

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 Results Update (12 August 2020)

Growth of MRR

On 7 August 2020, Startia Holdings, currently being in the process of building an earning base specializing in a SaaS subscription-type model for digital marketing, released its Q1 FY03/2021 results. It has been revealed that recent trading is in line with Company forecasts assuming that the impacts stemming from COVID-19 are to converge around September 2020. On the IT Infrastructure Business side, sales are coming down over the same period of the previous year, given the impacts stemming from COVID-19, inevitably resulting earnings to turn for the worse. More importantly, however, the Company is seeing increased sales on the Digital Marketing Business side due to growth of MRR, resulting in substantially improved operating profit margin. Going forward, the Company is keen on making full-fledged upfront investments to further drive MRR in a long-term view, planning to start up doing so in Q2 and thereafter. Meanwhile, we are to interview with management on the web conference, so that we should be able to update [Startia Holdings \(3393\) Billing Persistently \(15 July 2020\)](#) and release anew.

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2.0 Company Profile

Humanly Coping with Cutting Edge Technology

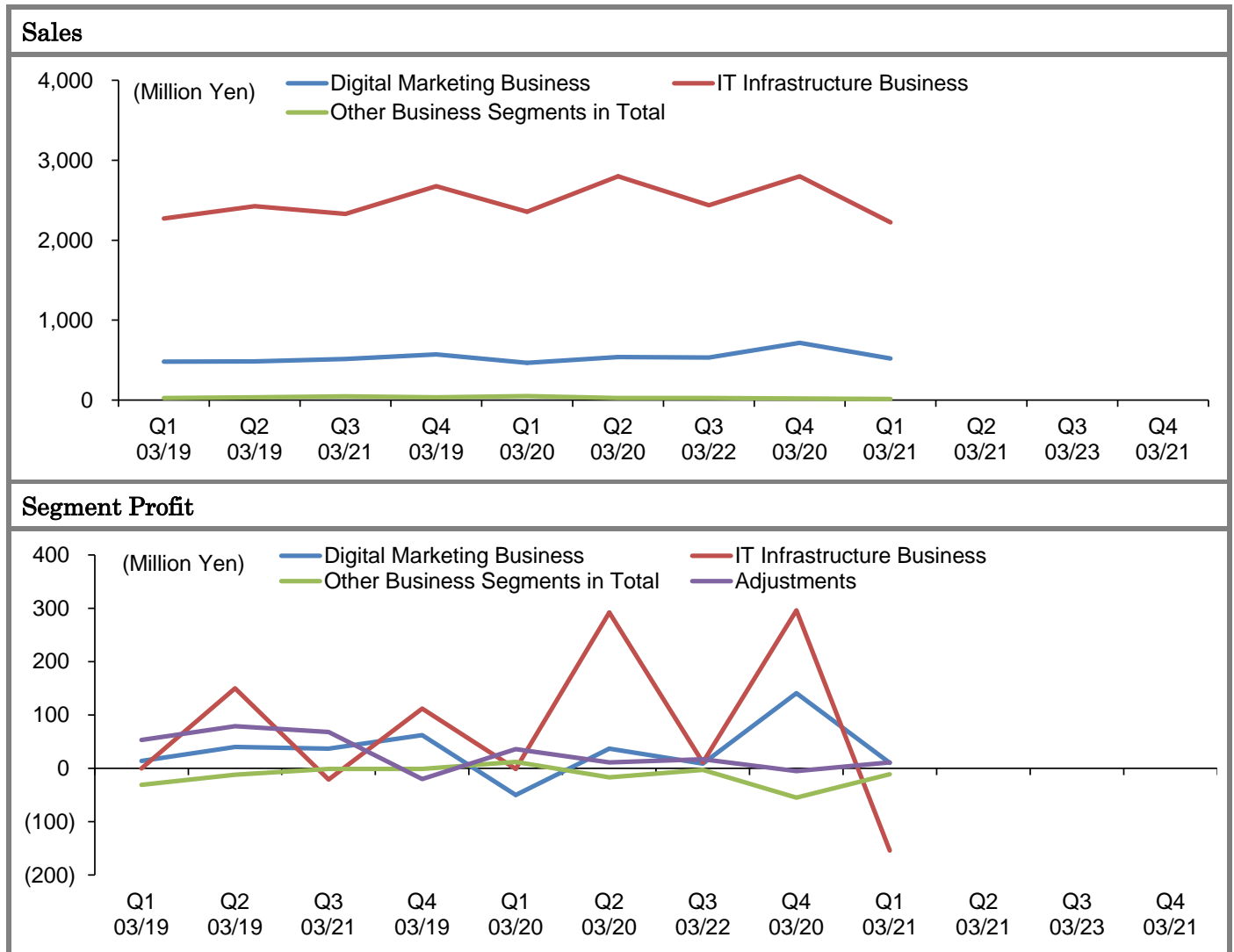
Company Name	Startia Holdings, Inc. Company Website IR Information Share Price (Japanese)	
Established	21 February 1996	
Listing	28 February 2014: Tokyo Stock Exchange 1st section (ticker: 3393) 20 December 2005: Tokyo Stock Exchange Mothers	
Capital	¥824m (as of the end of June 2020)	
No. of Shares	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	<ul style="list-style-type: none"> ● Burden from upfront investments on digital marketing to see high growth ● Total switchover to a SaaS subscription-type model ● Long-term growth also for building of IT infrastructures 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 of 11 in the number)	
Head Office	Shinjuku-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 631, 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).



