

## 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)
FY03/2020		12,778	732	771	219	22.45	9.00	478.24
FY03/2021		13,324	21	70	(130)	(13.25)	10.00	463.06
FY03/2022CoE		14,750	150	150	50	5.07	11.00	-
FY03/2021	YoY	4.3%	(97.0%)	(90.9%)	-	-	-	-
FY03/2022CoE	YoY	10.7%	591.9%	113.4%	-	-	-	-
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 FY03/2021		5,976	9	31	(15)	-	-	-
Q3 to Q4 FY03/2021		7,348	11	38	(115)	-	-	-
Q1 to Q2 FY03/2022CoE		7,117	(200)	(200)	(130)	-	-	-
Q3 to Q4 FY03/2022CoE		7,633	350	350	180	-	-	-
Q1 to Q2 FY03/2022CoE	YoY	19.1%	-	-	-	-	-	-
Q3 to Q4 FY03/2022CoE	YoY	3.9%	-	813.5%	-	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (28 June 2021)


#### Growth Rate of 30%

Startia Holdings, making progress in its measure to become a SaaS company, saw growth rate of some 30% in ARR related to its Cloud CIRCUS for FY03/2021, the first year of midterm management plan NEXT'S 2025 (FY03/2021 to FY03/2025), while being likely to see the same sort of growth rate from a long-term perspective. Cloud CIRCUS is an integrated marketing service that supports earnings growth at client companies by optimizing information held by client companies using a variety of SaaS tools (products) developed by the Company. For FY03/2021, the Company saw earnings declining due mainly to a factor that upfront spending was incurred on a full-fledged basis in order to ensure long-term growth of ARR. More importantly, however, Company forecasts are going for earnings improving for FY03/2022. Upfront spending is expected to get ever larger, but it is expected to be more than compensated for by the impacts stemming from further growth of ARR. Meanwhile, midterm management plan NEXT'S 2025 is calling for prospective sales of ¥31,000m and operating profit of ¥3,300m for FY03/2025, the final year of the plan. Based on the actual results of FY03/2020, the plan is calling for CAGR of 19.4% for prospective sales and 35.1% for operating profit during 5-year period up to FY03/2025. The Company is expected to achieve sustained high growth and improved profitability through steady progress in its measure to become a SaaS company.

