(44.0%)	+145.2%	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+27.0%	(63.3%)	(54.9%)	-	-	-	-	-
Gross Profit Margin	42.9%	45.7%	43.4%	46.5%	42.1%	-	-	-	(0.8%)
Sales to SG&A Expenses Ratio	43.0%	36.1%	42.2%	35.8%	47.3%	-	-	-	+4.3%
Operating Profit Margin	(0.1%)	9.6%	1.2%	10.7%	(5.2%)	-	-	-	(5.1%)
Recurring Profit Margin	(0.4%)	10.3%	1.6%	11.0%	(4.8%)	-	-	-	(4.4%)
Profit Attributable to Owners of Parent Margin	(1.1%)	6.3%	0.4%	0.7%	(3.6%)	-	-	-	(2.5%)
Total Income Taxes／Profit before Income Taxes	-	39.8%	71.8%	90.3%	-	-	-	-	-

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative／Quarterly)

Segmented Information (Million Yen)	Cons.Act Q1 03/2020	Cons.Act Q1 to Q2 03/2020	Cons.Act Q1 to Q3 03/2020	Cons.Act Q1 to Q4 03/2020	Cons.Act Q1 03/2021	Cons.Act Q1 to Q2 03/2021	Cons.Act Q1 to Q3 03/2021	Cons.Act Q1 to Q4 03/2021	YoY Net Chg.
Digital Marketing Business	465	1,006	1,540	2,257	520	-	-	-	+54
IT Infrastructure Business	2,356	5,156	7,595	10,395	2,224	-	-	-	(132)
CVC Business	-	-	0	0	-	-	-	-	-
Overseas Business	48	73	99	121	13	-	-	-	(35)
Other	2	3	3	4	-	-	-	-	(2)
Sales	**2,873**	**6,240**	**9,240**	**12,778**	**2,758**	**-**	**-**	**-**	**(115)**
Digital Marketing Business	(50)	(13)	(3)	137	10	-	-	-	+61
IT Infrastructure Business	(1)	291	302	598	(154)	-	-	-	(153)
CVC Business	(0)	(0)	(0)	(51)	(0)	-	-	-	0
Overseas Business	20	9	7	3	(11)	-	-	-	(31)
Other	(7)	(13)	(14)	(14)	-	-	-	-	+7
Segment Profit	**(39)**	**272**	**290**	**673**	**(155)**	**-**	**-**	**-**	**(116)**
Adjustments	36	47	64	59	11	-	-	-	(24)
Operating Profit	**(2)**	**320**	**355**	**732**	**(143)**	**-**	**-**	**-**	**(140)**
Digital Marketing Business	(10.9%)	(1.4%)	(0.2%)	6.1%	2.1%	-	-	-	+13.0%
IT Infrastructure Business	(0.0%)	5.6%	4.0%	5.8%	(7.0%)	-	-	-	(6.9%)
CVC Business	-	-	(178.4%)	-	-	-	-	-	-
Overseas Business	41.6%	12.7%	7.5%	2.5%	(82.6%)	-	-	-	(124.2%)
Other	(290.4%)	(398.1%)	(396.8%)	(363.0%)	-	-	-	-	-
Operating Profit Margin	**(0.1%)**	**5.1%**	**3.8%**	**5.7%**	**(5.2%)**	**-**	**-**	**-**	**(5.1%)**

Segmented Information (Million Yen)	Cons.Act Q1 03/2020	Cons.Act Q2 03/2020	Cons.Act Q3 03/2020	Cons.Act Q4 03/2020	Cons.Act Q1 03/2021	Cons.Act Q2 03/2021	Cons.Act Q3 03/2021	Cons.Act Q4 03/2021	YoY Net Chg.
Digital Marketing Business	465	540	534	717	520	-	-	-	+54
IT Infrastructure Business	2,356	2,799	2,439	2,799	2,224	-	-	-	(132)
CVC Business	-	-	0	-	-	-	-	-	-
Overseas Business	48	25	25	21	13	-	-	-	(35)
Other	2	1	0	0	-	-	-	-	(2)
Sales	**2,873**	**3,366**	**3,000**	**3,538**	**2,758**	**-**	**-**	**-**	**(115)**
Digital Marketing Business	(50)	37	9	141	10	-	-	-	+61
IT Infrastructure Business	(1)	292	11	296	(154)	-	-	-	(153)
CVC Business	(0)	(0)	0	(51)	(0)	-	-	-	0
Overseas Business	20	(10)	(1)	(4)	(11)	-	-	-	(31)
Other	(7)	(6)	(1)	0	-	-	-	-	+7
Segment Profit	**(39)**	**311**	**18**	**382**	**(155)**	**-**	**-**	**-**	**(116)**
Adjustments	36	11	17	(5)	11	-	-	-	(24)
Operating Profit	**(2)**	**323**	**35**	**377**	**(143)**	**-**	**-**	**-**	**(140)**
Digital Marketing Business	(10.9%)	6.9%	1.9%	19.7%	2.1%	-	-	-	+13.0%
IT Infrastructure Business	(0.0%)	10.4%	0.5%	10.6%	(7.0%)	-	-	-	(6.9%)
CVC Business	-	-	7.1%	-	-	-	-	-	-
Overseas Business	41.6%	(43.1%)	(7.1%)	(21.1%)	(82.6%)	-	-	-	(124.2%)
Other	(290.4%)	(656.6%)	(382.4%)	77.5%	-	-	-	-	-
Operating Profit Margin	**(0.1%)**	**9.6%**	**1.2%**	**10.7%**	**(5.2%)**	**-**	**-**	**-**	**(5.1%)**

