

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 Q1 to Q3 (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY03/2020		9,240	355	383	193	-	-	-
Q1 to Q3 FY03/2021		9,293	12	40	(63)	-	-	-
Q1 to Q3 FY03/2021	YoY	0.6%	(96.4%)	(89.3%)	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (2 April 2021)


To Accelerate Further

Startia Holdings, making progress in its measure to become a SaaS company, currently sees a trend of acceleration for the growth rate of MRR (Monthly Recurring Revenue) related to Cloud CIRCUS. Meanwhile, for Cloud CIRCUS, representing the Company's services to optimize information held by client companies by means of a variety of SaaS tools developed in-house for the sake of maximizing earnings with them, the Company has started up aggressive investments to drive MRR and/or ARR (Annual Recurring Revenue) over a long-term perspective, which is expected to persistently increase prospective earnings for the Company. FY03/2021 initial Company forecasts (announced on 15 May 2020) assume ARR related to Cloud CIRCUS of ¥1,370m (up 7.9% YoY), while cumulative MRR in Q1 to Q3 has expanded to as much as ¥1,030m (up 13.8%). More importantly, the Company's midterm management plan NEXT'S 2025 is going for prospective ARR of ¥4,800m for FY03/2025, i.e., the final year of the plan, implying CAGR of 30.5%, when compared with the actual results of ¥1,270m in FY03/2020. In other words, the Company is planning to steadily become a SaaS company from a long-term perspective.

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2.0 Company Profile

Humanly Coping with Cutting Edge Technology

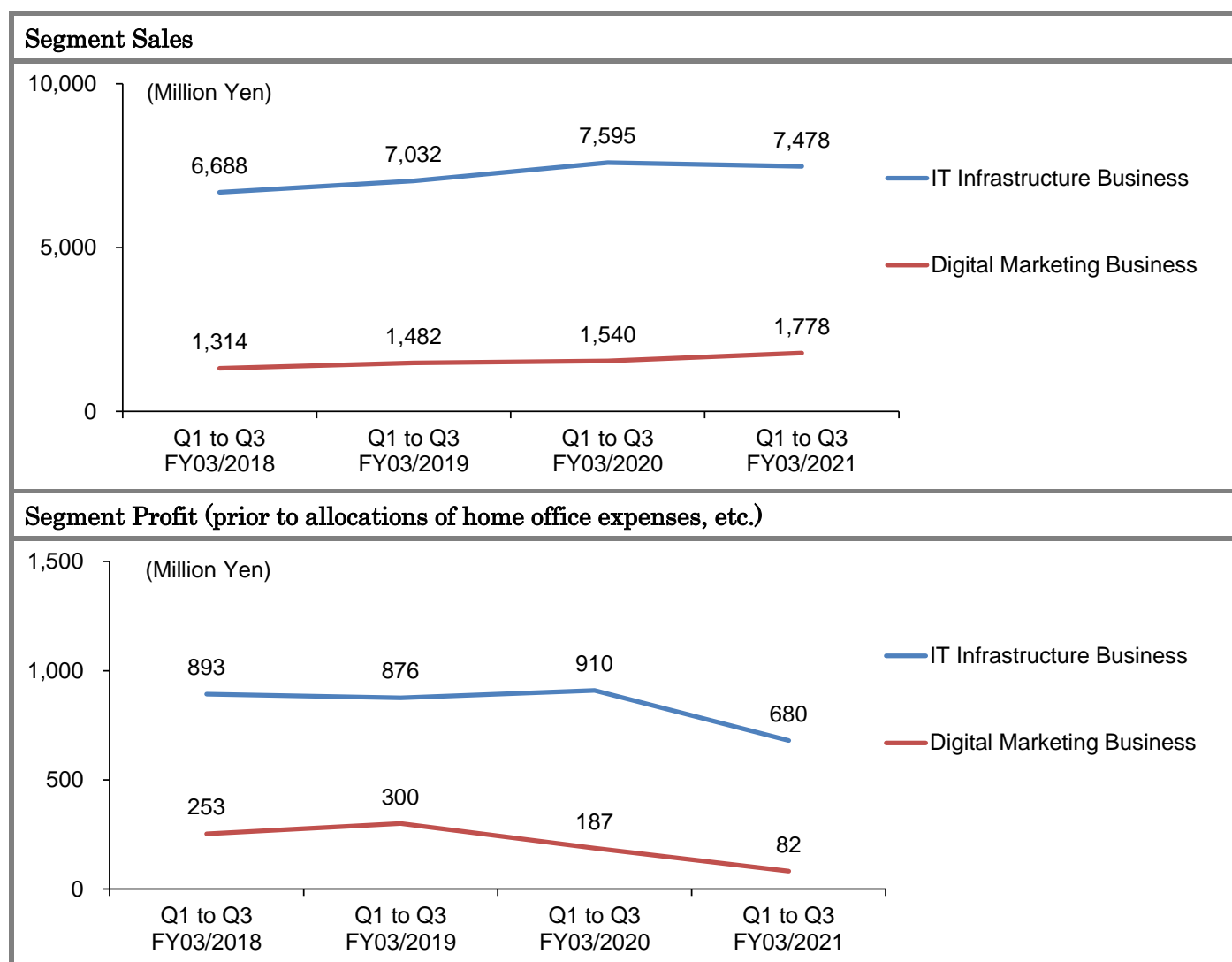
Company Name	Startia Holdings, Inc. Company Website IR Information Share Price (Japanese)	
Established	21 February 1996	
Listing	28 February 2014: Tokyo Stock Exchange 1st section (ticker: 3393) 20 December 2005: Tokyo Stock Exchange Mothers	
Capital	¥824m (as of the end of December 2020)	
No. of Shares	10,240,400 shares, including 82 treasury shares (as of the end of December 2020, the number of treasury shares: after excluding 364,500 shares held by trust accounts related to Board Benefit Trusts)	
Main Features	<ul style="list-style-type: none"> ● Upfront investments in Cloud CIRCUS to grow fast ● Having pulled out of outright sale and focused on pursuing MRR and/or ARR ● Long-term growth also for IT infrastructure building 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 9.36%, Akira Saiga 4.88%, Custody Bank of Japan, TrustE 3.70% (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 Q3 FY03/2021

In Q1 to Q3 FY03/2021, sales came in at ¥9,293m (up 0.6% YoY), operating profit ¥12m (down 96.4%), recurring profit ¥40m (down 89.3%) and profit attributable to owners of parent minus ¥63m (versus ¥193m during the same period of the previous year), while operating profit margin 0.1% (down 3.7% points). According to the Company, the actual results are in line with assumptions of FY03/2021 initial Company forecasts (announced on 15 May 2020). It appears that sales and earnings are running ahead on the Digital Marketing Business side, while sales had been sluggish by Q2 on the IT Infrastructure side due to the impacts stemming from COVID-19.