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

## 2.0 Company Profile

### Humanly Dealing with Cutting Edge Technology

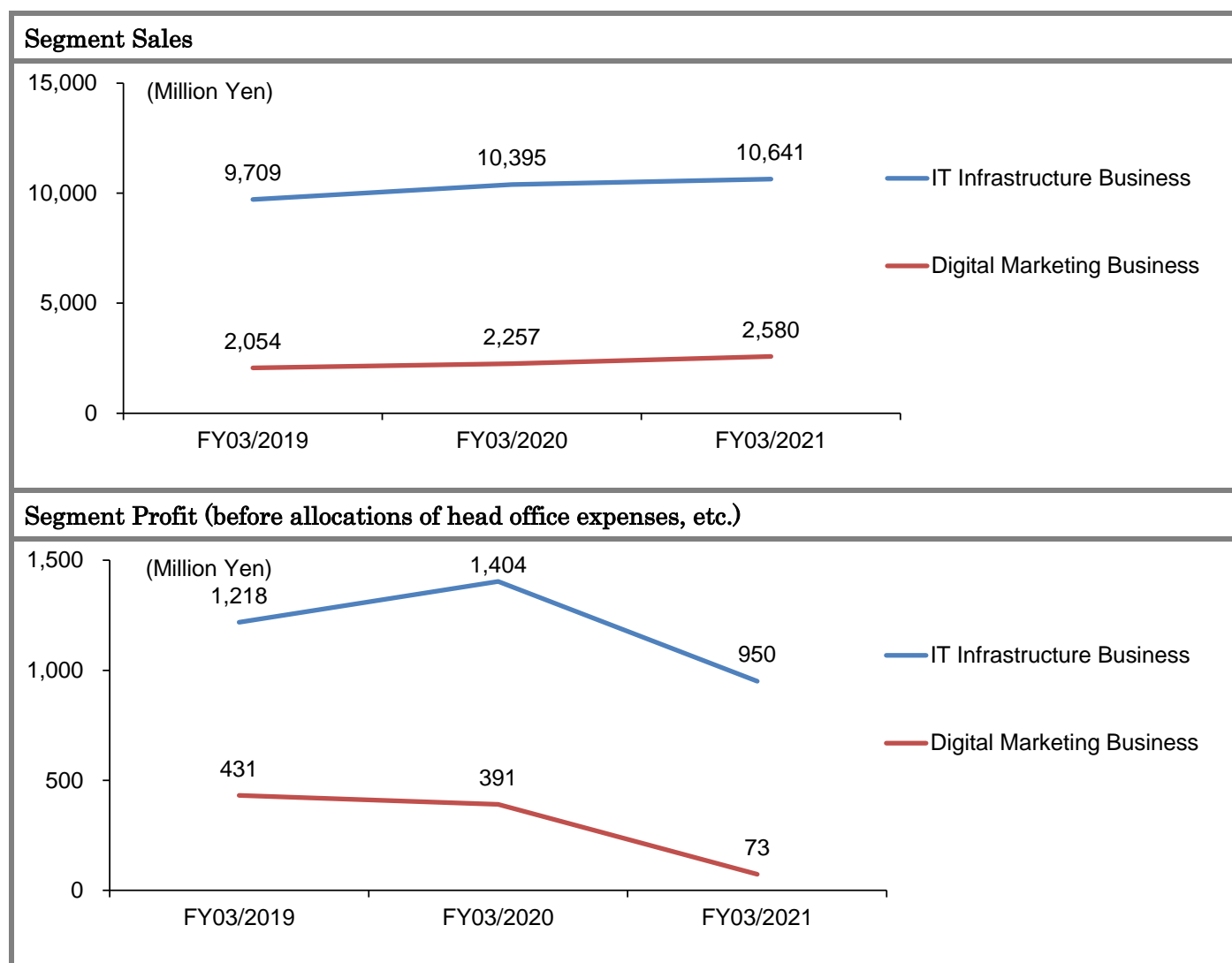
<b>Company Name</b>	Startia Holdings, Inc. <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share price (Japanese)</a>	
<b>Established</b>	21 February 1996	
<b>Listing</b>	28 February 2014: Tokyo Stock Exchange 1st section (ticker: 3393) 20 December 2005: Tokyo Stock Exchange Mothers	
<b>Capital</b>	¥824m (as of the end of March 2021)	
<b>No. of Shares</b>	10,240,400 shares, including 82 treasury shares (as of the end of March 2021, the number of treasury shares: after excluding 355,500 shares held by trust account related to Board Benefit Trust)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Upfront spending to drive ARR of Cloud CIRCUS to grow fast</li> <li>● Propelling changeover from outright sale to continued billing</li> <li>● Long-term growth also for IT infrastructure building for smaller business</li> </ul>	
<b>Segments</b>	I . Digital Marketing Business II . IT Infrastructure Business III. CVC Business IV. Overseas Business	
<b>Representative</b>	Representative Director, President and Group CEO: Hideyuki Hongo	
<b>Shareholders</b>	Hideyuki Hongo 40.38%, Hikari Tsushin 6.62%, Akira Saiga 4.88%, JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY 4.83%, Custody Bank of Japan, TrustE 3.47% (as of the end of March 2021, but for treasury shares)	
<b>Head Office</b>	Shinjuku-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 708, Unconsolidated: 41 (as of the end of March 2021)	

