Walden Research Japan

URL: www.walden.co.jp
Written by Yoshiyuki Muroya / Yusuke Maeda
E-mail: info@walden.co.jp
Tel: 81-(0)3-3553-3769

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 FY03/2021		5,976	9	31	(15)	-	-	-
Q3 to Q4 FY03/2021CoE		7,023	(209)	(231)	(356)	-	-	-
Q1 to Q2 FY03/2021	YoY	(4.2%)	(96.9%)	(90.5%)	-	-	-	-
Q3 to Q4 FY03/2021CoE	YoY	7.4%	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (6 January 2021)

Transition to a SaaS Company

Startia Holdings, which is focusing on Cloud CIRCUS, is expected to become a SaaS company from a long-term perspective. The Company uses a variety of SaaS tools self-developed to optimize information held by client companies for the sake of supporting them to pursue earnings. Midterm management plan NEXT'S 2025 is calling for prospective ARR of ¥4,800m for FY03/2025, i.e., the final year of the plan, stemming from continued billing revenue of the said operations. Compared with the actual results of ¥1,270m of FY03/2020, the Company is calling for CAGR of 30.5% during the period. Most recently, the Company has begun upfront spending on a full-fledged basis, inevitably suffering from operating loss in FY03/2021. However, the Company is going for a turnaround for FY03/2022, while the midterm plan assumes CAGR of 19.4% for sales and 35.1% for operating profit through FY03/2021 to FY03/2025. For example, on 14 November 2020, the Company began running TV commercial to strengthen the branding of Cloud CIRCUS and attract customers. Looking ahead, the Company is planning to further implement aggressive measures to expand sales in a way like this. The Company will see prospective business trends as expected in NEXT'S 2025, together with all those aggressive measures.

IR Representative: Takao Uematsu, director (81-(0)81-3-5339-2109／tk.uematsu@startiaholdings.com)

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 September 2020)
No. of Shares	10,240,400 shares, including 58 treasury shares (as of the end of September 2020, the number of treasury shares: after excluding 379,400 shares held by trust account relating to Board Benefit Trust)
Main Features	● Burden of upfront spending on digital marketing, mainly Cloud CIRCUS ● Pulled out of outright sale and fully made a changeover to continued billing ● Long-term growth potential also in building IT infrastructure for small businesses
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 9.36%, Akira Saiga 4.88% (as of the end of September 2020, but for treasury shares)
Head Office	Shinjuku-ku, Tokyo, JAPAN
No. of Employees	Consolidated: 707, Unconsolidated: 38 (as of the end of September 2020)

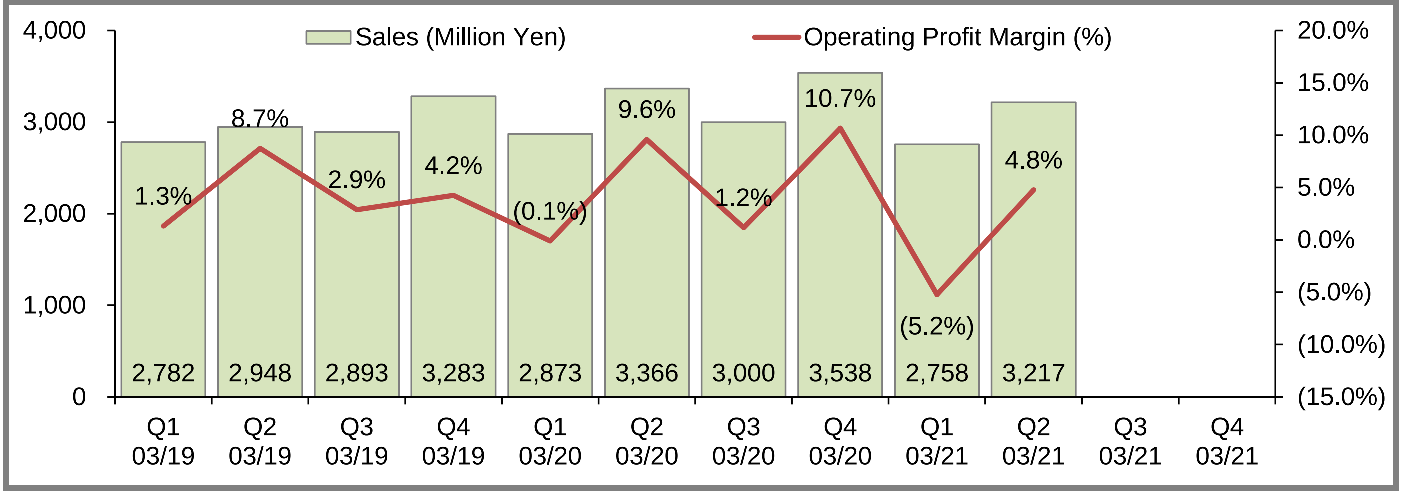
Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2021

In Q1 to Q2 FY03/2021, sales came in at ¥5,976m (down 4.2% YoY), operating profit ¥9m (down 96.9%), recurring profit ¥31m (down 90.5%) and profit attributable to owners of parent minus ¥15m (versus ¥180m during the same period of the previous year), while operating profit margin 0.2% (down 5.0% points). Compared with assumptions of initial Company forecasts (announced on 15 May 2020), sales were lower by ¥24m (0.4%), operating profit higher by ¥349m, recurring profit higher by ¥371m and profit attributable to owners of parent higher by ¥396m.