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act Q1 03/2020	Cons.Act Q2 03/2020	Cons.Act Q3 03/2020	Cons.Act Q4 03/2020	Cons.Act Q1 03/2021	Cons.Act Q2 03/2021	Cons.Act Q3 03/2021	Cons.Act Q4 03/2021	YoY Net Chg.
Cash and Deposit	2,983	2,855	2,976	3,414	3,457	-	-	-	+474
Accounts Receivables	1,615	1,984	1,671	2,079	1,588	-	-	-	(27)
Inventory	131	112	143	203	203	-	-	-	+71
Other	487	523	395	489	352	-	-	-	(134)
Current Assets	**5,218**	**5,476**	**5,186**	**6,187**	**5,602**	**-**	**-**	**-**	**+384**
Tangible Assets	124	118	111	113	112	-	-	-	(11)
Intangible Assets	476	503	502	360	410	-	-	-	(66)
Investments and Other Assets	1,437	1,420	1,372	1,249	1,371	-	-	-	(65)
Fixed Assets	**2,038**	**2,043**	**1,986**	**1,723**	**1,894**	**-**	**-**	**-**	**(143)**
Total Assets	**7,256**	**7,519**	**7,173**	**7,910**	**7,497**	**-**	**-**	**-**	**+240**
Accounts Payables	685	725	684	763	514	-	-	-	(170)
Short Term Debt	466	466	466	600	675	-	-	-	+208
Other	879	999	837	1,281	981	-	-	-	+102
Current Liabilities	**2,031**	**2,191**	**1,988**	**2,644**	**2,172**	**-**	**-**	**-**	**+140**
Long Term Debt	626	498	373	512	646	-	-	-	+19
Other	70	77	83	52	76	-	-	-	+6
Fixed Liabilities	**697**	**575**	**457**	**564**	**722**	**-**	**-**	**-**	**+25**
Total Liabilities	**2,728**	**2,767**	**2,445**	**3,208**	**2,894**	**-**	**-**	**-**	**+166**
Shareholders' Equity	**4,354**	**4,578**	**4,569**	**4,607**	**4,457**	**-**	**-**	**-**	**+103**
Other	173	172	157	93	144	-	-	-	(29)
Net Assets	**4,528**	**4,751**	**4,727**	**4,701**	**4,602**	**-**	**-**	**-**	**+74**
Total Liabilities and Net Assets	**7,256**	**7,519**	**7,173**	**7,910**	**7,497**	**-**	**-**	**-**	**+240**
Equity Capital	4,528	4,751	4,727	4,701	4,602	-	-	-	+74
Interest Bearing Debt	1,093	965	840	1,112	1,321	-	-	-	+227
Net Debt	(1,889)	(1,890)	(2,135)	(2,302)	(2,136)	-	-	-	(246)
Equity Ratio	62.4%	63.2%	65.9%	59.4%	61.4%	-	-	-	-
Net Debt Equity Ratio	(41.7%)	(39.8%)	(45.2%)	(49.0%)	(46.4%)	-	-	-	-
ROE (12 months)	5.0%	5.7%	5.4%	4.7%	3.3%	-	-	-	-
ROA (12 months)	7.1%	7.9%	7.3%	9.6%	8.8%	-	-	-	-
Days for Inventory Turnover	7	6	8	10	12	-	-	-	-
Quick Ratio	226%	221%	234%	208%	232%	-	-	-	-
Current Ratio	257%	250%	261%	234%	258%	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

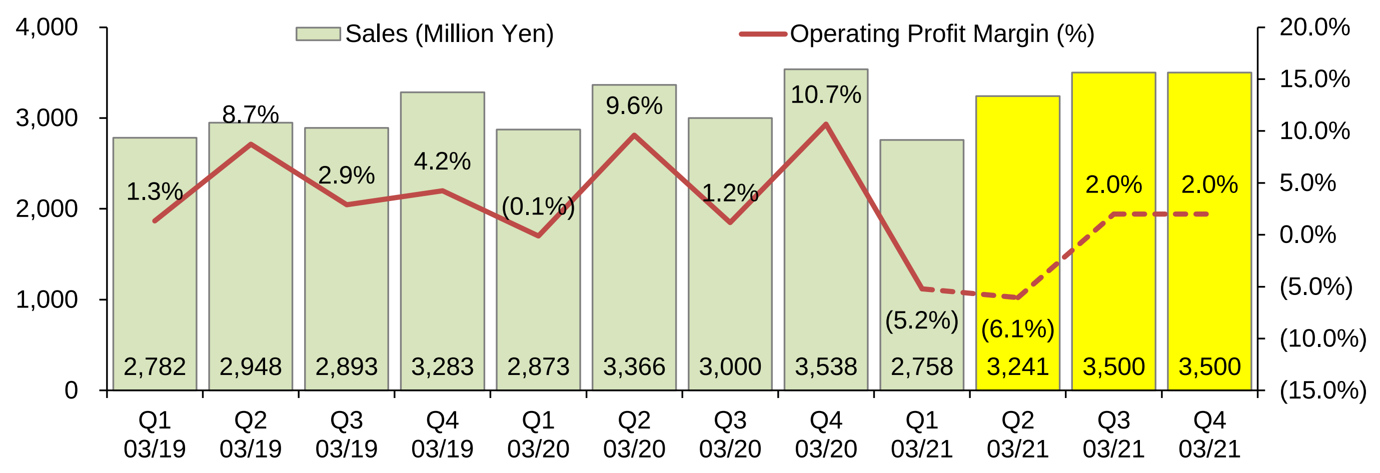
Cash Flow Statement (Million Yen)	Cons.Act Q1 03/2020	Cons.Act Q1 to Q2 03/2020	Cons.Act Q1 to Q3 03/2020	Cons.Act Q1 to Q4 03/2020	Cons.Act Q1 03/2021	Cons.Act Q1 to Q2 03/2021	Cons.Act Q1 to Q3 03/2021	Cons.Act Q1 to Q4 03/2021	YoY Net Chg.
Operating Cash Flow	-	49	-	529	-	-	-	-	-
Investing Cash Flow	-	(178)	-	(234)	-	-	-	-	-
Operating CF and Investing CF	**-**	**(128)**	**-**	**294**	**-**	**-**	**-**	**-**	**-**
Financing Cash Flow	-	(294)	-	(163)	-	-	-	-	-