Source: Company Data

## 3.0 Recent Trading and Prospects

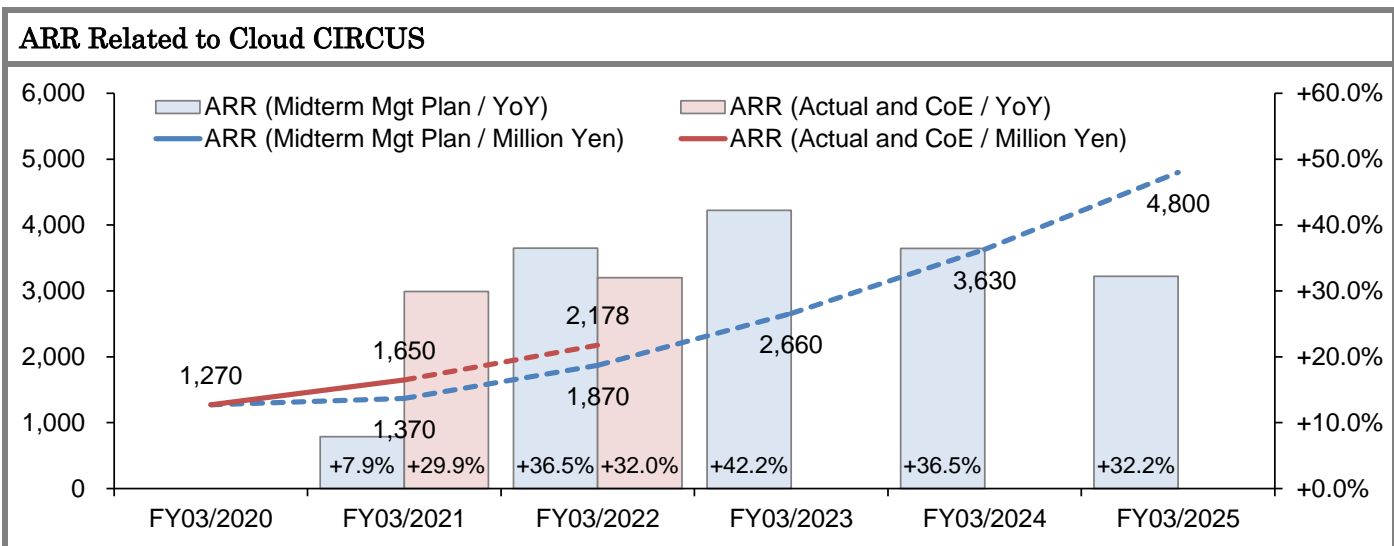
### FY03/2021

In FY03/2021, sales came in at ¥13,324m (up 4.3% YoY), operating profit ¥21m (down 97.0%), recurring profit ¥70m (down 90.9%) and profit attributable to owners of parent minus ¥130m (versus ¥219m in the previous year), while operating profit margin 0.2% (down 5.6% points). Compared with assumptions of initial Company forecasts (announced on 15 May 2020), sales were better by ¥324m (2.5%) and operating profit by ¥221m.



Source: Company Data, WRJ Calculation

By segment (segment profit: before allocations of head office expenses, etc.), Digital Marketing Business saw segment sales of ¥2,580m (up 14.3%), segment profit of ¥73m (down 81.2%) and segment profit margin of 2.8% (down 14.5% points), while IT Infrastructure Business saw segment sales of ¥10,641m (up 2.4%), segment profit of ¥950m (down 32.4%) and segment profit margin of 8.9% (down 4.6% points).