Sales and Operating Profit Margin

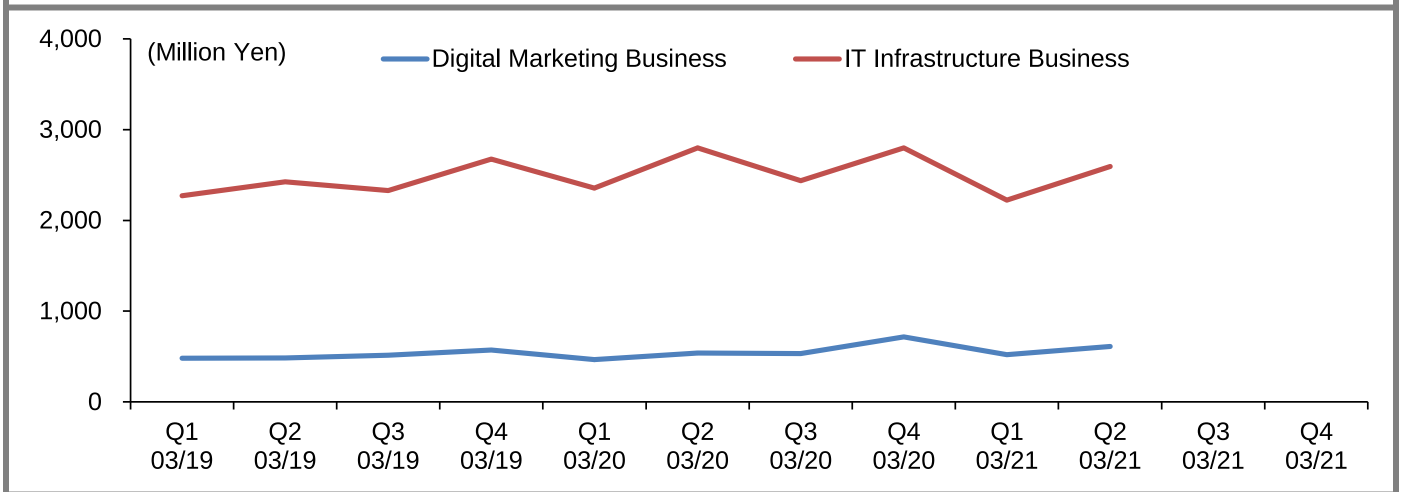


Source: Company Data, WRJ Calculation

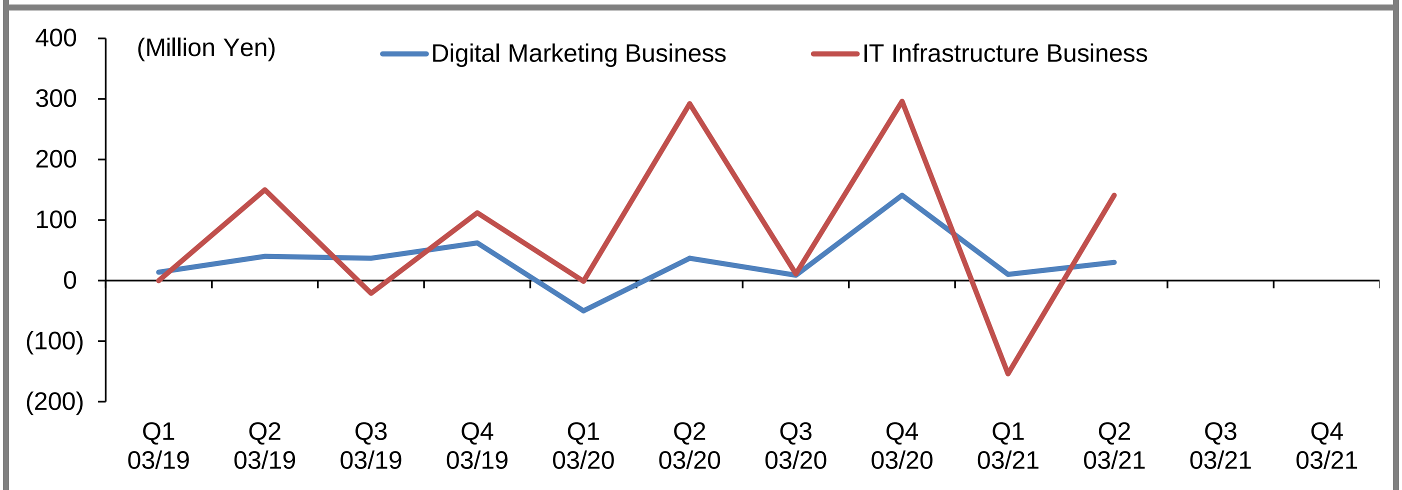
Meanwhile, gross profit came in at ¥2,651m (down 4.3%) and SG&A expenses ¥2,641m (up 7.8%), implying gross profit margin of 44.4% (down 0.0% point) and sales to SG&A expenses ratio of 44.2% (up 4.9% points). SG&A expenses came in at the level lower than assumptions by no less than ¥407m, which was the key reason why Company forecasts were far exceeded for earnings. The Company suggests that the shortfall of SG&A expenses was of some ¥167m on reduced expenses and of some ¥240m on expenses carried over for H2. Both had a lot to do with events on the Digital Marketing Business side, according to the Company. The former was due mainly to difficulty to hire personnel as many as planned, while the latter was due mainly to the timing of the contribution of advertising expenses being carried over to H2, whose specific content was of the broadcasting of TV commercial aimed at strengthening the branding of Cloud CIRCUS and attracting customers.

Meanwhile, FY03/2021 initial Company forecasts have remained unchanged. Sales in Q1 to Q2 were roughly in line, while prospects for sales in H2 appear to have remained roughly unchanged. With respect to the reduced expenses in SG&A expenses, it appears that the Company has hesitated to make a change for its Company forecasts because of this, given a possibility that it may make progress with hiring in H2 and uncertainty associated with the impacts stemming from COVID-19 still remaining. With respect to the expenses carried over to H2, there are no impacts for full-year Company forecasts as they have been just literally carried over.

Segment Sales



Segment Profit



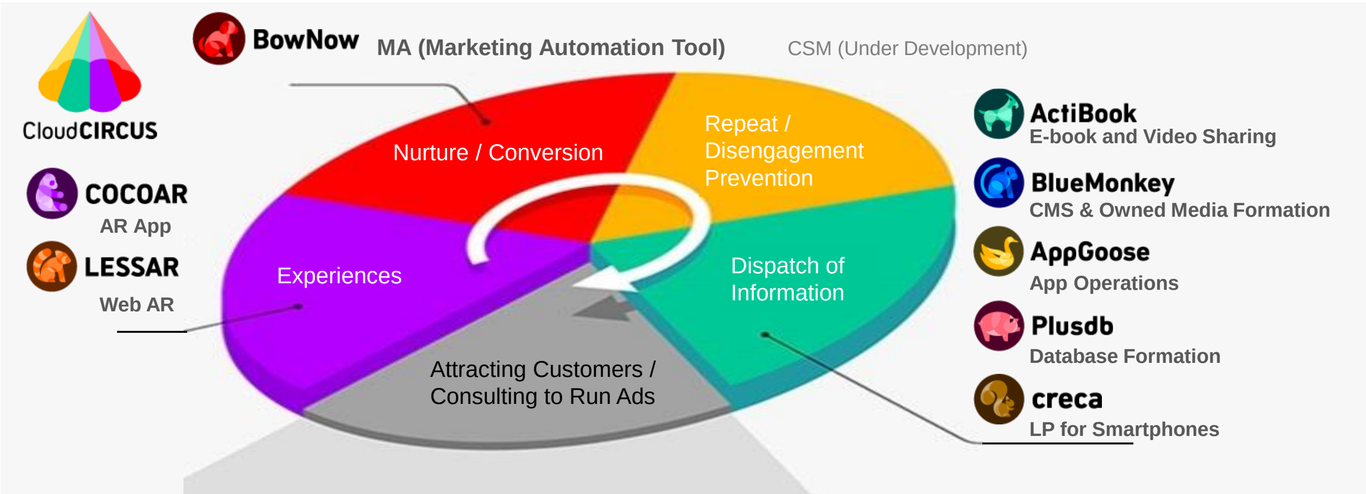
Source: Company Data, WRJ Calculation

By business segment, Digital Marketing Business saw sales of ¥1,131m (up 12.4%), segment profit of ¥ ¥40m (minus ¥13m) and segment profit margin of 3.6% (up 5.0% points), while sales of ¥4,820m (down 6.5%), segment profit of minus ¥13m (¥291m) and segment profit margin of minus 0.3% (down 5.9% points) for IT Infrastructure Business. Collectively, the two business segments account for the bulk of business performance as a whole for the Company.

Digital Marketing Business

On the Digital Marketing Business side, the Company mainly runs operations of Cloud CIRCUS, basically for small businesses, while the operations are of providing services to use a variety of SaaS tools self-developed to optimize information held by client companies for the sake of supporting them to pursue earnings. More specifically, they are defined as services that provide solutions in areas such as Dispatch of Information, which is an issue for client companies when cultivating new customers.

Operations of Digital Marketing Business

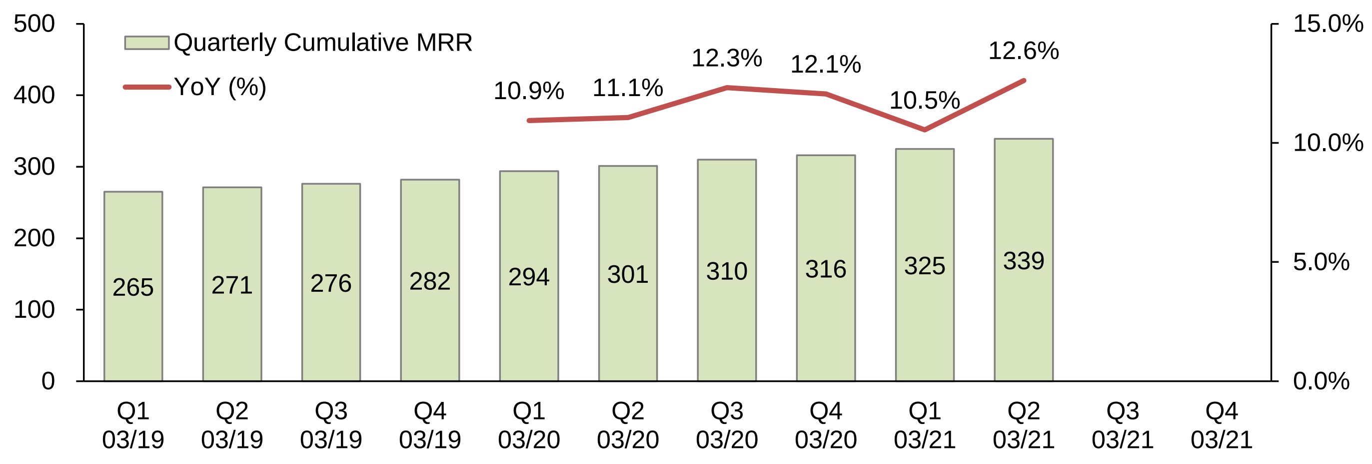


Source: Company Data

Tools in the area of Dispatch of Information include ActiBook (e-book and video sharing) and BlueMonkey (CMS & owned media formation), etc., while COCOAR (AR app) and LESSAR (AR creation software for web browsers) for Experiences (enhancing customer experience value). BowNow (marketing automation) is cited as a tool in the area of Nurture / Conversion (cultivation of prospects and conversion to customers). In the area of Repeat / Disengagement Prevention (increasing repeat orders and preventing disengagement), the Company is currently developing tools. On top of this, the Company is also involved with consulting related to customer attraction and advertising management, trying to actively encourage digital transformation (DX) in conjunction with all those SaaS tools for client companies.