Source: Company Data, WRJ Calculation

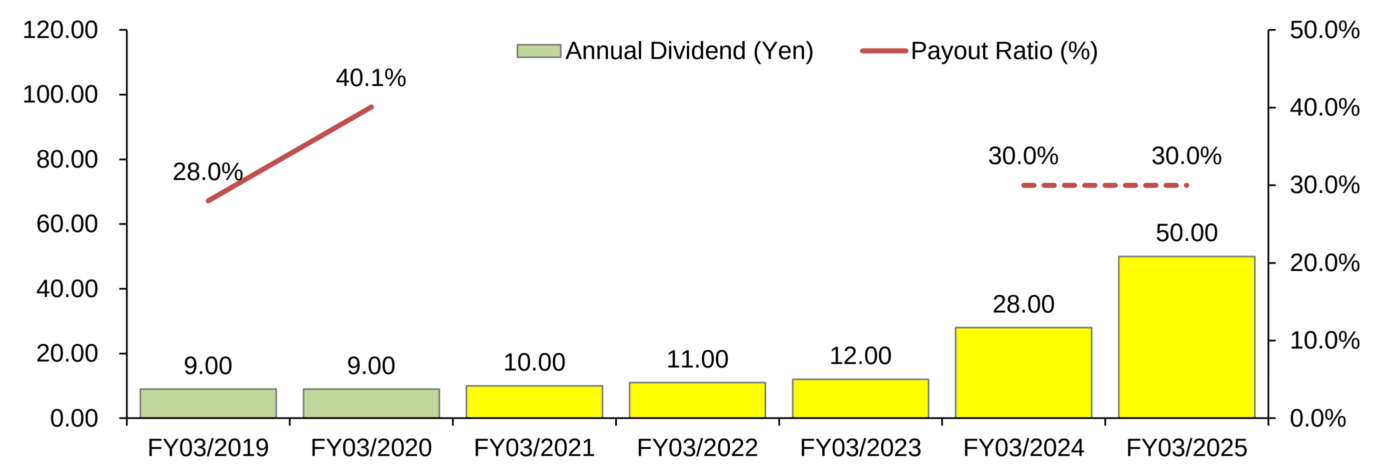
FY03/2021 Company Forecasts

FY03/2021 initial Company forecasts have remained unchanged, 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 have also remained unchanged for prospective annual dividend, i.e., ¥10.00 per share.

Sales and Operating Profit Margin



Annual Dividend and Payout Ratio



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2021: H2 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 basically made it a rule to pay dividend with a stability.

Meanwhile, the Company has newly formulated basic policy for dividend on the occasion of announcing 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 payment, but it has changed its basic policy and is going for consistent increase of dividend versus stable dividend prior to this, 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. The former will be decided by the latter as far as maintaining the same performance-based policy on dividend.

FY03/2021 Company Forecasts

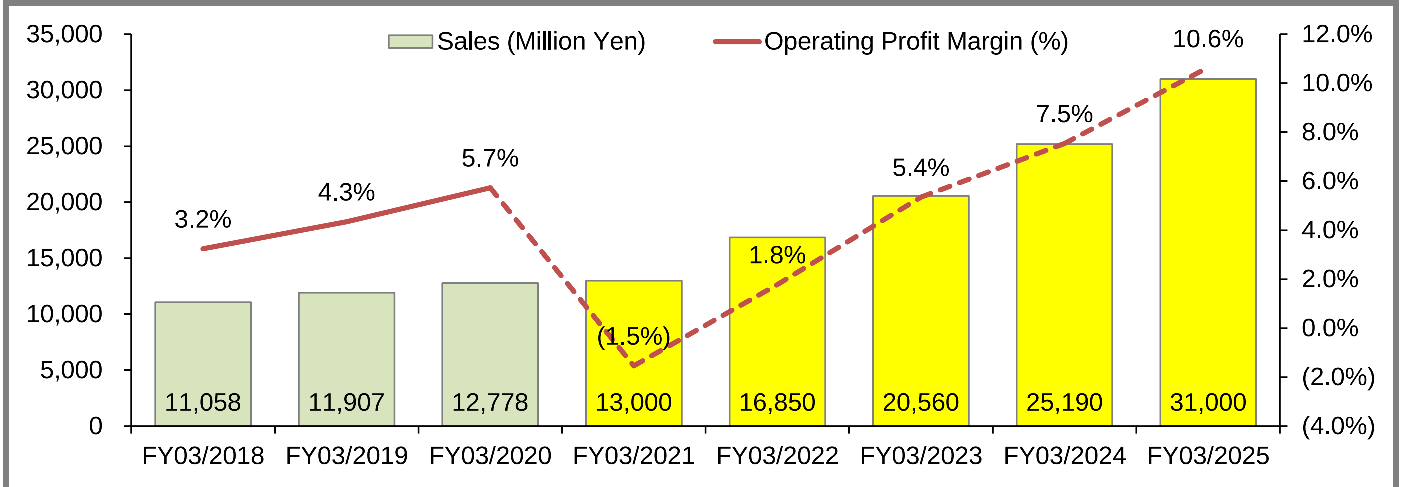
Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2021CoE	15-May-20	Q4 Results	13,000	(200)	(200)	(372)
FY03/2021CoE	07-Aug-20	Q1 Results	13,000	(200)	(200)	(372)
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	-	-	-
FY03/2021CoE	15-May-20	Q4 Results	13,000	(200)	(200)	(372)
FY03/2021CoE	07-Aug-20	Q1 Results	13,000	(200)	(200)	(372)
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	-	-	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2021CoE	15-May-20	Q4 Results	6,073	112	110	63
Q1 to Q2 FY03/2021CoE	07-Aug-20	Q1 Results	6,073	112	110	63
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Q1 to Q2 FY03/2021CoE	15-May-20	Q4 Results	6,073	112	110	63
Q1 to Q2 FY03/2021CoE	07-Aug-20	Q1 Results	6,073	112	110	63
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2021CoE	15-May-20	Q4 Results	6,927	(312)	(310)	(435)
Q3 to Q4 FY03/2021CoE	07-Aug-20	Q1 Results	6,927	(312)	(310)	(435)
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	-	-	-
Q3 to Q4 FY03/2021CoE	15-May-20	Q4 Results	6,927	(312)	(310)	(435)
Q3 to Q4 FY03/2021CoE	07-Aug-20	Q1 Results	6,927	(312)	(310)	(435)
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	-	-	-