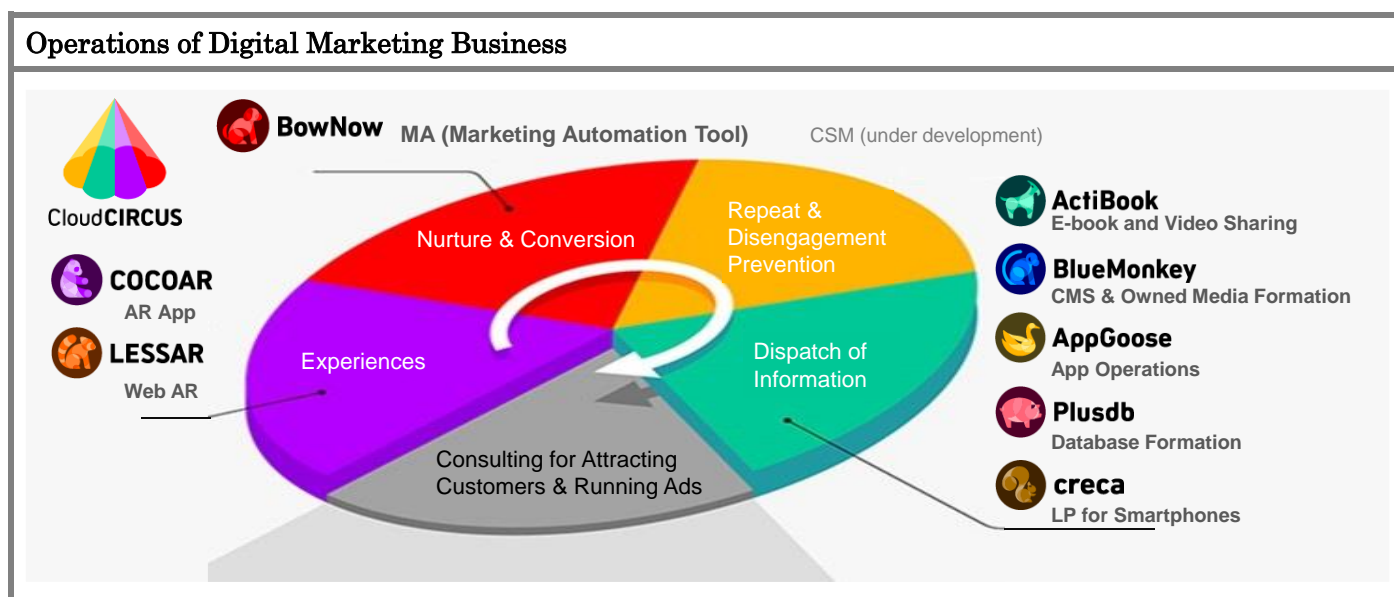
Source: Company Data, WRJ Calculation

By segment, Digital Marketing Business saw segment sales of ¥1,778m (up 15.4%), segment profit of ¥82m (down 56.3%) and segment profit margin of 4.6% (down 7.5% points), while IT Infrastructure Business saw segment sales of ¥7,478m (down 1.5%), segment profit of ¥680m (down 25.2%) and segment profit margin of 9.1% (down 2.9% points). With respect to segment profit here, we refer to segment profit prior to allocations of home office expenses, etc., which is disclosed in the Company's financial results briefing materials. Meanwhile, based on the data at this stage, it is implied that earnings on the IT Infrastructure Business side are established as the key sources of earnings as a whole for the Company at the moment, although all those operations have suffered from the impacts stemming from COVID-19. On the other hand, sales have increased fast on the Digital Marketing Business side despite the coronavirus pandemic. Still, earnings have come down over the same period of the previous year as the Company started up upfront investments to further drive sales for the future in earnest.

Digital Marketing Business

Cloud CIRCUS is a generic brand of diverse SaaS tools provided on the Digital Marketing Business side. In Q1 to Q3, cumulative MRR related to Cloud CIRCUS came in at ¥1,030m (up 13.8%), having accounted for 57.9% of total. At the same time, sales of front-end payments, etc. associated with this came in at ¥689m (38.8% of total), while sales of other ¥59m (3.3% of total), implying that so-called SaaS sales accounted for 96.7% of total. Sales of front-end payments, etc. comprise those of being generated by charging client companies fees on installing all those SaaS tools to begin with, fees of holding sessions for directions (optional), fees on creating websites, etc. Meanwhile, sales of other are of those not directly related to SaaS, but those of having been derived from SaaS operations.

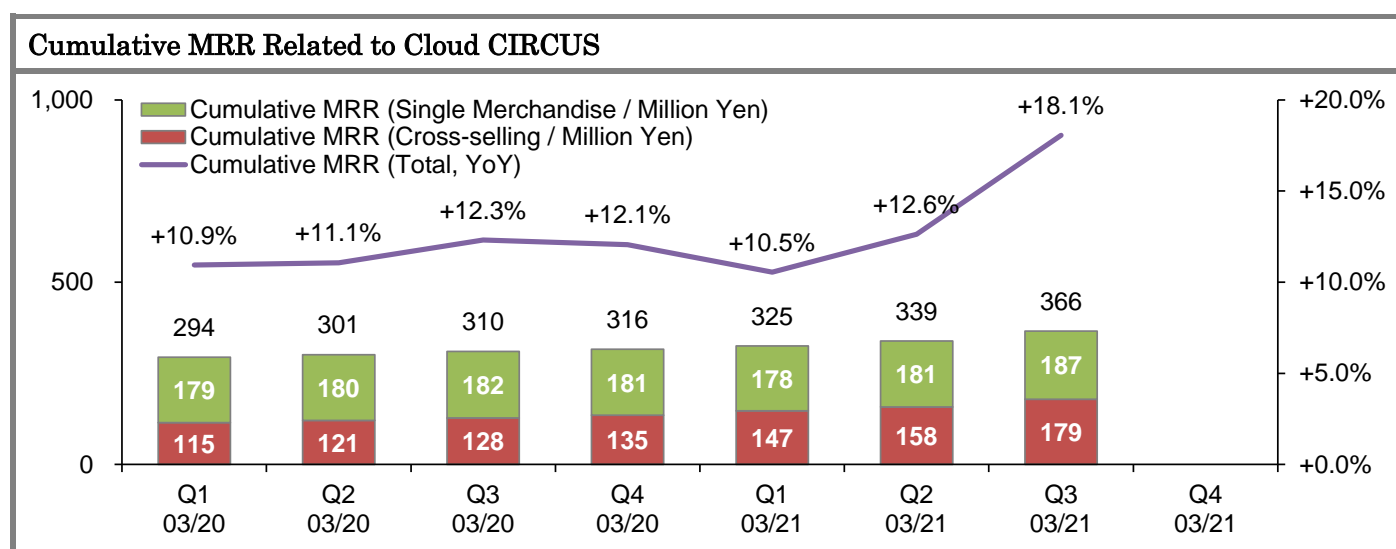
According to the Company, Cloud CIRCUS is mainly exposed to smaller business by customer base, while representing services to optimize information held by client companies by means of a variety of SaaS tools developed in-house for the sake of maximizing earnings with them. More specifically, they are defined as services that provide solutions in domains such as Dispatch of Information, which is an issue for client companies when cultivating their new customers.



Source: Company Data

Tools in the domain 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 the domain of Experiences (enhancing customer experience value). BowNow (marketing automation tool) is cited as a tool in the domain of Nurture & Conversion (cultivation of prospects and conversion to customers). In the domain of Repeat & Disengagement Prevention (increasing repeat orders and preventing disengagements), the Company is currently developing tools. On top of this, the Company is also involved with consulting for attracting customers & running ads, trying to actively encourage digital transformation (DX) at client companies in conjunction with all those SaaS tools. Meanwhile, the Company is now in the process of developing a linkage with platform of Cloud CIRCUS for chatbot services LAMPCHAT to have been acquired by business transfer in January 2021. The Company expects this to contribute to sales enhancement for client companies belonging to B2C in particular.

With respect to BowNow (marketing automation tool) whose adoptions have been partly promoted by making an offer of freemium plan, the Company saw the number of adoptions by client companies as many as more than 5,000 as of November 2020, while retention rate has remained high with a high reputation from client companies across the board. At the same time, the Company suggests that it is ranked number one in terms of the share as a domestic provider for the market in Japan. 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 the market for paid CMS in Japan, according to the Company.



Source: Company Data, WRJ Calculation

MRR related to Cloud CIRCUS is showing a trend of acceleration in terms of changes over the same period of the previous year during the past quarters. That is to say, cumulative MRR came in at ¥325m (up 10.5%) in Q1 (April to June), ¥339m (up 12.6%) in Q2 (July to September) and ¥366m (up 18.1%) in Q3 (October to December). Meanwhile, Yappli, Inc. running a similar business model, according to the Company, has been seeing sales growth rate even higher than MRR related to Cloud CIRCUS, while the Company is going for the same sort of growth rate after a time lag.