With respect to BowNow (marketing automation) whose adoptions were partly promoted by making an offer of freemium plan, the Company saw the number of adoptions by companies as many as more than 4,700 as of September 2020, while retention rate of 98.4% with a high reputation from client companies. At the same time, the Company suggests that it is ranked No. 1 in terms of the share in the market for all the Japanese companies as a domestic provider. Meanwhile, the Company saw the number of adoptions of more than 2,000 for COCOAR (AR app), more than 2,500 for ActiBook (e-book and video sharing) and more than 1,600 for BlueMonkey (CMS & owned media formation), implying that the Company's mainstay SaaS tools have been adopted by many client companies. With respect to BlueMonkey (CMS & owned media formation), the Company is ranked third in market for paid CMS in Japan, according to the Company.

Quarterly Cumulative MRR



Source: Company Data, WRJ Calculation

In Q1 to Q2, SaaS sales in a broad sense came in at ¥1,084m (up 12.9%) and sales of other operations ¥47m (up 2.2%). For SaaS sales in a narrow sense (continued billing revenue only), cumulative MRR in Q1 came in at ¥325m (up 10.5%) and ¥339m (up 12.6%) in Q2. MRR (Monthly Recurring Revenue) represents continued billing revenue on a monthly basis and thus billing revenue on initial fees, etc. not to continue is excluded, while being included in SaaS sales in a broad sense. Meanwhile, ARR (Annual Recurring Revenue) represents continued billing revenue on an annual basis and SaaS (Software as a Service) represents services that enable the use of software (tools) with continued billing in the first place.

What is cited as the background for the favorable performance of MRR is the success of the Company's business strategy. In other words, the Company has established a divisional system to classify each client company by division, implementing the optimal strategy to beef up sales for each. In Q1 (April to June), when the government officially announced declaration of a state of emergency, the Company saw disengagement to more than a certain extent mainly in the division of B2C which includes companies belonging to the restaurant industry, etc. having significantly suffered from the impacts stemming from COVID-19. However, this is said to have run its course as early as in Q2 (July to September).

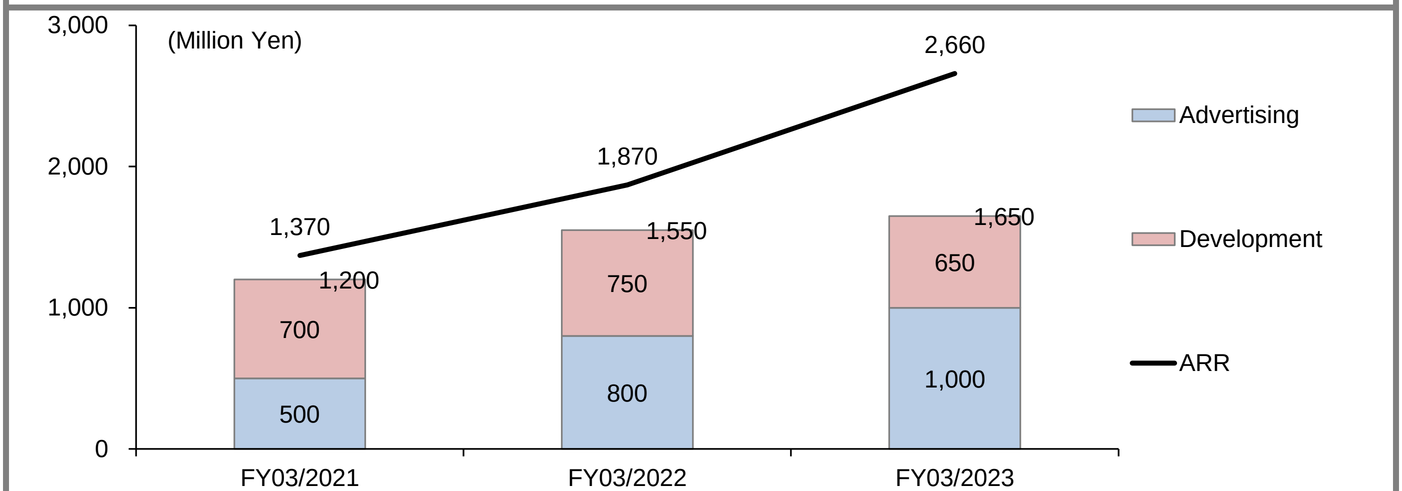
In the division of B2B (60% of total), the Company saw a major contribution to the increase of MRR as a whole due to strengths of cross-selling comprising BowNow (marketing automation) and BlueMonkey (CMS & owned media formation), having offset the impacts stemming from COVID-19.

In the division of Partner Company (30% of total), the Company also saw strengths, where partner companies (the Company's distributors) are developing sales targeting the operators of brick-and-mortar marketing mainly belonging to the printing industry and/or advertising industry. In Q1 (April to June), the impacts stemming from COVID-19 were significant and MRR failed to increase, but incoming order intake has started to pick up sharply in Q2 (July to September). The background to this is the growing awareness, amongst terminal users, that digital transformation (DX) is essential also for marketing. Meanwhile, it is also spotted that a thorough changeover to continued billing from outright sale, having started since the beginning of FY03/2021, is contributing. In other words, the timing of the client company's cost burden is delayed compared with outright sale for continued billing and this is thought to be the reason why the acquisition of new customers has progressed.

In the division of B2C (10% of total), the Company suggests that MRR was sluggish. However, it also suggests that MRR here is now in a situation to be able to pursue a growth potential for H2. For this division, it has been a period mainly of developing products and/or setting up sales system until recently, having started to bear fruit since the late part of Q2.

Meanwhile, the Company's strategy for overall sales promotions is to focus on cross-selling. As mentioned earlier, the current Cloud CIRCUS offers a total of 8 tools in the areas of Dispatch of Information, Experiences (enhancing customer experience value) and Nurture / Conversion (cultivation of prospects and conversion to customers). Cross-selling to sell the number of tools to a single client company has shown a steady increase and thus ARPU (Average Revenue Per User) has also shown an upward trend. Including what we estimate based on the data disclosed by the Company, cumulative MRR of ¥339m (up 12.6%) in Q2 was achieved by ARPU of ¥36,000 (up 12.5%) and the number of customers of 9,417 (up 0.1%). With respect to the latter, the number of customers was 665 (up 14.1%) as far as those of cross-selling were concerned. Now, the Company is most keen on further increasing cross-selling customers as well as raising ARPU.

Midterm Management Plan NEXT'S 2025／ARR and Spending on a Cash Flow basis



Source: Company Data, WRJ Calculation

In Q1 to Q2, the Company appears to have seen the trends of MRR, slightly better than assumptions of FY03/2021 Company forecasts and thus the same for those of midterm management plan NEXT'S 2025 likewise. While ARR of ¥1,370m (up 7.9% YoY) is assumed in both for FY03/2021, cumulative MRR came in at ¥664m (up 11.6%) in Q1 to Q2. With respect to spending to enhance growth potential of ARR, contribution of advertising expenses has been rather delayed, but will be in line on a full-year basis for FY03/2021, as discussed earlier. Meanwhile, with respect to spending of development expenses, the Company has been seen contribution in line with assumptions, whose aim is to further enhance the contents of services by Cloud CIRCUS through expanding its lineup of services and strengthening collaboration with external solutions.

Midterm management plan NEXT'S 2025 assumes that the Company will "actively invest to accelerate growth" in the initial three years (FY03/2021 to FY03/2023), which is positioned as a phase for "aiming to shift to a high-growth model". In particular, a major feature of this is that the contribution of advertising expenses aimed at strengthening the branding of Cloud CIRCUS and attracting customers is trending upward throughout the period.

According to the Company, in order to achieve the performance in line with assumptions of midterm management plan NEXT'S 2025, it is essential to increase share in the market which Cloud CIRCUS is facing and to encourage the creation of new market at the same time. In other words, it is difficult to achieve ARR as expected simply by expanding sales to companies where the needs have risen up to the surface. Therefore, what the Company is aiming for is to promote awareness of companies that have latent needs and to raise awareness that the adoption of Cloud CIRCUS is a solution for problems.

Meanwhile, a survey conducted by the Company suggests that the market which Cloud CIRCUS is facing is currently on the verge of getting into so-called "chasm" in marketing terms and it is possible that latent needs may emerge in droves going forward, according to the Company. In other words, a probable direction is suggested that the needs may emerge even amongst companies whose literacy has been low for digital marketing. The Company intends to respond to this by thoroughly utilizing the strengths of Cloud CIRCUS. To this end, it is essential as the first step to raise awareness of the contents of services on Cloud CIRCUS through enhancement of branding and therefore this is actually being done. It should be noted that the strengths of Cloud CIRCUS are that the services are relatively easy to adopt as they are relatively inexpensive in spite of the fact that they are of rather comprehensive, while relatively easy to operate at the same time. At the end of the day, the Company believes that this is nothing but the optimal solutions for all those companies with low literacy for digital marketing where the needs are to be just emerging.