Source: Company Data, WRJ Calculation

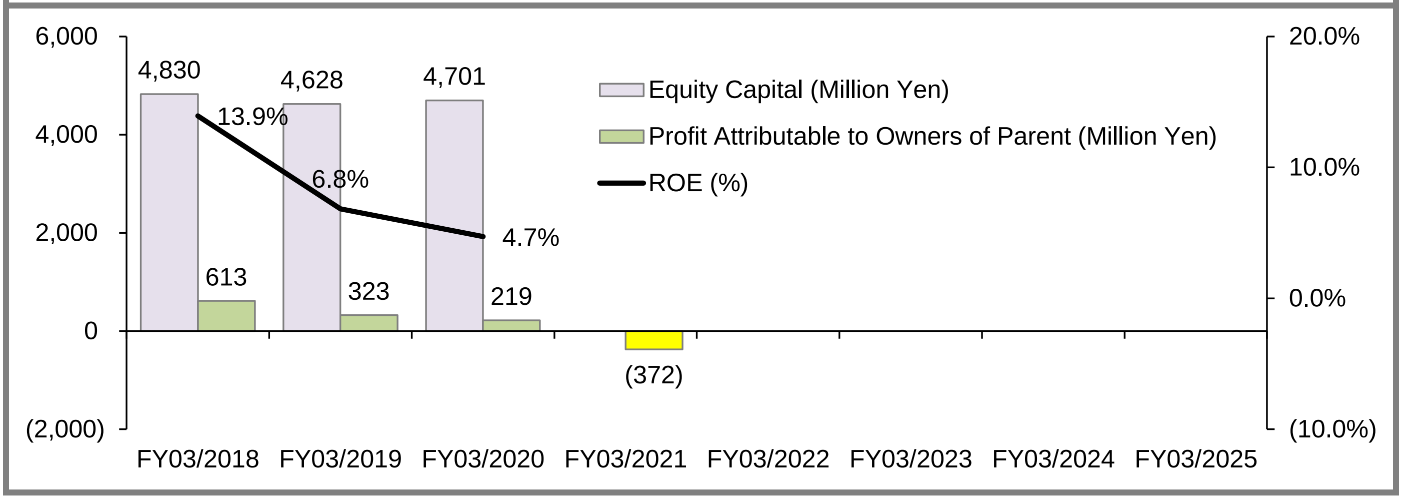
Long-Term Prospects

On 15 May 2020, the Company announced FY03/2020 results and its 5-year midterm management plant 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. Furthermore, it appears that the Company is planning to secure the same sort of growth of sales and earnings even longer term. 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.

Midterm Management Plan NEXT'S 2025 (Sales and Operating Profit Margin)