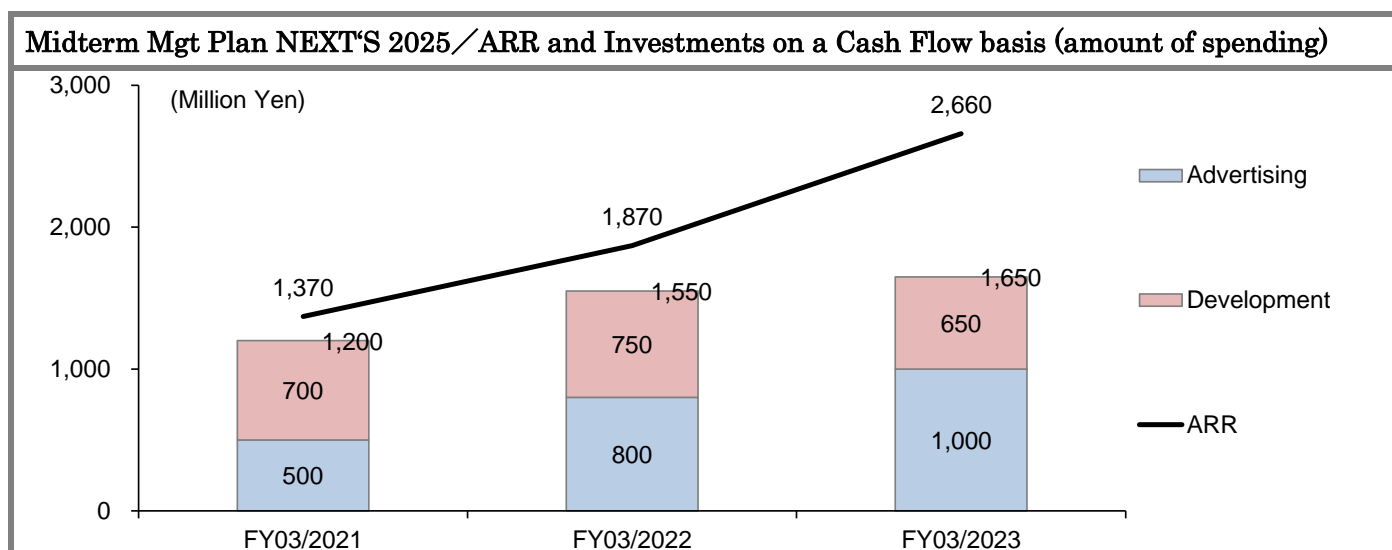
It has been disclosed in [Full Year 2020 Earnings Results Presentation](#) of Yappli, Inc. that its sales during the same period were as follows: ¥540m (up 26%) in Q2 (April to June), ¥619m (up 36%) in Q3 (July to September) and ¥689m (up 51%) in Q4 (October to December). Meanwhile, the Company's midterm management plan NEXT'S 2025 assumes ARR (cumulative MRR in a year) of ¥1,370m (up 7.9%) for FY03/2021, ¥1,870m (up 36.5%) for FY03/2022 and ¥2,660m (up 42.2%) for FY03/2023. In other words, it is assumed that the rate of growth in MRR will accelerate with the passage of time, while the Company has been seeing the actual results running ahead as above-mentioned. Given this trend, the Company now suggests a possibility for itself to achieve the rate of growth as high as sales of Yappli, Inc. at the moment for MRR related to Cloud CIRCUS in a year or so.

The Company has been seeing firm demand for its MRR of client companies belonging to B2B, accounting for some 60% of total, with favorable new acquisitions and cross-selling (mainly of BowNow and BlueMonkey with a remarkable affinity between them), having resulted in the actual results as assumed in initial Company forecasts (or as assumed in midterm management plan NEXT'S 2025). In the first place, the majority of client companies belonging to B2B has not been inclined to massively suffer from the impacts stemming from COVID-19, while the background to MRR related to Cloud CIRCUS as a whole better than expected is of client companies belonging to B2C and partner companies, according to the Company.

With respect to client companies belonging to B2C, the Company has successfully developed and launched products corresponding to specific needs in this domain, while sales system having been set up. As a result, the Company has been seen new acquisitions taking off in earnest and the actual results better than expected. Meanwhile, the Company also spots another factor here that it saw a reactionary increase in demand, driven by the impacts stemming from COVID-19. It appears that the Company suffered from churn rate risen in Q1, given an exposure to client companies running business of restaurants, retail, etc., having suffered from the impacts stemming from COVID-19 quite a lot. More importantly, however, the Company now suggests that it has observed a perception starting to emerge that promotion of digital transformation (DX) is essential to survive also for all those client companies running the above-mentioned business.

For partner companies, the Company saw the actual results also better than expected. Client companies in this domain are mainly of printing companies and ad agencies which do not utilize Cloud CIRCUS for own digital marketing but for enhancement of digital marketing at their customers. According to the Company, new acquisitions have been favorable also here, while churn rate has come down. On top of this, the Company also suggests that incoming order intake is currently increasing fast.

Meanwhile, the Company is making progress in its upfront investments to drive prospective growth of MRR over a long-term perspective. This is nothing but a negative factor for short-term earnings. Still, such upfront investments are to bring about a high growth for the Company as assumed in the midterm management plan NEXT'S 2025. Initial Company forecasts assume spending on advertising of ¥500m and ¥700m for development, while they came in at ¥251m (progressed rate of 50.2%) and ¥520m (progress rate of 74.2%), respectively, in Q1 to Q3. On a full-year basis, the Company may see a shortfall for spending on advertising, while likely to see spending on development in line. With respect to advertising, spending on TV commercials will be in line, while the Company suggests that it is seeing efficiency better than expected for advertising on the Internet to directly lead to new acquisitions. Meanwhile, the Company is spending on development with the objective of further improving the contents of services for Cloud CIRCUS through the expansion of lineup for the services and the strengthening of alignment with external solutions.



Source: Company Data, WRJ Calculation

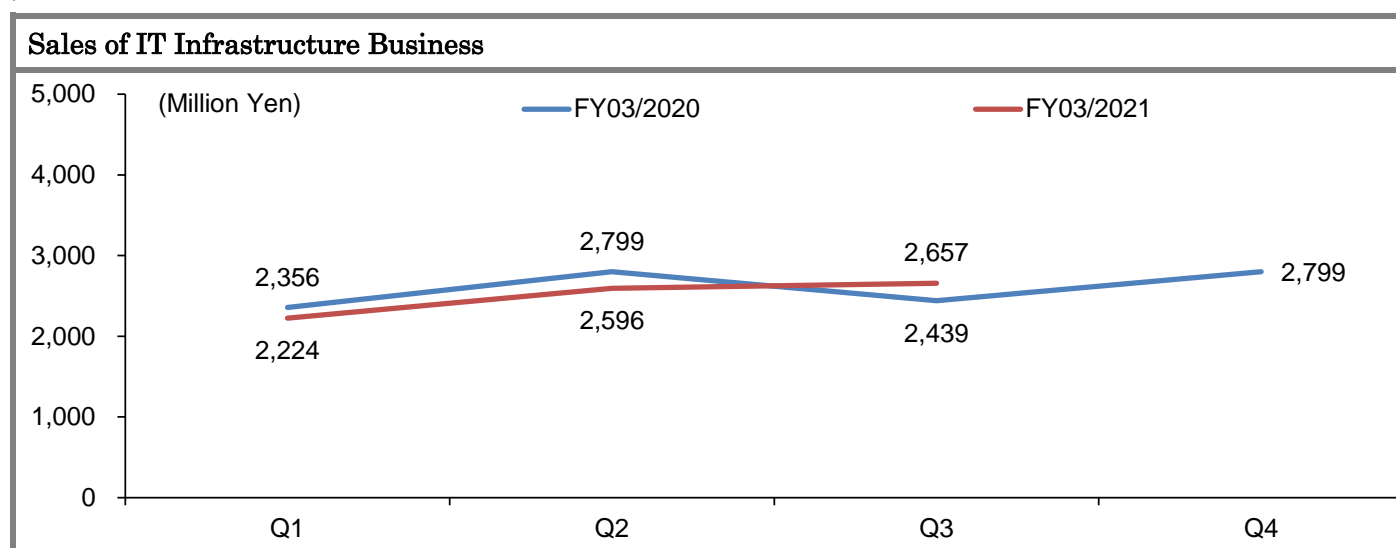
Midterm management plan NEXT'S 2025 assumes that the Company will "actively invest to accelerate growth" in the initial three years (FY03/2021 to FY03/2023), which is positioned as a phase for "aiming to shift to a high-growth model" for earnings. In particular, a major feature of this is that the spending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

According to the Company, in order to achieve ARR 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 at is to promote awareness at companies that have latent needs and to make them realize that the adoption of Cloud CIRCUS is the solution for problems.