.

IT Infrastructure Business

On the IT Infrastructure Business side, the Company builds IT infrastructure mainly for small businesses where it is difficult to set up IT team and/or assign IT specialists within the Company due to limited human resources. The Company proposes optimal office environment for IT equipment and services from the perspective of client companies and provides corresponding ones with the mission of keeping in line with the healthy growth and survival of client companies. The mainstay merchandises are MFP (Multifunctional Peripheral), UTM (United Threat Management), network equipment and information & communication equipment such as business phones, while the Company is running operations of building IT infrastructure with all those merchandises as well as providing related maintenance services. On top of this, the Company is also involved with consistent system integration from building of servers to services related to operations and maintenances.

In Q1 to Q2, sales on a recurring basis came in at ¥2,017m (up 0.9%) and sales on a non-recurring basis came in at ¥2,811m (down 10.9%), while the former are of continued billing and the latter outright sale. The Company was forced to face major constraints in its sales activities due to the suspension of operations and/or shifting to telework at client companies as a result of declaration of a state of emergency being issued due to the impacts stemming from COVID-19. However, from the standpoint of trends in the number of client companies to take advantage of continued billing, the Company saw ongoing strengths.

In Q2, the number of client companies to take advantage of continued billing stood at 17,360 (up 2.1%), of which 8,011 (up 7.9%) paying for a number of merchandises and/or services, implying that cross-selling is making progress also here. As far as we could see, this is the key reason why sales on a recurring basis have edged up over the same period of the previous year in spite of the impacts stemming from COVID-19. Nevertheless, sales on a non-recurring basis came down inevitably. Thus, it was also inevitable that sales per account executive, being the KPI (Key Performance Indicator) on the IT Infrastructure Business side, came down over the same period of the previous year, i.e., ¥26.6m (down 7.0% YoY) in Q2.

Income Statement (Cumulative／Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY
(Million Yen)	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	Net Chg.
Sales	**2,873**	**6,240**	**9,240**	**12,778**	**2,758**	**5,976**	**-**	**-**	**(263)**
Cost of Sales	1,641	3,469	5,168	7,062	1,597	3,324	-	-	(145)
Gross Profit	1,232	2,770	4,071	5,715	1,160	2,651	-	-	(118)
SG&A Expenses	1,235	2,450	3,716	4,982	1,304	2,641	-	-	+191
Operating Profit	**(2)**	**320**	**355**	**732**	**(143)**	**9**	**-**	**-**	**(310)**
Non Operating Balance	(9)	15	27	38	11	22	-	-	+6
Recurring Profit	**(12)**	**335**	**383**	**771**	**(132)**	**31**	**-**	**-**	**(303)**
Extraordinary Balance	-	2	2	(111)	(10)	(13)	-	-	(15)
Profit before Income Taxes	(12)	338	385	659	(142)	18	-	-	(319)
Total Income Taxes	20	159	193	441	(42)	34	-	-	(125)
NP Belonging to Non-Controlling SHs	(1)	(1)	(1)	(1)	-	-	-	-	+1
Profit Attributable to Owners of Parent	**(31)**	**180**	**193**	**219**	**(100)**	**(15)**	**-**	**-**	**(195)**
Sales YoY	+3.3%	+8.9%	+7.1%	+7.3%	(4.0%)	(4.2%)	-	-	-
Operating Profit YoY	-	+8.6%	(6.0%)	+41.6%	-	(96.9%)	-	-	-
Recurring Profit YoY	-	+1.5%	(7.7%)	+34.5%	-	(90.5%)	-	-	-
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%	44.4%	-	-	(0.0%)
Sales to SG&A Expenses Ratio	43.0%	39.3%	40.2%	39.0%	47.3%	44.2%	-	-	+4.9%
Operating Profit Margin	(0.1%)	5.1%	3.8%	5.7%	(5.2%)	0.2%	-	-	(5.0%)
Recurring Profit Margin	(0.4%)	5.4%	4.1%	6.0%	(4.8%)	0.5%	-	-	(4.8%)
Profit Attributable to Owners of Parent Margin	(1.1%)	2.9%	2.1%	1.7%	(3.6%)	(0.3%)	-	-	(3.1%)
Total Income Taxes／Profit before Income Taxes	-	47.3%	50.3%	66.9%	-	182.4%	-	-	+135.2%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY
(Million Yen)	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	Net Chg.
Sales	**2,873**	**3,366**	**3,000**	**3,538**	**2,758**	**3,217**	**-**	**-**	**(148)**
Cost of Sales	1,641	1,828	1,698	1,894	1,597	1,726	-	-	(101)
Gross Profit	1,232	1,538	1,301	1,643	1,160	1,490	-	-	(47)
SG&A Expenses	1,235	1,214	1,266	1,266	1,304	1,337	-	-	+122
Operating Profit	**(2)**	**323**	**35**	**377**	**(143)**	**153**	**-**	**-**	**(169)**
Non Operating Balance	(9)	24	12	11	11	10	-	-	(13)
Recurring Profit	**(12)**	**347**	**47**	**388**	**(132)**	**164**	**-**	**-**	**(183)**
Extraordinary Balance	-	2	-	(114)	(10)	(3)	-	-	(5)
Profit before Income Taxes	(12)	350	47	273	(142)	161	-	-	(189)
Total Income Taxes	20	139	34	247	(42)	76	-	-	(62)
NP Belonging to Non-Controlling SHs	(1)	-	-	-	-	-	-	-	-
Profit Attributable to Owners of Parent	**(31)**	**211**	**13**	**26**	**(100)**	**84**	**-**	**-**	**(126)**
Sales YoY	+3.3%	+14.2%	+3.7%	+7.8%	(4.0%)	(4.4%)	-	-	-
Operating Profit YoY	-	+25.4%	(57.7%)	+170.9%	-	(52.4%)	-	-	-
Recurring Profit YoY	-	+23.7%	(44.0%)	+145.2%	-	(52.7%)	-	-	-
Profit Attributable to Owners of Parent YoY	-	+27.0%	(63.3%)	(54.9%)	-	(59.9%)	-	-	-
Gross Profit Margin	42.9%	45.7%	43.4%	46.5%	42.1%	46.3%	-	-	+0.6%
Sales to SG&A Expenses Ratio	43.0%	36.1%	42.2%	35.8%	47.3%	41.6%	-	-	+5.5%
Operating Profit Margin	(0.1%)	9.6%	1.2%	10.7%	(5.2%)	4.8%	-	-	(4.8%)
Recurring Profit Margin	(0.4%)	10.3%	1.6%	11.0%	(4.8%)	5.1%	-	-	(5.2%)
Profit Attributable to Owners of Parent Margin	(1.1%)	6.3%	0.4%	0.7%	(3.6%)	2.6%	-	-	(3.6%)
Total Income Taxes／Profit before Income Taxes	-	39.8%	71.8%	90.3%	-	47.5%	-	-	+7.8%

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	1,131	-	-	+124
IT Infrastructure Business	2,356	5,156	7,595	10,395	2,224	4,820	-	-	(335)
CVC Business	-	-	0	0	-	-	-	-	-
Overseas Business	48	73	99	121	13	24	-	-	(49)
Other	2	3	3	4	-	-	-	-	(3)
Sales	**2,873**	**6,240**	**9,240**	**12,778**	**2,758**	**5,976**	**-**	**-**	**(263)**
Digital Marketing Business	(50)	(13)	(3)	137	10	40	-	-	+54
IT Infrastructure Business	(1)	291	302	598	(154)	(13)	-	-	(304)
CVC Business	(0)	(0)	(0)	(51)	(0)	(12)	-	-	(11)
Overseas Business	20	9	7	3	(11)	(21)	-	-	(30)
Other	(7)	(13)	(14)	(14)	-	-	-	-	+13
Segment Profit	**(39)**	**272**	**290**	**673**	**(155)**	**(6)**	**-**	**-**	**(279)**
Adjustments	36	47	64	59	11	16	-	-	(30)
Operating Profit	**(2)**	**320**	**355**	**732**	**(143)**	**9**	**-**	**-**	**(310)**
Digital Marketing Business	(10.9%)	(1.4%)	(0.2%)	6.1%	2.1%	3.6%	-	-	+5.0%
IT Infrastructure Business	(0.0%)	5.6%	4.0%	5.8%	(7.0%)	(0.3%)	-	-	(5.9%)
CVC Business	-	-	(178.4%)	-	-	-	-	-	-
Overseas Business	41.6%	12.7%	7.5%	2.5%	(82.6%)	(87.8%)	-	-	(100.5%)
Other	(290.4%)	(398.1%)	(396.8%)	(363.0%)	-	-	-	-	-
Operating Profit Margin	**(0.1%)**	**5.1%**	**3.8%**	**5.7%**	**(5.2%)**	**0.2%**	**-**	**-**	**(5.0%)**