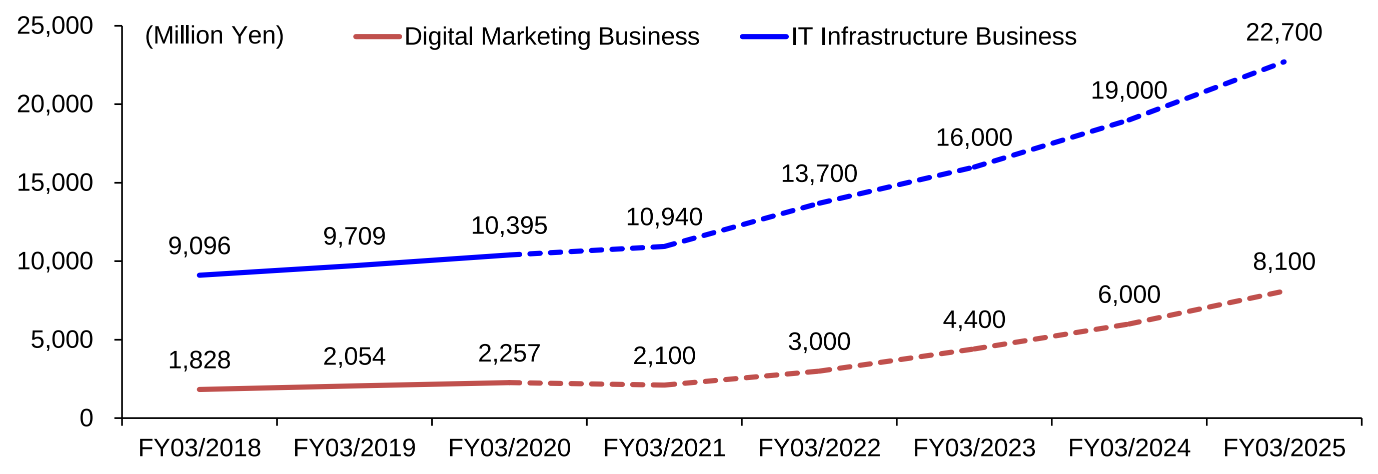
Actual ROE



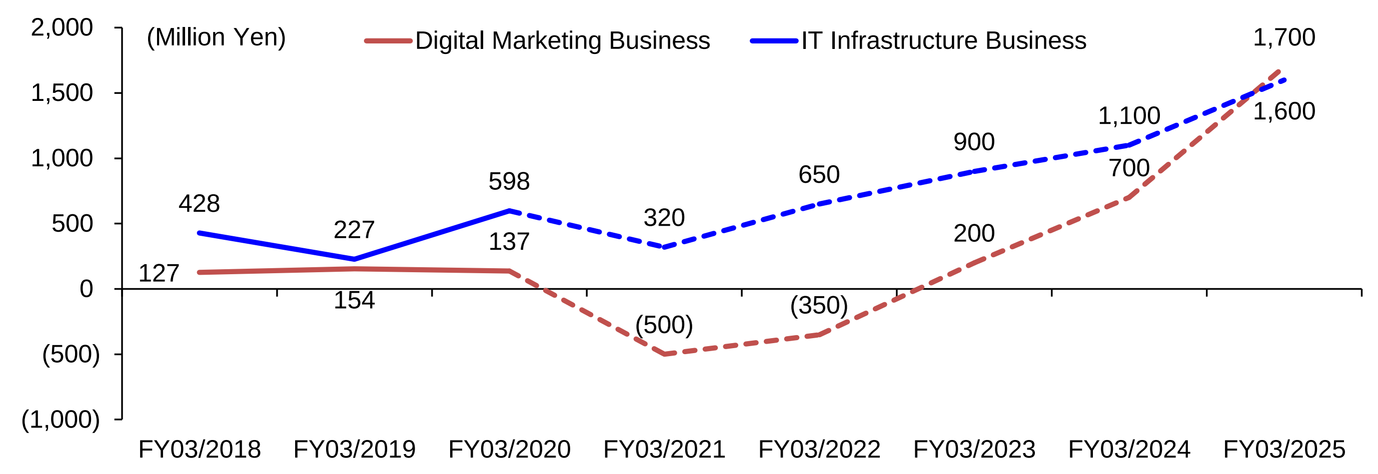
Source: Company Data, WRJ Calculation

When based on 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, implying a fast growth. By business segment, sales and earnings on the Digital Marketing Business side will grow faster than those of the IT Infrastructure Business side. The Company has been running the operations on the IT Infrastructure Business side as the mainstay for earnings, but segment profit on the Digital Marketing Business side will exceed that of the IT Infrastructure Business side in FY03/2025.

Midterm Management Plan NEXT'S 2025: Segment Sales



Midterm Management Plan NEXT'S 2025: Segment 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.

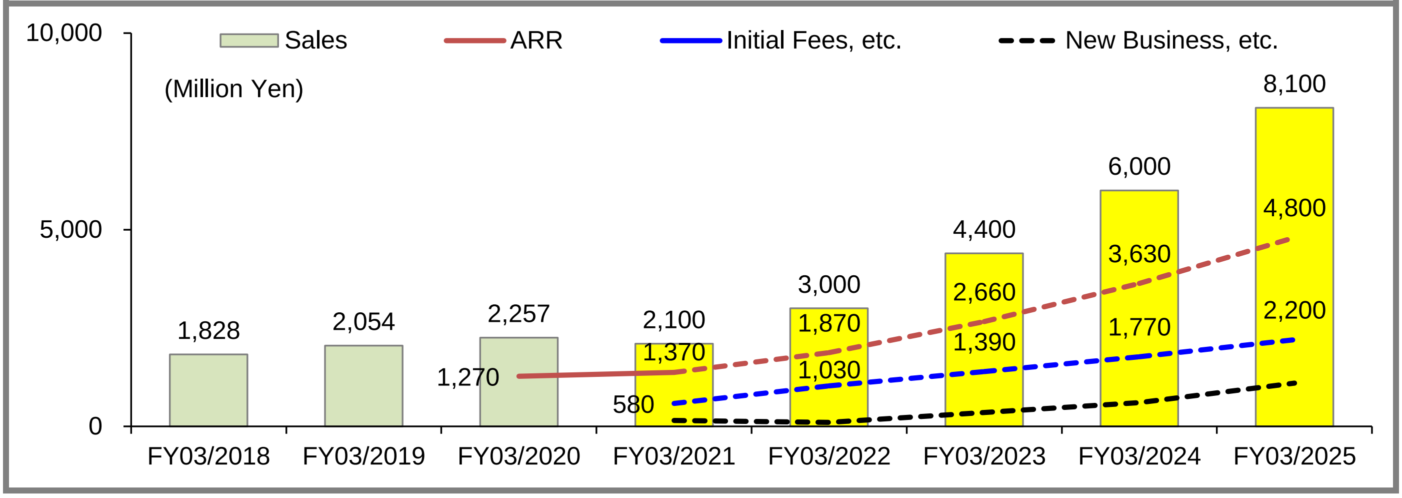
However, on the Digital Marketing Business side, the Company is to suffer from decreased sales and large-scale deficit in FY03/2021. This is due to outright sale contributing significantly to short-term earnings being eliminated and upfront investment being made. Meanwhile, on the IT Infrastructure Business side, sales growth rate is to rather come down and segment profit is to temporarily adjust in FY03/2021. Although being assumed to converge around September 2020, the impacts stemming from COVID-19 have become obvious in Q1 to Q2 (April to September 2020), having negatively affected to sales, according to the Company. On top of this, the Company also suggests that personnel-related expenses will increase due mainly to hiring of new graduates enhanced more than the past conventional years.