For example, the Company has conducted a survey and obtained an implication 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 probable that latent needs may emerge in droves going forward. In other words, some leading-edge companies have already promoted digital transformation (DX) across the board, while those of low literacy for this are implied being in a direction to follow suit and needs are to rise up to the surface. The Company intends to respond to such needs 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 by Cloud CIRCUS through enhancement of branding and therefore the Company has started up airing TV commercials. 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 the services 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 will be just emerging.

IT Infrastructure Business

On the IT Infrastructure Business side, the Company runs operations of building IT infrastructure mainly for smaller business (the number of client companies as many as 25,000 or more), 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 being involved with installation of 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.



Source: Company Data, WRJ Calculation

In Q1 to Q3, the Company saw sales of ¥3,112m (up 2.4%) stemming from recurring fee revenues and sales of ¥4,366m (down 4.2%) stemming from outright sale. As far as trading in Q3 (October to December) is concerned, the Company saw sales of ¥1,095m (up 5.3%) stemming from recurring fee revenues and sales of ¥1,563m (up 11.6%) stemming from outright sale, having resulted in sales of ¥2,657m (up 9.0%) as a whole for the segment. That is to say, sales in Q1 to Q2 (April to September) on the IT Infrastructure Business side had inevitably remained lower than the levels during the same period of the previous year due to the impacts stemming from COVID-19, e.g., operations suspended and/or teleworking encouraged at client companies, while sales in Q3 (October to December) stemming from both recurring fee revenues and outright sale have risen over the same period of the previous year, which is implied to be attributable to the impacts stemming from COVID-19 having been rather weakened.

It appears that segment sales for Q4 are likely to continue increasing over the same period of the previous year, while the Company has suggested some concerns on earnings, which are of “counter revenues” and “BiziSUKU Denki”. With respect to “counter revenues”, the Company sees sales stemming from recurring fee revenues by providing maintenance services not to charge for repair and toner of MFP but for usage fees in line with the number of sheets printed instead. Now, given a prospect that teleworking at client companies may persist, the Company has a concern for such services to continue suffering from decreased usage fees going forward. Meanwhile, “BiziSUKU Denki” represents services to supply electricity as a retail electricity supplier (launched in May 2021) to see sales stemming from recurring fee revenues. Here does the Company spot a high probability to suffer from shortfall in earnings to a corresponding extent, given unexpected rise in procurement costs for electricity.

Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	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	9,293	-		+52
Cost of Sales	1,641	3,469	5,168	7,062	1,597	3,324	5,147	-		(20)
Gross Profit	1,232	2,770	4,071	5,715	1,160	2,651	4,145	-		+73
SG&A Expenses	1,235	2,450	3,716	4,982	1,304	2,641	4,132	-		+416
Operating Profit	(2)	320	355	732	(143)	9	12	-		(342)
Non Operating Balance	(9)	15	27	38	11	22	28	-		+0
Recurring Profit	(12)	335	383	771	(132)	31	40	-		(342)
Extraordinary Balance	-	2	2	(111)	(10)	(13)	(1)	-		(3)
Profit before Income Taxes	(12)	338	385	659	(142)	18	39	-		(345)
Total Income Taxes	20	159	193	441	(42)	34	102	-		(91)
NP Belonging to Non-Controlling SHs	(1)	(1)	(1)	(1)	-	-	-	-		+1
Profit Attributable to Owners of Parent	(31)	180	193	219	(100)	(15)	(63)	-		(256)
Sales YoY	+3.3%	+8.9%	+7.1%	+7.3%	(4.0%)	(4.2%)	+0.6%	-		-
Operating Profit YoY	-	+8.6%	(6.0%)	+41.6%	-	(96.9%)	(96.4%)	-		-
Recurring Profit YoY	-	+1.5%	(7.7%)	+34.5%	-	(90.5%)	(89.3%)	-		-
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%	44.6%	-		+0.5%
Sales to SG&A Expenses Ratio	43.0%	39.3%	40.2%	39.0%	47.3%	44.2%	44.5%	-		+4.2%
Operating Profit Margin	(0.1%)	5.1%	3.8%	5.7%	(5.2%)	0.2%	0.1%	-		(3.7%)
Recurring Profit Margin	(0.4%)	5.4%	4.1%	6.0%	(4.8%)	0.5%	0.4%	-		(3.7%)
Profit Attributable to Owners of Parent Margin	(1.1%)	2.9%	2.1%	1.7%	(3.6%)	(0.3%)	(0.7%)	-		(2.8%)
Total Income Taxes/Profit before Income Taxes	-	47.3%	50.3%	66.9%	-	182.4%	258.4%	-		+208.2%
Income Statement	Cons.Act	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	3,317	-		+316
Cost of Sales	1,641	1,828	1,698	1,894	1,597	1,726	1,823	-		+124
Gross Profit	1,232	1,538	1,301	1,643	1,160	1,490	1,493	-		+191
SG&A Expenses	1,235	1,214	1,266	1,266	1,304	1,337	1,490	-		+224
Operating Profit	(2)	323	35	377	(143)	153	2	-		(32)
Non Operating Balance	(9)	24	12	11	11	10	6	-		(5)
Recurring Profit	(12)	347	47	388	(132)	164	8	-		(38)
Extraordinary Balance	-	2	-	(114)	(10)	(3)	12	-		+12
Profit before Income Taxes	(12)	350	47	273	(142)	161	21	-		(26)
Total Income Taxes	20	139	34	247	(42)	76	68	-		+34
NP Belonging to Non-Controlling SHs	(1)	-	-	-	-	-	-	-		-
Profit Attributable to Owners of Parent	(31)	211	13	26	(100)	84	(47)	-		(61)
Sales YoY	+3.3%	+14.2%	+3.7%	+7.8%	(4.0%)	(4.4%)	+10.6%	-		-
Operating Profit YoY	-	+25.4%	(57.7%)	+170.9%	-	(52.4%)	(91.7%)	-		-
Recurring Profit YoY	-	+23.7%	(44.0%)	+145.2%	-	(52.7%)	(81.1%)	-		-
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%	45.0%	-		+1.6%
Sales to SG&A Expenses Ratio	43.0%	36.1%	42.2%	35.8%	47.3%	41.6%	44.9%	-		+2.7%
Operating Profit Margin	(0.1%)	9.6%	1.2%	10.7%	(5.2%)	4.8%	0.1%	-		(1.1%)
Recurring Profit Margin	(0.4%)	10.3%	1.6%	11.0%	(4.8%)	5.1%	0.3%	-		(1.3%)
Profit Attributable to Owners of Parent Margin	(1.1%)	6.3%	0.4%	0.7%	(3.6%)	2.6%	(1.4%)	-		(1.9%)
Total Income Taxes/Profit before Income Taxes	-	39.8%	71.8%	90.3%	-	47.5%	326.0%	-		+254.2%

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	1,131	1,778	-	+237	
IT Infrastructure Business	2,356	5,156	7,595	10,395	2,224	4,820	7,478	-	(117)	
CVC Business	-	-	0	0	-	-	0	-	+0	
Overseas Business	48	73	99	121	13	24	35	-	(64)	
Other	2	3	3	4	-	-	-	-	(3)	
Sales	2,873	6,240	9,240	12,778	2,758	5,976	9,293	-	+52	
Digital Marketing Business	(50)	(13)	(3)	137	10	40	(69)	-	(65)	
IT Infrastructure Business	(1)	291	302	598	(154)	(13)	166	-	(135)	
CVC Business	(0)	(0)	(0)	(51)	(0)	(12)	(12)	-	(11)	
Overseas Business	20	9	7	3	(11)	(21)	(31)	-	(39)	
Other	(7)	(13)	(14)	(14)	-	-	-	-	+14	
Segment Profit	(39)	272	290	673	(155)	(6)	53	-	(237)	
Adjustments	36	47	64	59	11	16	(40)	-	(105)	
Operating Profit	(2)	320	355	732	(143)	9	12	-	(342)	
Digital Marketing Business	(10.9%)	(1.4%)	(0.2%)	6.1%	2.1%	3.6%	(3.9%)	-	(3.6%)	
IT Infrastructure Business	(0.0%)	5.6%	4.0%	5.8%	(7.0%)	(0.3%)	2.2%	-	(1.8%)	
CVC Business	-	-	(178.4%)	-	-	-	(4,285.1%)	-	(4,106.6%)	
Overseas Business	41.6%	12.7%	7.5%	2.5%	(82.6%)	(87.8%)	(89.6%)	-	(97.1%)	
Other	(290.4%)	(398.1%)	(396.8%)	(363.0%)	-	-	-	-	-	
Operating Profit Margin	(0.1%)	5.1%	3.8%	5.7%	(5.2%)	0.2%	0.1%	-	(3.7%)	