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	610	-	-	+70
IT Infrastructure Business	2,356	2,799	2,439	2,799	2,224	2,596	-	-	(203)
CVC Business	-	-	0	-	-	-	-	-	-
Overseas Business	48	25	25	21	13	10	-	-	(14)
Other	2	1	0	0	-	-	-	-	(1)
Sales	**2,873**	**3,366**	**3,000**	**3,538**	**2,758**	**3,217**	**-**	**-**	**(148)**
Digital Marketing Business	(50)	37	9	141	10	30	-	-	(7)
IT Infrastructure Business	(1)	292	11	296	(154)	141	-	-	(151)
CVC Business	(0)	(0)	0	(51)	(0)	(12)	-	-	(11)
Overseas Business	20	(10)	(1)	(4)	(11)	(10)	-	-	+0
Other	(7)	(6)	(1)	0	-	-	-	-	+6
Segment Profit	**(39)**	**311**	**18**	**382**	**(155)**	**148**	**-**	**-**	**(162)**
Adjustments	36	11	17	(5)	11	4	-	-	(6)
Operating Profit	**(2)**	**323**	**35**	**377**	**(143)**	**153**	**-**	**-**	**(169)**
Digital Marketing Business	(10.9%)	6.9%	1.9%	19.7%	2.1%	4.9%	-	-	(2.0%)
IT Infrastructure Business	(0.0%)	10.4%	0.5%	10.6%	(7.0%)	5.4%	-	-	(5.0%)
CVC Business	-	-	7.1%	-	-	-	-	-	-
Overseas Business	41.6%	(43.1%)	(7.1%)	(21.1%)	(82.6%)	(94.3%)	-	-	(51.3%)
Other	(290.4%)	(656.6%)	(382.4%)	77.5%	-	-	-	-	-
Operating Profit Margin	**(0.1%)**	**9.6%**	**1.2%**	**10.7%**	**(5.2%)**	**4.8%**	**-**	**-**	**(4.8%)**

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	3,221	-	-	+365
Accounts Receivables	1,615	1,984	1,671	2,079	1,588	1,855	-	-	(128)
Inventory	131	112	143	203	203	152	-	-	+40
Other	487	523	395	489	352	488	-	-	(35)
Current Assets	**5,218**	**5,476**	**5,186**	**6,187**	**5,602**	**5,717**	**-**	**-**	**+241**
Tangible Assets	124	118	111	113	112	111	-	-	(7)
Intangible Assets	476	503	502	360	410	530	-	-	+27
Investments and Other Assets	1,437	1,420	1,372	1,249	1,371	1,362	-	-	(58)
Fixed Assets	**2,038**	**2,043**	**1,986**	**1,723**	**1,894**	**2,004**	**-**	**-**	**(38)**
Total Assets	**7,256**	**7,519**	**7,173**	**7,910**	**7,497**	**7,722**	**-**	**-**	**+203**
Accounts Payables	685	725	684	763	514	659	-	-	(65)
Short Term Debt	466	466	466	600	675	617	-	-	+150
Other	879	999	837	1,281	981	1,125	-	-	+125
Current Liabilities	**2,031**	**2,191**	**1,988**	**2,644**	**2,172**	**2,401**	**-**	**-**	**+209**
Long Term Debt	626	498	373	512	646	509	-	-	+11
Other	70	77	83	52	76	89	-	-	+11
Fixed Liabilities	**697**	**575**	**457**	**564**	**722**	**598**	**-**	**-**	**+22**
Total Liabilities	**2,728**	**2,767**	**2,445**	**3,208**	**2,894**	**3,000**	**-**	**-**	**+232**
Shareholders' Equity	**4,354**	**4,578**	**4,569**	**4,607**	**4,457**	**4,552**	**-**	**-**	**(25)**
Other	173	172	157	93	144	169	-	-	(2)
Net Assets	**4,528**	**4,751**	**4,727**	**4,701**	**4,602**	**4,722**	**-**	**-**	**(28)**
Total Liabilities and Net Assets	**7,256**	**7,519**	**7,173**	**7,910**	**7,497**	**7,722**	**-**	**-**	**+203**
Equity Capital	4,528	4,751	4,727	4,701	4,602	4,722	-	-	(29)
Interest Bearing Debt	1,093	965	840	1,112	1,321	1,126	-	-	+161
Net Debt	(1,889)	(1,890)	(2,135)	(2,302)	(2,136)	(2,094)	-	-	(203)
Equity Ratio	62.4%	63.2%	65.9%	59.4%	61.4%	61.1%	-	-	-
Net Debt Equity Ratio	(41.7%)	(39.8%)	(45.2%)	(49.0%)	(46.4%)	(44.4%)	-	-	-
ROE (12 months)	5.0%	5.7%	5.4%	4.7%	3.3%	0.5%	-	-	-
ROA (12 months)	7.1%	7.9%	7.3%	9.6%	8.8%	6.1%	-	-	-
Quick Ratio	226%	221%	234%	208%	232%	211%	-	-	-
Current Ratio	257%	250%	261%	234%	258%	238%	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

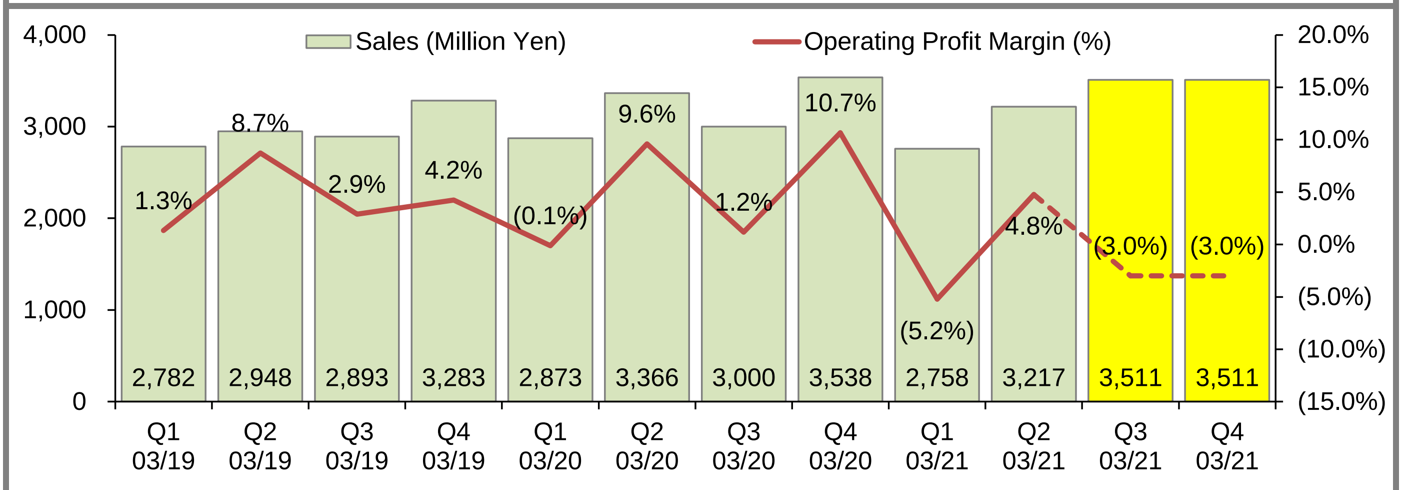
Cash Flow Statement (Million Yen)	Cons.Act Q1 03/2020	Cons.Act Q1 to Q2 03/2020	Cons.Act Q1 to Q3 03/2020	Cons.Act Q1 to Q4 03/2020	Cons.Act Q1 03/2021	Cons.Act Q1 to Q2 03/2021	Cons.Act Q1 to Q3 03/2021	Cons.Act Q1 to Q4 03/2021	YoY Net Chg.
Operating Cash Flow	-	49	-	529	-	95	-	-	+45
Investing Cash Flow	-	(178)	-	(234)	-	(262)	-	-	(83)
Operating CF and Investing CF	**-**	**(128)**	**-**	**294**	**-**	**(166)**	**-**	**-**	**(37)**
Financing Cash Flow	-	(294)	-	(163)	-	(29)	-	-	+264