Consequently, the Company is expected to see operating profit margin of minus 1.5% (down 7.3% points) for FY03/2021. However, with this as the bottom, operating profit margin is expected to continue to see a V-shaped recovery and 10.6% is expected for FY03/2025.

Digital Marketing Business

Sales on the Digital Marketing Business side are expected to be driven by continued billing. In terms of ARR (Annual Recurring Revenue), representing continued billing revenue all through a fiscal year, sales came in at ¥1,270m in FY03/2020, according to the Company's disclosure. Taking this as the starting point, CAGR of 30.5% is expected over the 5 years leading up to FY03/2025, whose growth rate is roughly the same as that of segment sales. Meanwhile, in line with persistent increase in continued billing revenue, sales of initial fees associated with this are also expected to perform in the same manner. Furthermore, sales of new business in the domains other than continued billing are expected to take off towards FY03/2025, which is expected to become another driver for segment sales.

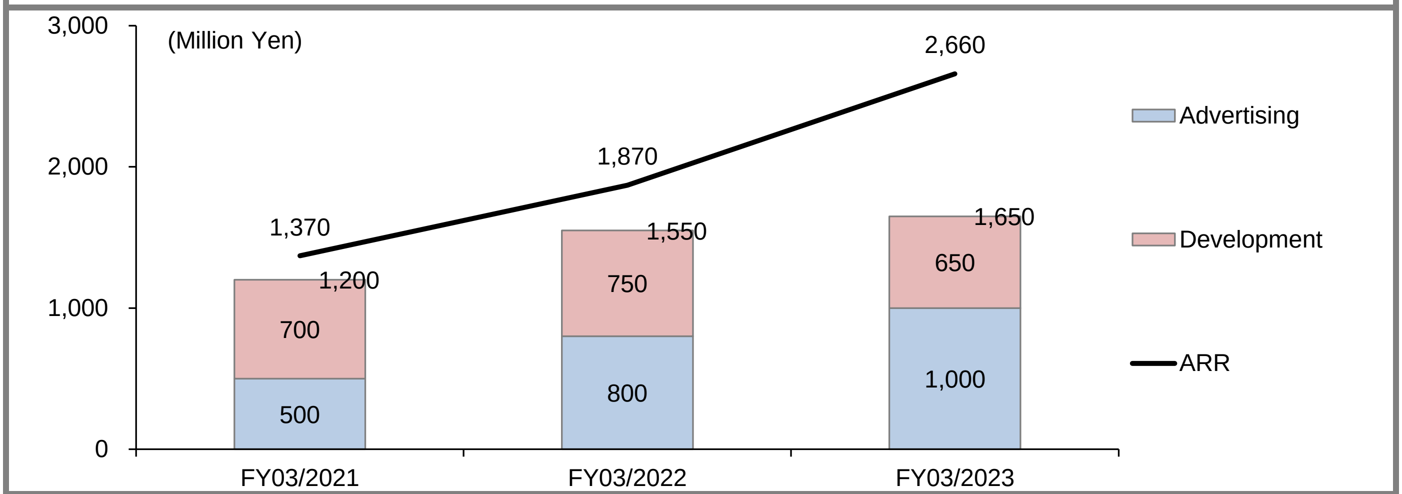
Midterm Management Plan NEXT'S 2025: Sales of Digital Marketing Business



Source: Company Data, WRJ Calculation

The Company is to suffer from segment deficit in FY03/2021, while it will continue doing so also in FY03/2022. This is due mainly to a factor that burden stemming from upfront investment will remain substantial. According to the Company, it will be a phase of "aggressive investment to accelerate growth" with "an object to make changeover to high growth model" by FY03/2023. Meanwhile, the Company is going for startup of a monetization phase in FY03/2024 and segment profit larger than that of IT Infrastructure Business achievable in FY03/2025 as mentioned earlier.

Midterm Management Plan NEXT'S 2025:
ARR and Investment Amount (Contribution Amount of Expenses) on a Cash Flow basis



Source: Company Data, WRJ Calculation

As the contents of investment in "aggressive investment to accelerate growth", the Company suggests that it aggressively spends on advertising and development. When collective investment amount (contribution amount of expenses) 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 sale contributing significantly to short-term earnings being eliminated and thus it appears that the said period is positioned as a preparation phase prior to a monetization phase.

With respect to spending on advertising, the Company plans to place a considerable emphasis on that of branding on top of the conventional advertising on the web. The former is expected to expand the benefits of the latter, while the improved awareness on the Company is to drive that of the Company's operations on the Digital Marketing Business side and thus beefing up sales eventually. Meanwhile, with respect to spending on development, the Company is to concentrate on that of "BowNow" on the expense of traditional issues related to AR and/or e-book, which is expected to lead to a changeover to genuine SaaS company. Specifically, the Company is trying to set up a system for customer companies to be able to browse management screen of products and services of aforementioned "Cloud Circus", with an objective of accelerating cross-selling. According to the Company, customer companies will be notified of availability for useful products and services on top of the ones that they have adopted, which should accomplish the Company's efforts to promote cross-selling on the system, while it has been done so by means of visiting door-to-door.