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	610	646	-	+112	
IT Infrastructure Business	2,356	2,799	2,439	2,799	2,224	2,596	2,657	-	+218	
CVC Business	-	-	0	-	-	-	0	-	+0	
Overseas Business	48	25	25	21	13	10	11	-	(14)	
Other	2	1	0	0	-	-	-	-	(0)	
Sales	2,873	3,366	3,000	3,538	2,758	3,217	3,317	-	+316	
Digital Marketing Business	(50)	37	9	141	10	30	(109)	-	(119)	
IT Infrastructure Business	(1)	292	11	296	(154)	141	180	-	+169	
CVC Business	(0)	(0)	0	(51)	(0)	(12)	0	-	+0	
Overseas Business	20	(10)	(1)	(4)	(11)	(10)	(10)	-	(8)	
Other	(7)	(6)	(1)	0	-	-	-	-	+1	
Segment Profit	(39)	311	18	382	(155)	148	60	-	+41	
Adjustments	36	11	17	(5)	11	4	(57)	-	(74)	
Operating Profit	(2)	323	35	377	(143)	153	2	-	(32)	
Digital Marketing Business	(10.9%)	6.9%	1.9%	19.7%	2.1%	4.9%	(17.0%)	-	(18.9%)	
IT Infrastructure Business	(0.0%)	10.4%	0.5%	10.6%	(7.0%)	5.4%	6.8%	-	+6.3%	
CVC Business	-	-	7.1%	-	-	-	13.5%	-	+6.5%	
Overseas Business	41.6%	(43.1%)	(7.1%)	(21.1%)	(82.6%)	(94.3%)	(93.3%)	-	(86.2%)	
Other	(290.4%)	(656.6%)	(382.4%)	77.5%	-	-	-	-	-	
Operating Profit Margin	(0.1%)	9.6%	1.2%	10.7%	(5.2%)	4.8%	0.1%	-	(1.1%)	

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	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Cash and Deposit	2,983	2,855	2,976	3,414	3,457	3,221	2,704	-	(271)	
Accounts Receivables	1,615	1,984	1,671	2,079	1,588	1,855	1,842	-	+171	
Inventory	131	112	143	203	203	152	195	-	+51	
Other	487	523	395	489	352	488	598	-	+202	
Current Assets	5,218	5,476	5,186	6,187	5,602	5,717	5,341	-	+154	
Tangible Assets	124	118	111	113	112	111	110	-	(1)	
Intangible Assets	476	503	502	360	410	530	656	-	+153	
Investments and Other Assets	1,437	1,420	1,372	1,249	1,371	1,362	1,290	-	(81)	
Fixed Assets	2,038	2,043	1,986	1,723	1,894	2,004	2,058	-	+71	
Total Assets	7,256	7,519	7,173	7,910	7,497	7,722	7,399	-	+225	
Accounts Payables	685	725	684	763	514	659	724	-	+40	
Short Term Debt	466	466	466	600	675	617	558	-	+91	
Other	879	999	837	1,281	981	1,125	1,025	-	+188	
Current Liabilities	2,031	2,191	1,988	2,644	2,172	2,401	2,308	-	+320	
Long Term Debt	626	498	373	512	646	509	376	-	+3	
Other	70	77	83	52	76	89	75	-	(8)	
Fixed Liabilities	697	575	457	564	722	598	451	-	(5)	
Total Liabilities	2,728	2,767	2,445	3,208	2,894	3,000	2,760	-	+314	
Shareholders' Equity	4,354	4,578	4,569	4,607	4,457	4,552	4,484	-	(85)	
Other	173	172	157	93	144	169	153	-	(3)	
Net Assets	4,528	4,751	4,727	4,701	4,602	4,722	4,638	-	(88)	
Total Liabilities and Net Assets	7,256	7,519	7,173	7,910	7,497	7,722	7,399	-	+225	
Equity Capital	4,528	4,751	4,727	4,701	4,602	4,722	4,638	-	(89)	
Interest Bearing Debt	1,093	965	840	1,112	1,321	1,126	935	-	+94	
Net Debt	(1,889)	(1,890)	(2,135)	(2,302)	(2,136)	(2,094)	(1,769)	-	+366	
Equity Ratio	62.4%	63.2%	65.9%	59.4%	61.4%	61.1%	62.7%	-	-	
Net Debt Equity Ratio	(41.7%)	(39.8%)	(45.2%)	(49.0%)	(46.4%)	(44.4%)	(38.2%)	-	-	
ROE (12 months)	5.0%	5.7%	5.4%	4.7%	3.3%	0.5%	(0.8%)	-	-	
ROA (12 months)	7.1%	7.9%	7.3%	9.6%	8.8%	6.1%	5.9%	-	-	
Quick Ratio	226%	221%	234%	208%	232%	211%	197%	-	-	
Current Ratio	257%	250%	261%	234%	258%	238%	231%	-	-	

Source: Company Data, WRJ Calculation

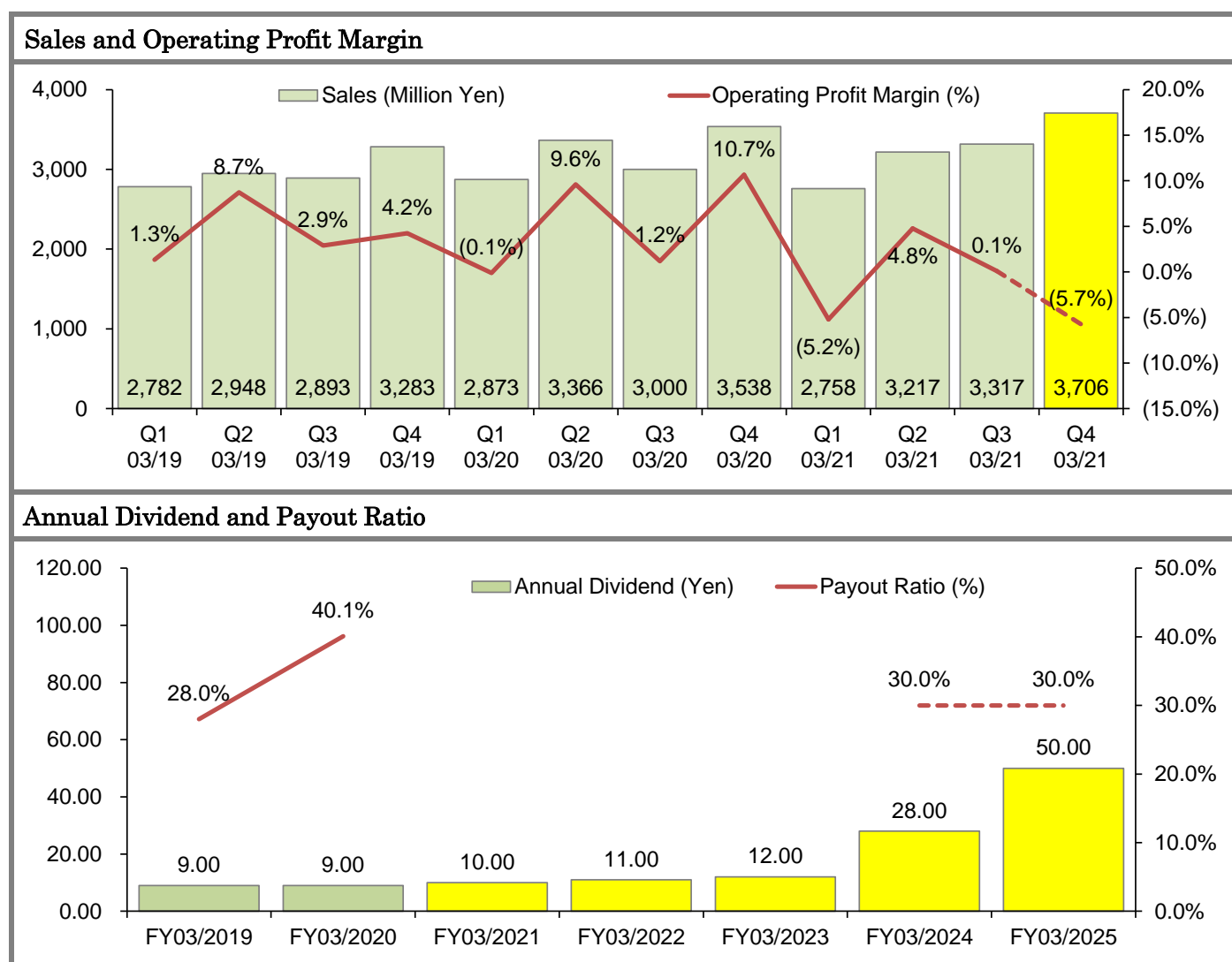
Cash Flow Statement (Cumulative)