Source: Company Data, WRJ Calculation

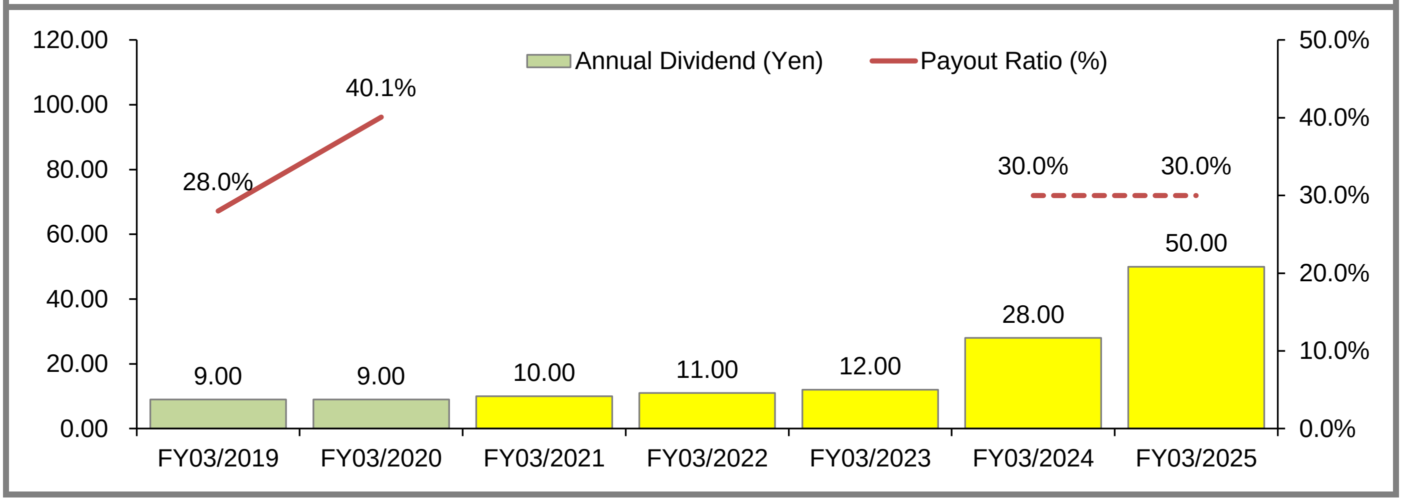
FY03/2021 Company Forecasts

FY03/2021 initial Company forecasts (announced on 15 May 2020) 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, going for ¥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 initial 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%. For 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.

FY03/2021 Company Forecasts and Actual Results

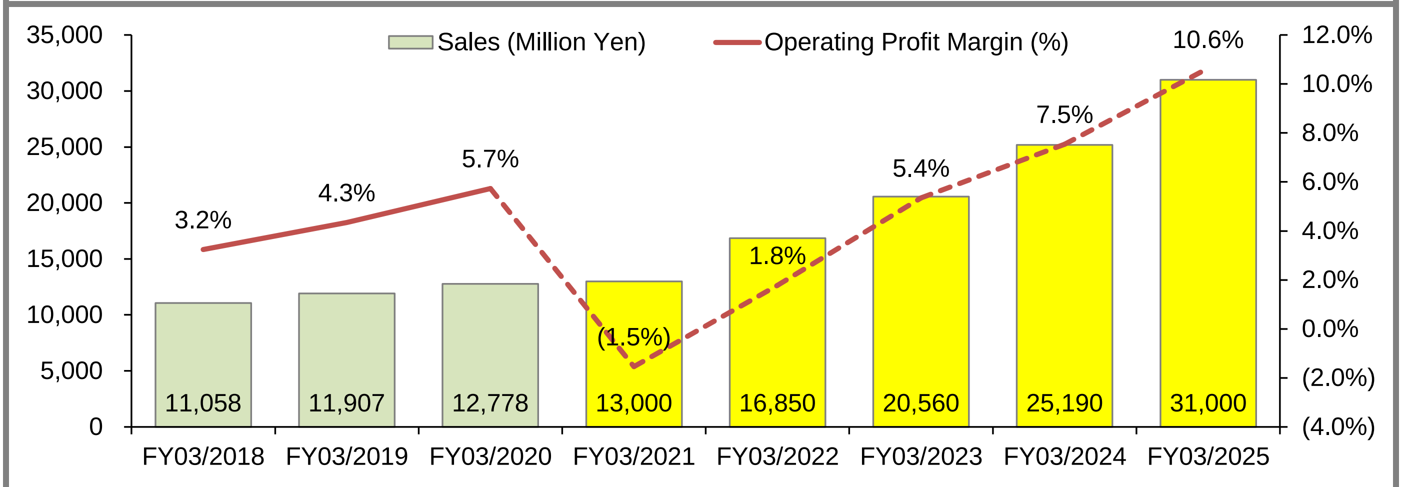
Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2021CoE	15-May-20	Q4 Results	13,000	(200)	(200)	(372)
FY03/2021CoE	07-Aug-20	Q1 Results	13,000	(200)	(200)	(372)
FY03/2021CoE	13-Nov-20	Q2 Results	13,000	(200)	(200)	(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	13-Nov-20	Q2 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	6,000	(340)	(340)	(411)
Q1 to Q2 FY03/2021CoE	07-Aug-20	Q1 Results	6,000	(340)	(340)	(411)
Q1 to Q2 FY03/2021Act	13-Nov-20	Q2 Results	5,976	9	31	(15)
		Amount of Gap	(24)	349	371	396
		Rate of Gap	(0.4%)	-	-	-
Q1 to Q2 FY03/2021CoE	15-May-20	Q4 Results	6,000	(340)	(340)	(411)
Q1 to Q2 FY03/2021Act	13-Nov-20	Q2 Results	5,976	9	31	(15)
		Amount of Gap	(24)	349	371	396
		Rate of Gap	(0.4%)	-	-	-
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	7,000	140	140	39
Q3 to Q4 FY03/2021CoE	07-Aug-20	Q1 Results	7,000	140	140	39
Q3 to Q4 FY03/2021CoE	13-Nov-20	Q2 Results	7,024	(209)	(231)	(357)
		Amount of Gap	24	(349)	(371)	(396)
		Rate of Gap	0.3%	-	-	-
Q3 to Q4 FY03/2021CoE	15-May-20	Q4 Results	7,000	140	140	39
Q3 to Q4 FY03/2021CoE	13-Nov-20	Q2 Results	7,024	(209)	(231)	(357)
		Amount of Gap	24	(349)	(371)	(396)
		Rate of Gap	0.3%	-	-	-

Source: Company Data, WRJ Calculation

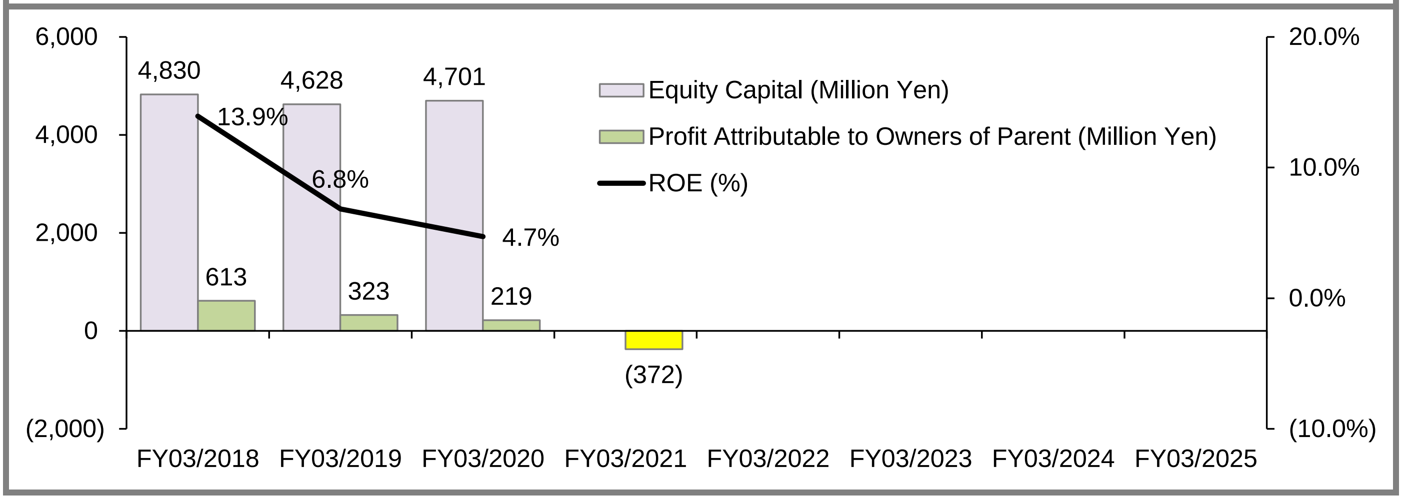
Long-Term Prospects

On 15 May 2020, the Company announced actual results of FY03/2020 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 final 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 around, but it was attributable to one-off factor that the Company saw gain on sale of investment securities as much as ¥399m at the extraordinary level.