In the first place, there remains a room for large expansion in the market to which the Company is confronted on the Digital Marketing Business side, where the size of the market is expected to reach 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 by some collective 340,000 companies with 10 to 1,000 personnel, while the Company's sales on the Digital Marketing Business side are basically of customer companies with 50 to 1,000 personnel. Conversely, on the IT Infrastructure side, the Company is mainly exposed to customer companies with 10 to 50 personnel, while the number of all those customer companies is as many as some 25,000 on a cumulative basis. Given this, the Company is planning to start up promotion of sales for products and services on the Digital Marketing Business side to them in the future.

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". The Company believes all those strategic policies will make it possible for the performance target of NEXT'S 2025 to be met.

In terms of "strengthening of products", the Company is working to develop new products in the area of CSM (Customer Success Manager: providing customer companies with successful experiences). In the process of reaching the current status, the Company has provided them with tools to create digital contents for the dissemination of information, handled marketing consulting to attract their customers and supported them to make their prospects into customers through "BowNow". Still, recently there has been growing demand for them to prevent cancellation of agreement and enhance repeat business. Thus, the Company is now 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 B2B customer companies, while it will focus on cross-selling for smaller business as above-mentioned for the sake of raising sales per customer. In other words, the Company will intentionally avoid being exposed to fierce price-oriented competition in the areas of marketing to major companies, while it will increase its competitiveness in the relatively niche areas. For B2C customer companies, the Company's involvement with the marketing value chain has been limited to the area of information dissemination and the Company will proceed with measures for attracting customers here for the future and it will also increase sales per customer.

In terms of "strengthening of actions", the Company will build an in-house sales system depending on attributes, such as B2B customer companies, B2C customer companies and partner companies, implementing the optimal strategic action plan for each. In B2B customer companies, cross-selling has proven successful in the first place, pursuing further sales growth through focus on aforementioned branding going forward. In B2C customer companies, the Company intends to develop products and expand sales by transplanting successful experiences with B2B customer companies. In partner companies, representing the Company's distributors, outright sale has rather remained to date. The Company is to promote it shift to continued billing and accelerate the rate of growth for ARR as soon as possible.

IT Infrastructure Business

In order to beef up sales on the IT Infrastructure Business side, the Company is keen on raising main KPIs, i.e., the number of contracts on a continued billing basis, the number of customer companies using multiple products (and/or services) and sales per account executive, which is expected to help the Company to achieve the performance target of NEXT'S 2025. With respect to sales per account executive, the Company is going for ¥43.8m in FY03/2021 and ¥51.9m in FY03/2025, while the Company suggests that this will drive sales and earnings as a whole for this business segment to a large extent.

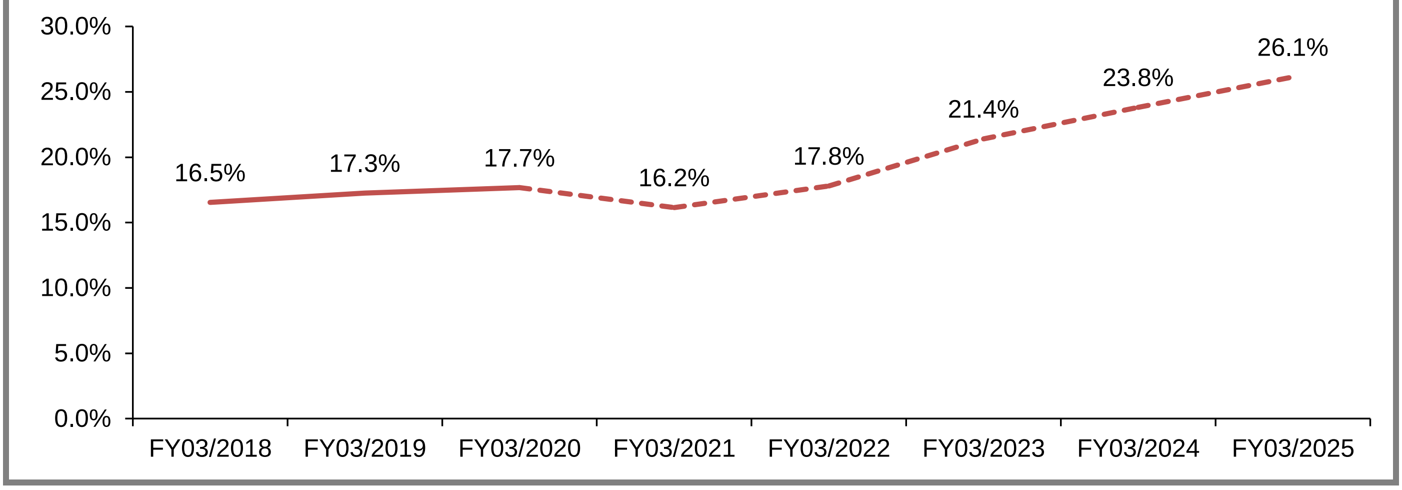
In order to raise sales per account executive, the Company is to expand the range of products (and/or services) it handles in the first place, while it will also acquire new customers by opening new branches and/or doing so through corporate acquisitions. Considering the recent spread of COVID-19, the Company has an impression that smaller peers in the market suffering from a difficulty to continue operations may emerge more than before, which will be a favorable opportunity for the Company to take over customers of the said 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 cultivate 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 has steadily made progress. Towards FY03/2021, sales are to account for temporarily decreased proportion of total, as the Company is implementing a policy to specialize in continued billing, while pulling out of outright sale. Still, in FY03/2022 and thereafter, the Company is to see consistently increased segment sales over the long term and thus increased ratio to sales as a whole for the Company. Meanwhile, the Company is now heading for running operations on the Digital Marketing Business side also in ex-Japan Asia as a new growth model.