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	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Operating Cash Flow	-	49	-	529	-	95	-	-	-	
Investing Cash Flow	-	(178)	-	(234)	-	(262)	-	-	-	
Operating CF and Investing CF	-	(128)	-	294	-	(166)	-	-	-	
Financing Cash Flow	-	(294)	-	(163)	-	(29)	-	-	-	

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.



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

For FY03/2019, the Company paid annual dividend of ¥9.00 per share, implying payout ratio of 28.0%, which was followed by annual dividend of ¥9.00 per share, 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 investments, 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 to increase dividend over the previous year, given a conviction for prospective earnings of NEXT'S 2025 to be met.

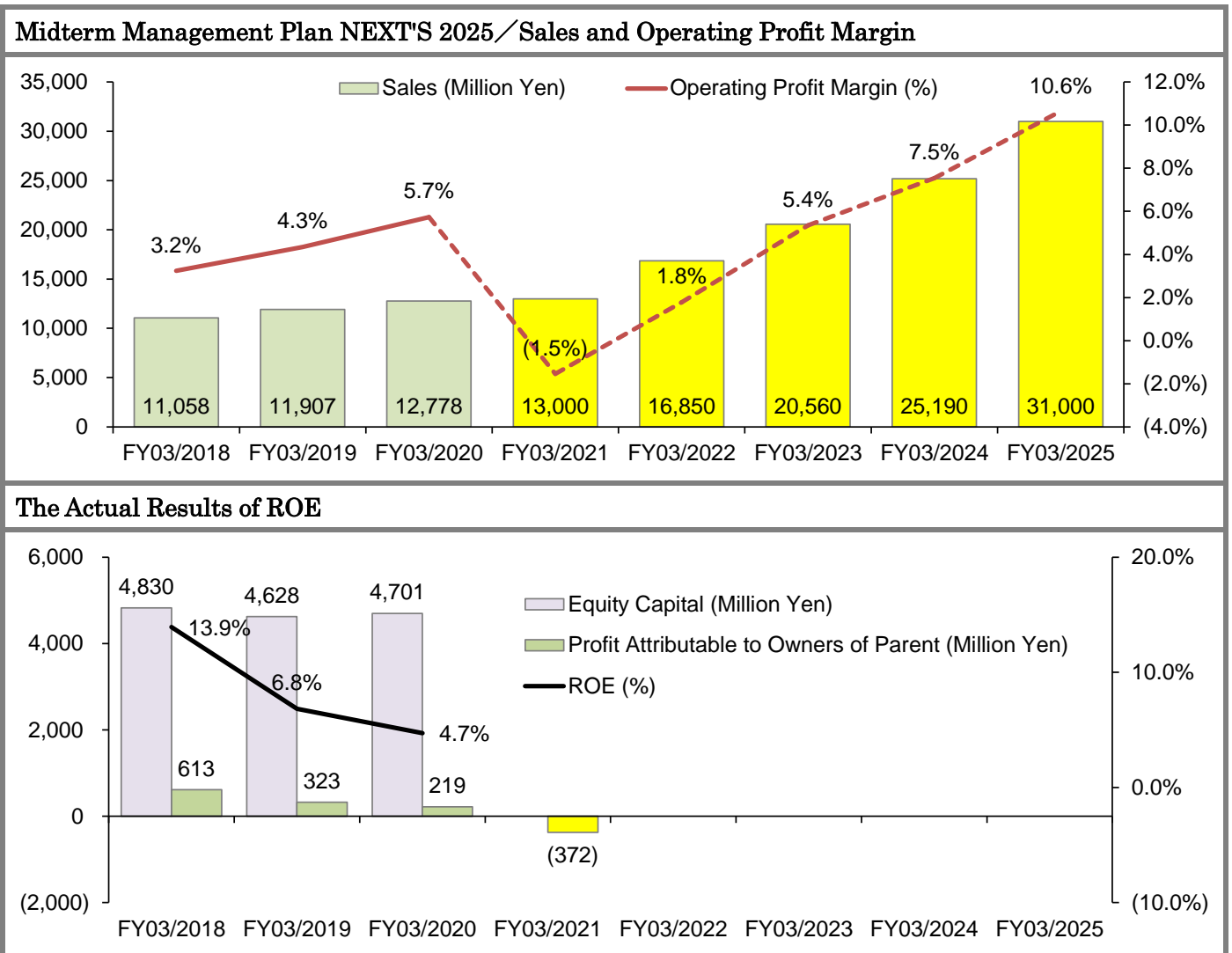
FY03/2021 Company Forecasts and Actual Results

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)
FY03/2021CoE	12-Feb-21	Q3 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	12-Feb-21	Q3 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	12-Feb-21	Q3 Results	7,024	(209)	(231)	(357)
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	-	-	-
Q3 to Q4 FY03/2021CoE	15-May-20	Q4 Results	7,000	140	140	39
Q3 to Q4 FY03/2021CoE	12-Feb-21	Q3 Results	7,024	(209)	(231)	(357)
		Amount of Gap	24	(349)	(371)	(396)
		Rate of Gap	0.3%	-	-	-