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



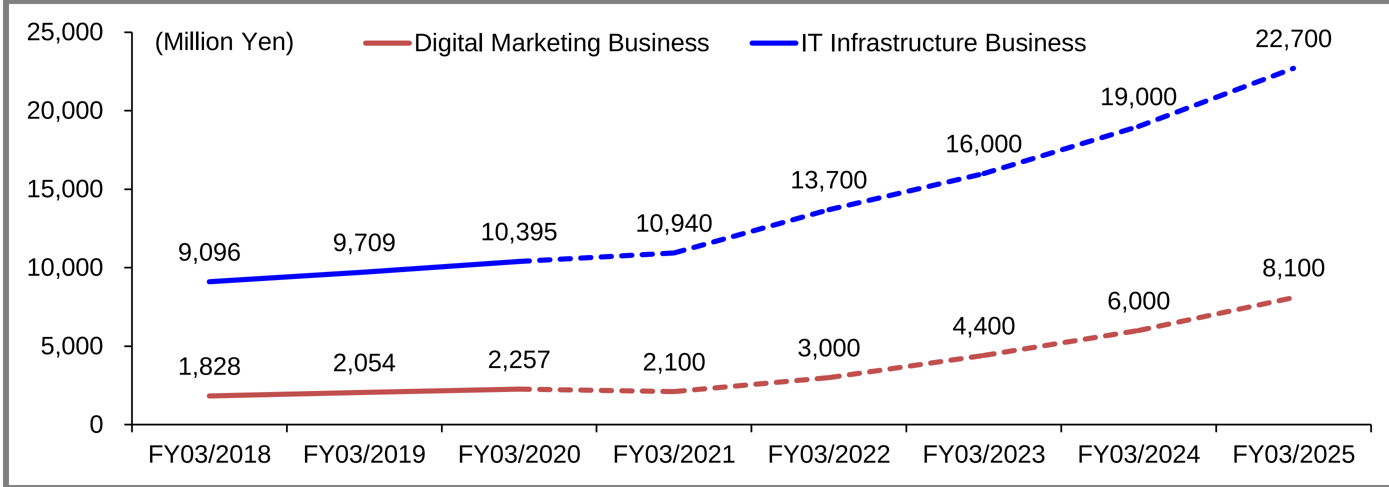
Actual Results of ROE



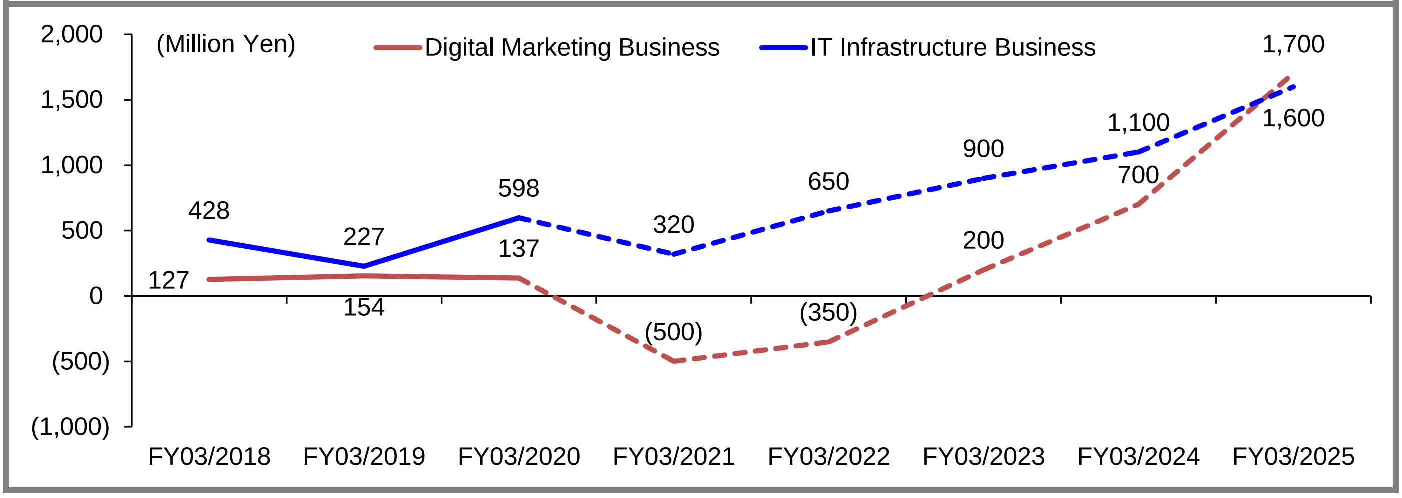
Source: Company Data, WRJ Calculation

When based on actual results of FY03/2020, sales are expected to see CAGR of 19.4% and earnings CAGR of 35.1% over the 5-year period 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, while segment profit on the Digital Marketing Business side will exceed that of the IT Infrastructure Business side in FY03/2025. Over the 5-year period by FY03/2025, Digital Marketing Business is expected to see CAGR of 29.1% for sales and 65.3% for earnings versus 16.9% and 21.7%, respectively, on the IT Infrastructure Business side.

Midterm Management Plan NEXT'S 2025／Segment Sales



Midterm Management Plan NEXT'S 2025／Segment Profit

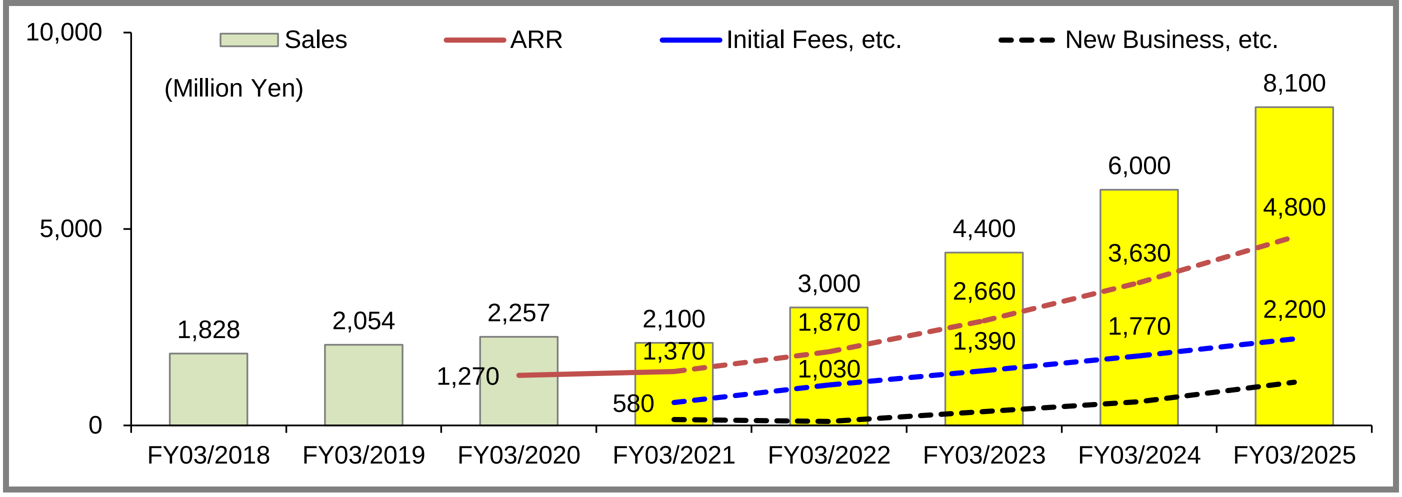


Source: Company Data, WRJ Calculation

Digital Marketing Business

Sales on the Digital Marketing Business side are expected to be driven by continued billing. In terms of ARR, 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-year period 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, etc. associated with this are also expected to perform in the same manner. Furthermore, sales of new business, etc. in the domains other than continued billing are expected to take off toward 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

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 client companies taking advantage of continued billing, the number of client companies taking advantage of cross-selling 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.