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.CoE FY 03/2021	YoY Net Chg.
Sales	**10,171**	**10,282**	**11,058**	**11,907**	**12,778**	**13,000**	**+221**
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	-	-
Operating Profit	**503**	**265**	**358**	**517**	**732**	**(200)**	**(932)**
Non Operating Balance	41	20	18	55	38	-	(38)
Recurring Profit	**544**	**285**	**376**	**573**	**771**	**(200)**	**(971)**
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)	-	-
Profit Attributable to Owners of Parent	**253**	**5**	**613**	**323**	**219**	**(372)**	**(591)**
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 FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.CoE FY 03/2021	YoY Net Chg.
Digital Marketing Business	-	-	1,828	2,054	2,257	2,100	(157)
IT Infrastructure Business	-	-	9,096	9,709	10,395	10,940	+544
CVC Business	-	-	1	-	0	-	-
Overseas Business	-	-	132	141	121	-	-
Other	-	-	-	1	4	-	-
Sales	**10,171**	**10,282**	**11,058**	**11,907**	**12,778**	**13,000**	**+221**
Digital Marketing Business	-	-	127	154	137	(500)	(637)
IT Infrastructure Business	-	-	428	227	598	320	(278)
CVC Business	-	-	(45)	(30)	(51)	-	-
Overseas Business	-	-	14	(11)	3	-	-
Other	-	-	-	(4)	(14)	-	-
Segment Profit	**-**	**-**	**524**	**335**	**673**	**-**	-
Adjustments	-	-	(165)	181	59	-	-
Operating Profit	**503**	**265**	**358**	**517**	**732**	**(200)**	**(932)**
Digital Marketing Business	-	-	7.0%	7.5%	6.1%	(23.8%)	(29.9%)
IT Infrastructure Business	-	-	4.7%	2.3%	5.8%	2.9%	(2.8%)
CVC Business	-	-	-	-	-	-	-
Overseas Business	-	-	10.8%	(8.2%)	2.5%	-	-
Other	-	-	-	-	(363.0%)	-	-
Operating Profit Margin	**5.0%**	**2.6%**	**3.2%**	**4.3%**	**5.7%**	**(1.5%)**	**(7.3%)**

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.CoE FY 03/2021	YoY 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 FY 03/2016**	**Cons.Act FY 03/2017**	**Cons.Act FY 03/2018**	**Cons.Act FY 03/2019**	**Cons.Act FY 03/2020**	**Cons.CoE FY 03/2021**	**YoY 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%	-	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.CoE FY 03/2021	YoY 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	-	-
Current Assets	**4,700**	**4,498**	**5,927**	**6,119**	**6,187**	**-**	**-**
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	-	-
Fixed Assets	**1,828**	**1,396**	**1,819**	**2,098**	**1,723**	**-**	**-**
Total Assets	**6,529**	**5,894**	**7,747**	**8,218**	**7,910**	**-**	**-**
Accounts Payables	640	681	766	810	763	-	-
Short Term Debt	333	346	400	466	600	-	-
Other	904	684	1,222	1,465	1,281	-	-
Current Liabilities	**1,878**	**1,712**	**2,388**	**2,742**	**2,644**	**-**	**-**
Long Term Debt	559	200	466	751	512	-	-
Other	1	11	26	93	52	-	-
Fixed Liabilities	**561**	**211**	**493**	**845**	**564**	**-**	**-**
Total Liabilities	**2,440**	**1,923**	**2,881**	**3,588**	**3,208**	**-**	**-**
Shareholders' Equity	**4,095**	**3,932**	**4,455**	**4,431**	**4,607**	**-**	**-**
Other	(7)	38	409	198	93	-	-
Net Assets	**4,088**	**3,970**	**4,865**	**4,629**	**4,701**	**-**	**-**
Total Liabilities and Net Assets	**6,529**	**5,894**	**7,747**	**8,218**	**7,910**	**-**	**-**
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 (Million Yen)	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.CoE FY 03/2021	YoY Net Chg.
Operating Cash Flow	366	155	846	194	529	-	-
Investing Cash Flow	(762)	(165)	401	(537)	(234)	-	-
Operating CF and Investing CF	**(396)**	**(10)**	**1,248**	**(343)**	**294**	**-**	**-**
Financing Cash Flow	705	(403)	276	(73)	(163)	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

The First Midterm Management Plan

On 21 February 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, NEXT'S 2025 (FY03/2021 to FY03/2025) was announced as 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 earlier than the transition to a holding company structure. Thus, he has a conviction for the performance target to be met.

Meanwhile, Hongo advocates to implement sustainability management. He is looking to evolution on the two spindles, i.e., Innovation and Growth, assuming realization of SDGs. In terms of Innovation, the Company will thoroughly implement Digital Transformation (DX) in-house and use its track records to support DX developments at customer companies. In terms of Growth, the Company will try to realize long-term and consistent growth on the Digital Marketing Busines side, which is the feature of continued billing, 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	Head office, relocated to Shinjuku-ku, Tokyo
February 2004	Identified as Startia, Inc.
December 2005	Listed on the Mothers section of 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 offices
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. or joint company with Xi'an Zhenxiang Co., Ltd.
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 acquisitions 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 a holding company structure.
Ditto	Identified as Startia Holdings, Inc. and Startia Split Preparation, Inc. as Startia, Inc.
March 2020	Sold part of the shares of STARTIASOFT INC. and excluded it from the scope of application of the equity method

Disclaimer

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