Source: Company Data, WRJ Calculation

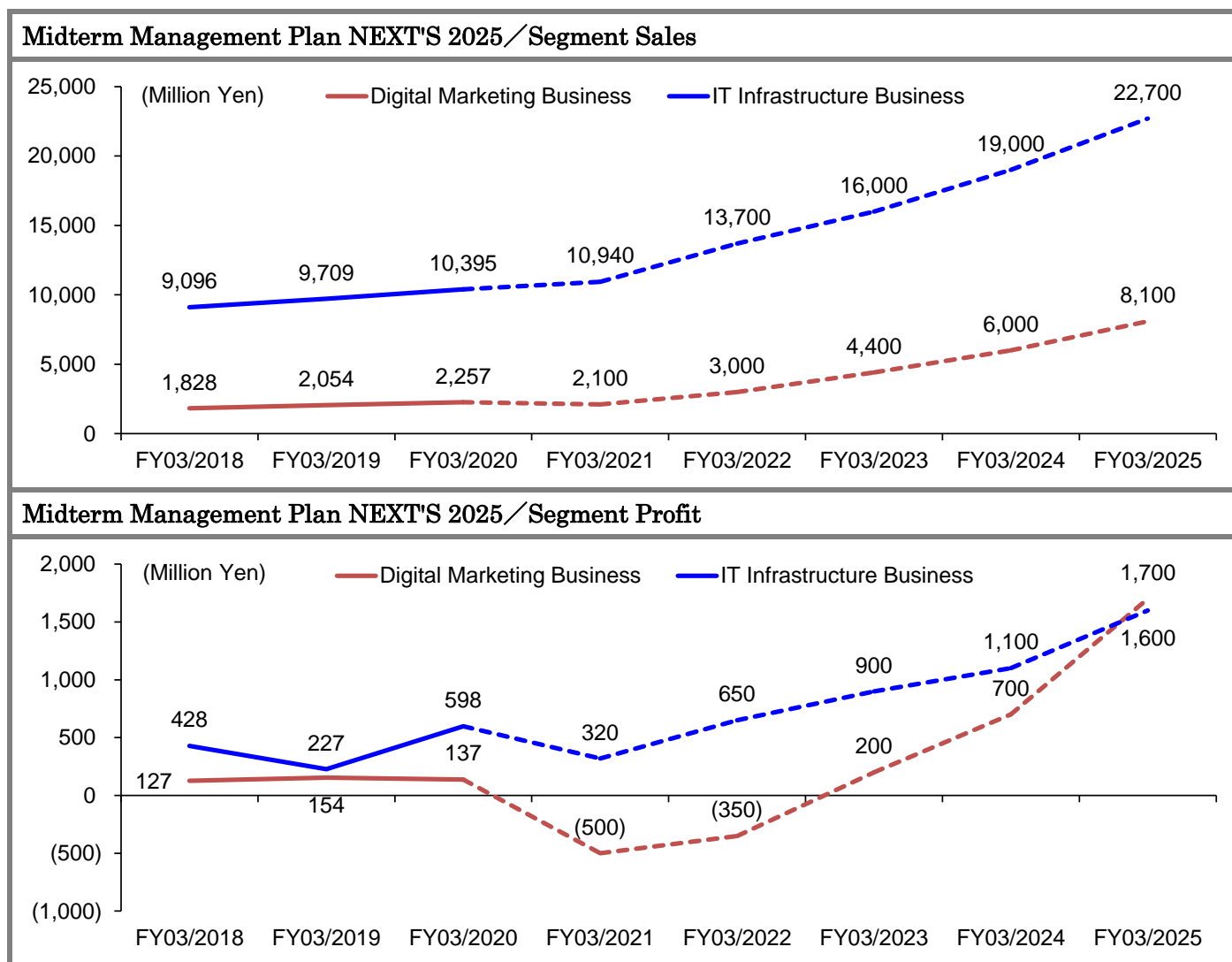
Long-Term Prospects

On 15 May 2020, the Company announced the actual results of FY03/2020 and its 5-year midterm management plan NEXT'S 2025 (FY03/2021 to FY03/2025) at the same time. The Company is calling for prospective sales of ¥31,000m, operating profit of ¥3,300m and operating profit margin of 10.6% in FY03/2025 or the 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.



Source: Company Data, WRJ Calculation

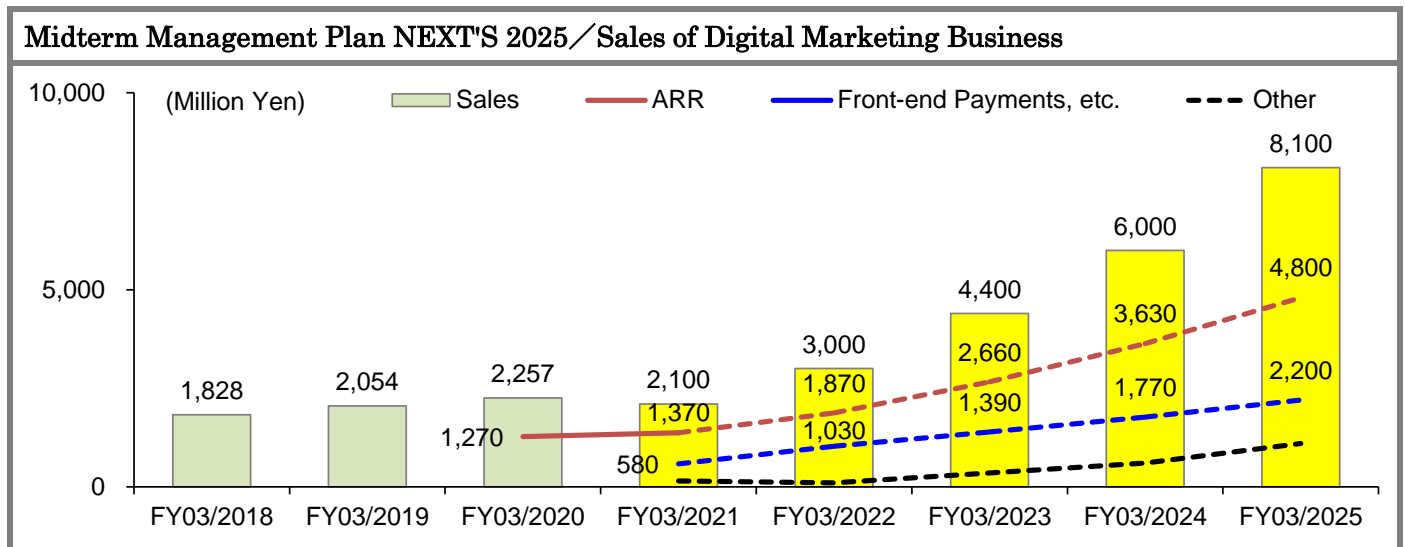
When based on the actual results of FY03/2020, sales are expected to see CAGR of 19.4% and earnings CAGR of 35.1% over the 5-year period leading up to FY03/2025, implying a fast growth. By segment, sales and earnings on the Digital Marketing Business side will grow faster than those of the IT Infrastructure 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 leading up to FY03/2025, the plan is calling for CAGR of 29.1% for sales and 65.3% for earnings on the Digital Marketing Business side versus 16.9% and 21.7%, respectively, on the IT Infrastructure Business side.



Source: Company Data, WRJ Calculation

Digital Marketing Business

Sales on the Digital Marketing Business side are expected to be driven by ARR. When based on the actual results of ¥1,270m in FY03/2020, the Company is calling for CAGR of 30.5% 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 ARR, sales of front-end payments, etc. related to ARR are also expected to perform in the same manner. Furthermore, sales of Other stemming from domains not directly related to ARR are expected to benefit from take-off of new business, etc. toward FY03/2025, which is expected to become another driver for segment sales.



Source: Company Data, WRJ Calculation

IT Infrastructure Business

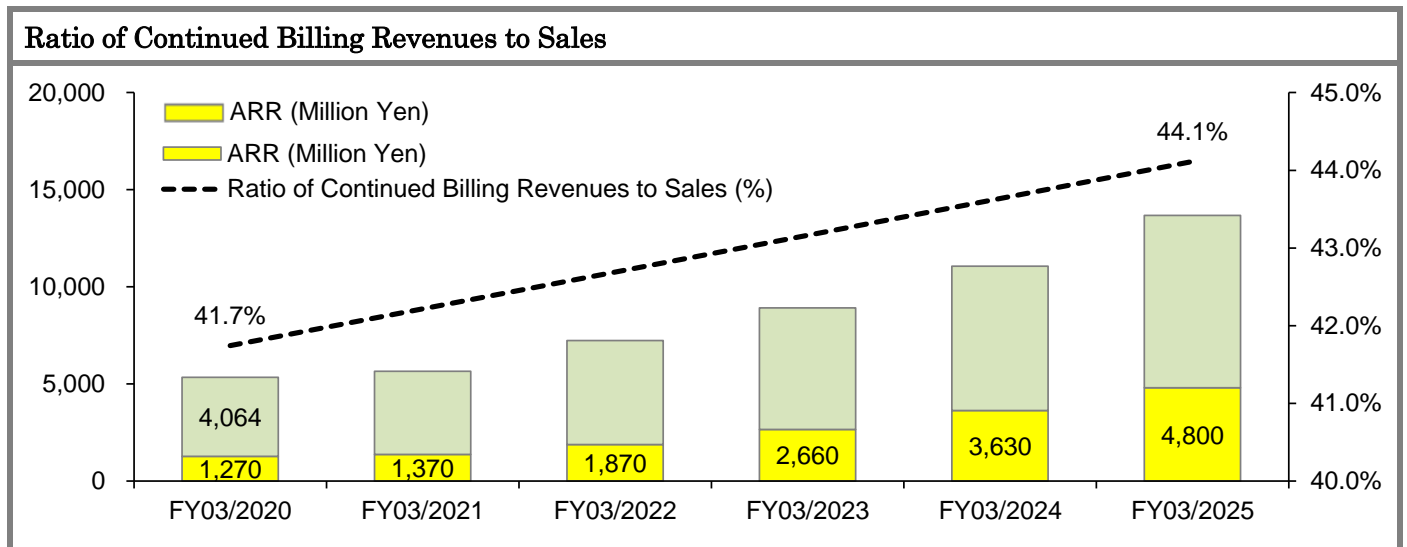
In order to beef up sales on the IT Infrastructure Business side, the Company is keen on raising the main KPIs, i.e., the number of client companies generating recurring fee revenues, the number of client companies taking advantage of cross-selling and sales per account executive, which is expected to help the Company to achieve the performance target of NEXT'S 2025. With respect to sales per account executive, FY03/2021 Company forecasts are going for ¥43.8m versus ¥51.9m for prospects in FY03/2025, which is expected to drive sales and earnings as a whole for this segment in particular.