Source: Company Data, WRJ Calculation

On the Digital Marketing Business side, sales came in at ¥520m (up 11.8%), segment profit ¥10m (minus ¥50m) and segment profit margin 2.1% (up 13.0% points). For this business segment, meanwhile, the Company has been seeing total switchover to a SaaS subscription-type model since the beginning of the fiscal year (April 2020), having set MRR (Monthly Recurring Revenue) as the outstanding KPI. Cumulative sales in Q1 stemming from MRR came in at ¥325m (up 10.5%), having suggested a strength in spite of the impacts stemming from COVID-19, which appears to have been the key factor behind substantially improved operating profit margin as a whole for this business segment.

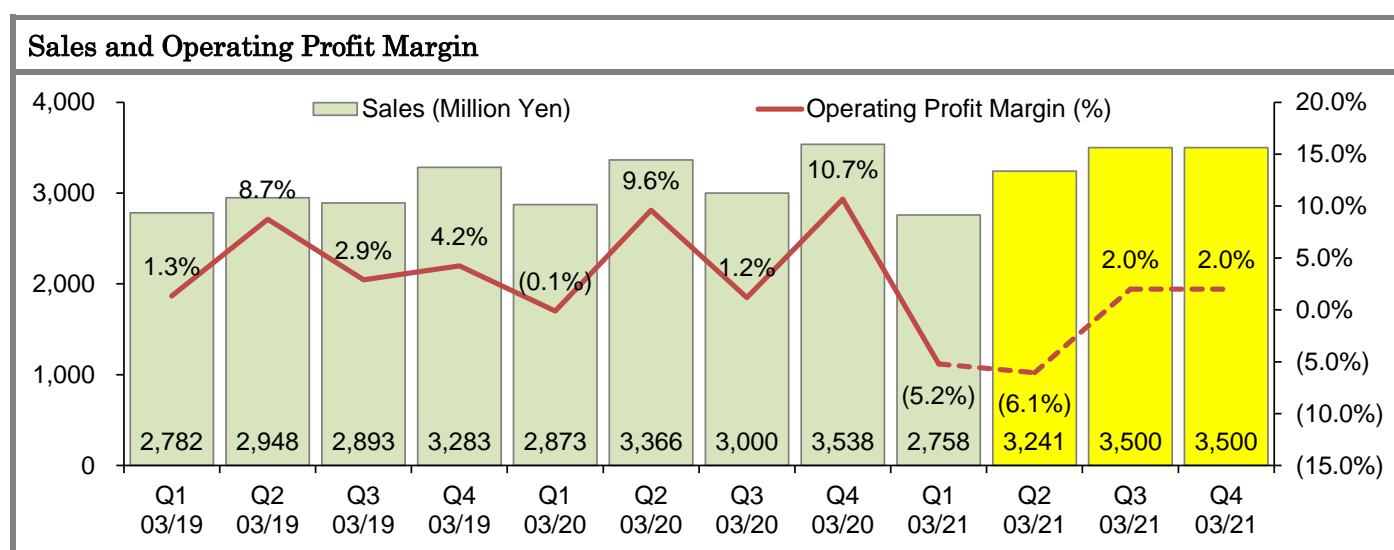
The Company helps own clients pursue their earnings by optimizing the information they hold through using a variety of tools it has developed in-house on the Digital Marketing Business side. Marketing automation tool BowNow has been adopted by more than 4,000 companies, which has driven adoptions for COCOAR (software to create AR contents) and ActiBook (document management, software to create electronic books), etc. Due to the impacts stemming from COVID-19, the number of clients has only edged up, but the number of tools adopted per client has been on the rise. According to the Company, ARPU stood at ¥34,000 (up 13.3%) as of the end of Q1.

Meanwhile, on the IT Infrastructure Business side, sales came in at ¥2,224m (down 5.6%), segment profit minus ¥154m (minus ¥1m) and segment profit margin 7.0% (down 6.9% points). Flow sales came in at ¥1,238m (down 9.3%) and subscription sales ¥986m (down 0.5%). Flow sales are mainly of outright sales for MFPs (Multifunctional Peripherals), network devices and business phones and the scale of sales here has declined over the same period of the previous year, given the impacts stemming from COVID-19. The Company was unable to develop sales activities as aggressively as before in response to suspension of operations and/or shift to telecommuting amongst clients.

Subscription sales have remained almost unchanged over the same period of the previous year. Here again, in response to suspension of operations and/or shift to telecommuting amongst clients, sales associated with so-called counter based on a pay-as-you-go billing as well as other services were sluggish. Counter or the Japanese English in this context represents maintenance services not to charge for repair and toner of MFPs but for the usage fees in line with the number of sheets printed instead.

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 remained unchanged for prospective annual dividend, i.e., ¥10.00 per share.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2021: H2 Company forecasts, pro rata)

4.0 Financial Statements

Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	03/2021	
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	0	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)	0	-	-	-	-	+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	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.
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	03/2021	
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	0	2	0	(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)	0	0	0	0	-	-	-	-	+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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021		
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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021		
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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021		
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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021		
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

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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