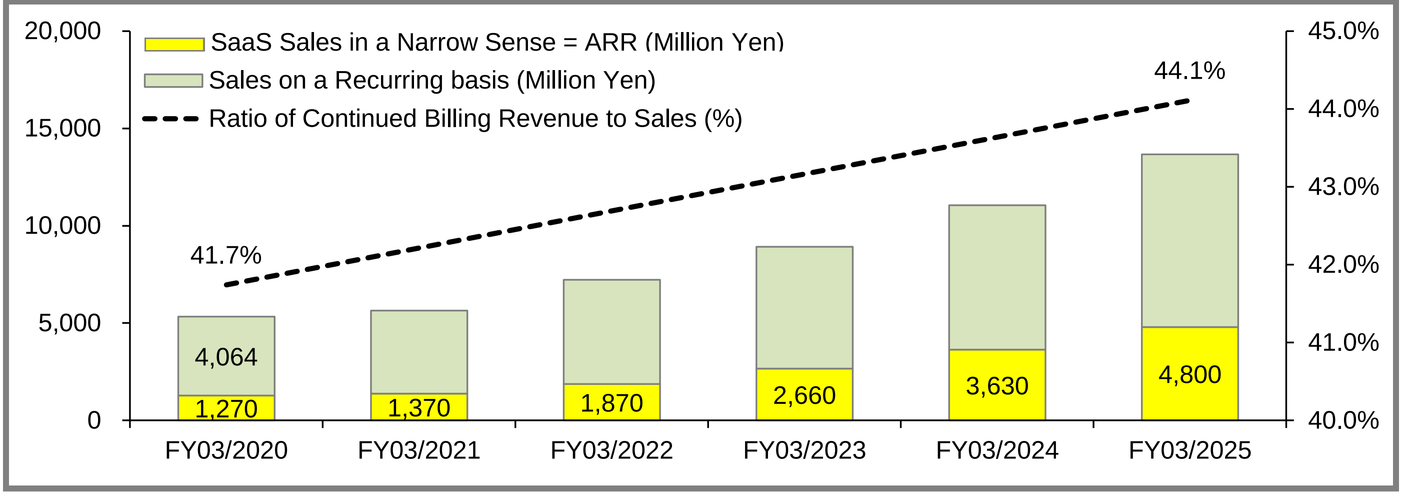
In order to raise sales per account executive, the Company is to expand the range of merchandises (and/or services) it handles in the first place, while acquiring new client companies by opening new branches and/or doing so through acquisitions of business. The Company suggests that it has been seeing offers on acquisitions of business to succeed client companies of smaller peers since some time ago, while it is considered to be one of the choices to further pursue sales in the future for the Company to take such opportunities.

4.0 Business Model

Ratio of Continued Billing Revenue to Sales to Rise

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. Most recently, the Company places the utmost emphasis on expanding continued billing revenue related to Cloud CIRCUS, while the Company is exposed to continued billing revenue to some extent also on the IT Infrastructure Business side at the same time. The former is so-called SaaS sales in a narrow sense (=ARR) and the latter so-called sales on a recurring basis. For the actual results in FY03/2020, the absolute amounts of both are disclosed. In light of this, if we simply add up the two together and compare them to sales as a whole for the Company, the former quates to 41.7% of the latter, suggesting ratio of continued billing to sales for the Company.

Ratio of Continued Billing Revenue to Sales

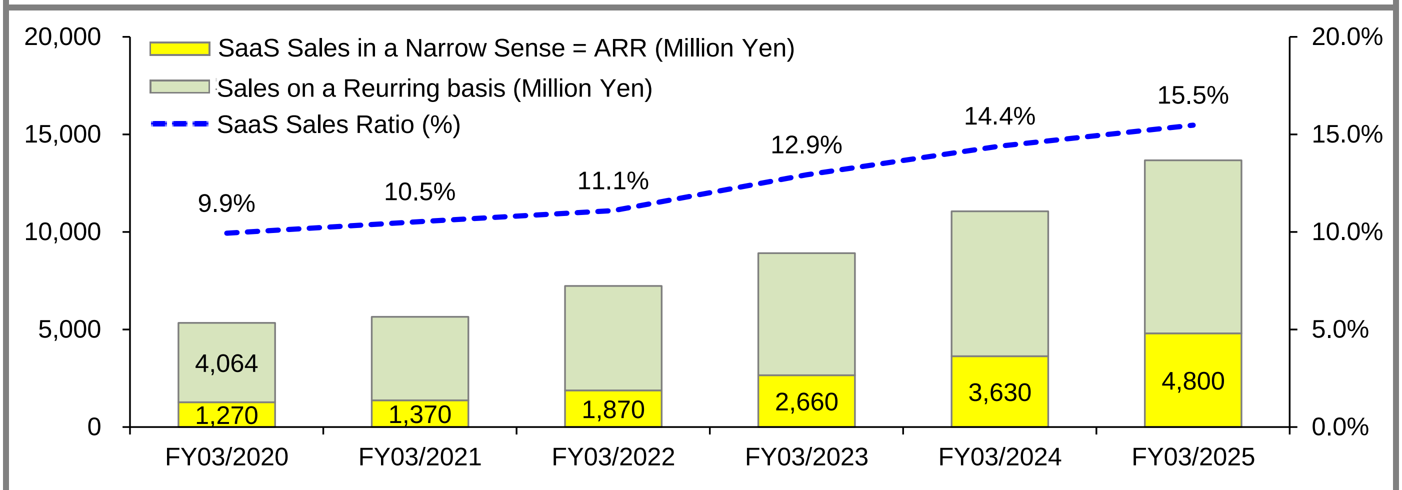


Source: Company Data, WRJ Calculation

Meanwhile, we estimate ratio of continued billing revenue to sales to reach 44.1% (up 2.4% points from the actual results in FY03/2020) for FY03/2025, implying that the Company is planning to steadily increase its exposure to continued billing revenue during the period of midterm management plan NEXT'S 2025. The outlook for SaaS sales in a narrow sense (=ARR) is disclosed, but the outlook for sales on a recurring basis is not disclosed. Still, the outlook for sales on the IT Infrastructure Business side as a whole is disclosed. Our estimates assume that the growth rate on the IT Infrastructure Business side as a whole matches the growth rate in sales on a recurring basis, while assuming that ratio of continued billing revenue to sales will rise linearly through FY03/2020 to FY03/2025.

The Company, which has been developing its operations principally on the IT Infrastructure Business side in the first place, is currently in the process of shifting its management focus to those on the Digital Marketing Business side with Cloud CIRCUS as the mainstay. Thus, SaaS sales in a narrow sense (=ARR) have remained insignificant to date, when compared with sales as a whole for the Company. However, when sales on a recurring basis are added, it is estimated that the Company is heavily involved with continued billing revenue. More importantly, it appears that the Company is going for a situation that SaaS sales in a narrow sense (=ARR) will grow faster than sales on a recurring basis. In light of this, we have an impression that the Company is heading for a SaaS company from a long-term perspective.

SaaS Sales Ratio



Source: Company Data, WRJ Calculation

Based on the Company disclosure, SaaS sales on a narrow sense (=ARR) accounted for 9.9% of sales as a whole for the Company (SaaS sales ratio). Meanwhile, midterm management plan NEXT'S 2025 assumes SaaS sales ratio of 15.5% (up 5.5% points from FY03/2020) for FY03/2025, implying that increase of SaaS sales in a narrow sense (=ARR) will drive continued billing revenue as a whole for the Company. Compared with so-called major SaaS company whose ARR exceeds ¥10,000m, the size of ARR for the Company appears to remain rather limited even in FY03/2025. However, midterm management plan NEXT'S 2025 assumes CAGR of some 30% as mentioned earlier. In light of this, the growth rate may favorably compare with them.

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

Humanly Coping with Cutting Edge Technology

On 21 February 1996, telecomnet limited company, the predecessor of the Company, was established by Hideyuki Hongo the current Representative Director and President. 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 two-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 around 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, the Company, advocating “Humanly Coping with Cutting Edge Technology”, also advocates implementation of sustainability management, going for future growth by evolution on the two spindles, i.e., Innovation and Growth, assuming realization of SDGs. In terms of Innovation, the Company thoroughly implements digital transformation (DX) in-house and use its track records to support developments of digital transformation (DX) at client companies. In terms of Growth, the Company aims for long-term and consistent growth, which is the feature of continued billing, on the Digital Marketing Business side, while allocating resources on promotions on both sales on a recurring basis and sales on a non-recurring basis on the IT Infrastructure Business side.

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 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 first 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

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.

Company name: Walden Research Japan Incorporated
Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN
URL: www.walden.co.jp
E-mail: info@walden.co.jp
Tel: 81-(0)3-3553-3769