In order to raise sales per account executive, the Company is to expand the range of merchandises to deal with and/or services to provide 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 for acquisitions of business to succeed client companies of small trades 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 Revenues to Sales to Rise

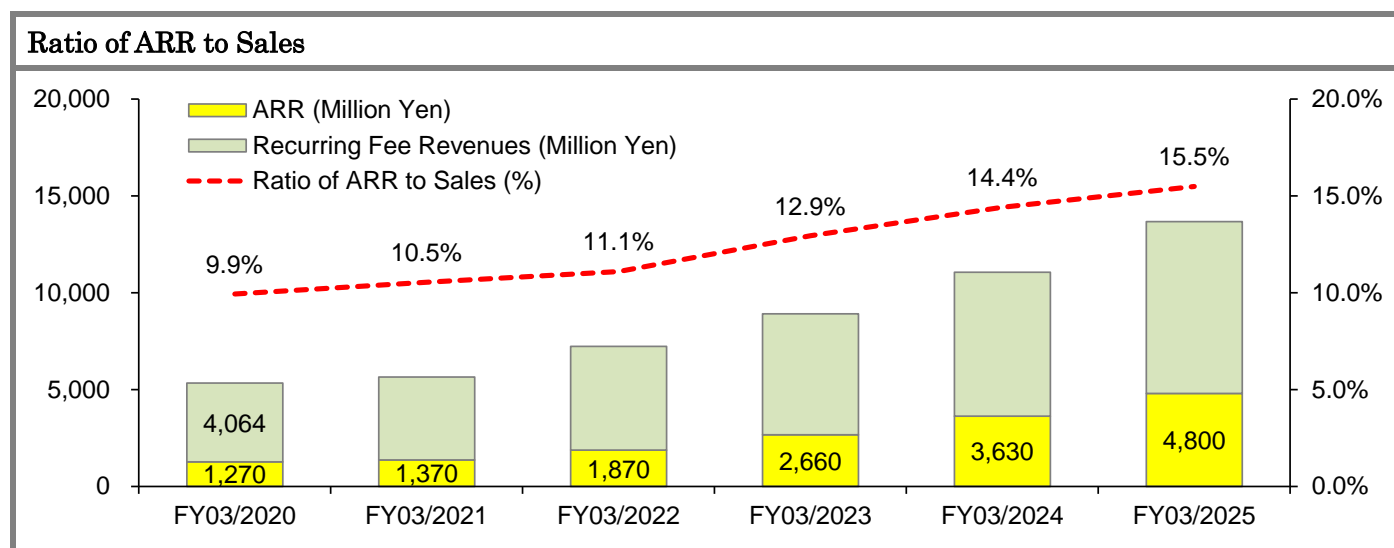
When the Company transitioned to a holding company structure in April 2018, the plan was revealed to set it as the basic growth model that the Company was to cultivate operations on the Digital Marketing Business side, taking advantage of earnings on the IT Infrastructure Business side. Most recently, the Company places the utmost emphasis on expanding continued billing revenues (ARR) related to Cloud CIRCUS, while the Company is exposed to continued billing revenues (recurring fee revenues) also on the IT Infrastructure Business side at the same time. For the actual results in FY03/2020, the Company has disclosed the absolute amounts of both. Ratio of continued billing revenues to sales stands at 41.7% for the Company, when we simply add up both and compare with sales as a whole for the Company.



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 revenues during the period of midterm management plan NEXT'S 2025. The outlook for prospective ARR is disclosed, but the outlook for prospective recurring fee revenues is not disclosed. Still, the outlook for prospective 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 recurring fee revenues, while assuming that ratio of continued billing revenues to sales will rise linearly through FY03/2020 to FY03/2025.

In the first place, the Company, which has been developing its operations principally on the IT Infrastructure Business side for earnings, 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, ARR has remained insignificant to date, when compared with sales as a whole for the Company. However, when recurring fee revenues are added, it is estimated that the Company is heavily involved with continued billing revenues. More importantly, it appears that the Company is going for a situation that ARR will grow faster than recurring fee revenues. Thus, the Company is to become a SaaS company based on ARR for earnings from a long-term perspective.



Source: Company Data, WRJ Calculation

Based on the Company's disclosure, ARR accounted for 9.9% of sales as a whole for the Company (ratio of ARR to Sales) in the actual results of FY03/2020. Meanwhile, midterm management plan NEXT'S 2025 assumes ratio of ARR to sales of 15.5% (up 5.5% points from FY03/2020) for FY03/2025, implying that increases in ARR will drive continued billing revenues as a whole for the Company. Compared with so-called major SaaS companies whose ARR exceeds ¥10,000m, the size of ARR for the Company appears to remain rather limited even for FY03/2025. However, midterm management plan NEXT'S 2025 assumes CAGR of 30.5% as mentioned earlier. In other words, the prospective growth rate for ARR may favorably compare with all those major SaaS companies.

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	YoY Net Chg.
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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Digital Marketing Business	-	-	1,828	2,054	2,257	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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
No. of Shares FY End (thousand shares)	10,240	10,240	10,240	10,240	10,240	-	-
Earnings/ EPS (thousand shares)	10,195	10,193	10,101	10,060	9,797	-	-
Treasury Shares FY End (thousand shares)	44	139	139	475	409	-	-
Earnings per Share	24.82	0.58	60.74	32.15	22.45	(37.97)	-
Earnings per Share (fully diluted)	24.41	-	-	-	-	-	-
Book Value per Share	400.57	393.04	478.21	473.95	478.24	-	-
Dividend per Share	9.00	9.00	12.00	9.00	9.00	10.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
FY	FY	FY	FY	FY	FY	FY	YoY
03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.	
Share Split Factor	1	1	1	1	1	1	-
Earnings per Share	24.82	0.58	60.74	32.15	22.45	(37.97)	-
Book Value per Share	400.57	393.04	478.21	473.95	478.24	-	-
Dividend per Share	9.00	9.00	12.00	9.00	9.00	10.00	-
Payout Ratio	36.3%	1,551.7%	19.8%	28.0%	40.1%	-	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Cash and Deposit	2,638	2,221	3,718	3,293	3,414	-	-
Accounts Receivables	1,597	1,772	1,684	1,918	2,079	-	-
Inventory	66	89	104	106	203	-	-
Other	398	416	420	801	489	-	-
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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Operating Cash Flow	366	155	846	194	529	-	-
Investing Cash Flow	(762)	(165)	401	(537)	(234)	-	-
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, telecom-net 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 uses its track records to support developments of digital transformation (DX) at client companies. In terms of Growth, the Company aims at long-term and consistent growth in MRR or ARR, which is the key feature with them, on the Digital Marketing Business side, while pursuing growth on the IT Infrastructure Business side in the form of allocating resources on promotions on both recurring fee revenues and outright sale.

Company History

Date	Contents of Transitions
February 1996	Established telecom-net 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 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.

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