Source: Company Data, WRJ Calculation

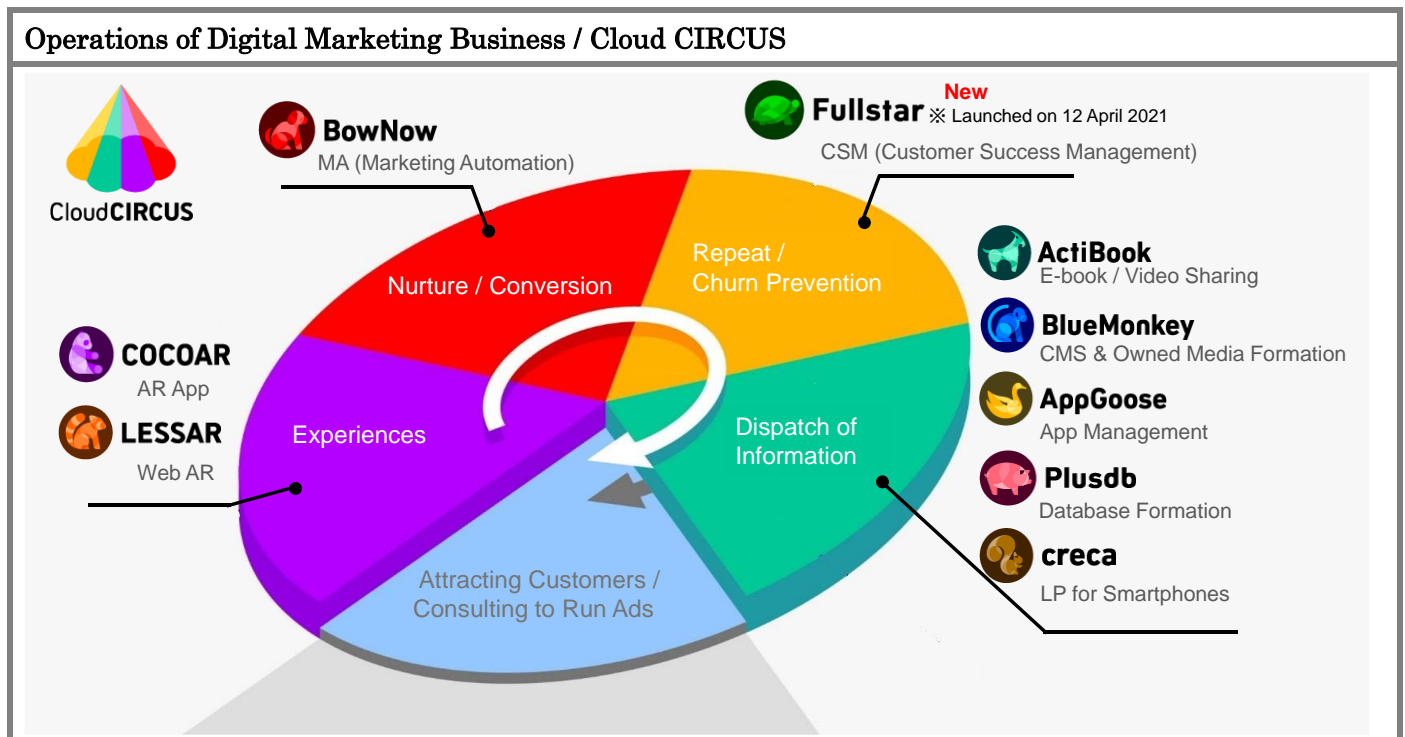
Midterm management plan NEXT'S 2025 (FY03/2021 to FY03/2025) assumes prospective ARR (= fiscal yearend MRR × 12) of ¥4,800m for FY03/2025, the final year. Based on the actual results of ¥1,270m in FY03/2020, the plan assumes CAGR of 30.5% during the same period. For FY03/2021, the first year of the plan, upfront spending (aggressive spending on advertising and development) has begun in earnest to ensure the high growth expected here from a long-term perspective, having resulted in a major correction in segment profit over the previous year on the Digital Marketing Business side. More importantly, however, the Company saw growth rate of 29.9% (up to ¥1,650m) for ARR, having exceeded initial assumptions, i.e., growth rate of 7.9% (up to ¥1,370m) by 20.4% in absolute amount. Given this overshoot, prospective ARR for FY03/2022 has been revised up to ¥2,178m (up 32.0% YoY) from ¥1,870m, i.e., by 16.5% in absolute amount.

According to Hideyuki Hongo, representative director and president, the impacts stemming from COVID-19 inevitably led to delayed deliveries and constraint sales activities on the IT Infrastructure Business side, but to digital transformation (DX) at client companies and prospects being advanced at the same time on the Digital Marketing Business side, having resulted in above-mentioned overshoot of ARR, e.g., due to ongoing shift to telework and an increase in web-based meetings. On top of this, it is implied that the Company saw order intake also larger than expected for consigned development projects related to Cloud CIRCUS.

For FY03/2021, the 25th year since its establishment, the Company has launched the first [TV commercial](#) to promote Cloud CIRCUS, which is raised as a major topic. Until then, the Company used to run only web-based advertising such as that of SNS, while it has come to a point to confirm the effectiveness of TV commercial. In conjunction with this, advertising expenses increased significantly, but the development was made more efficiently than expected, having curtailed the spending on advertising, when compared with assumptions of Company forecasts. Meanwhile, on the IT Infrastructure Business side, the Company suggests that BiziSUKU Denki, representing a service to supply electricity as retail electricity provider (launched in May 2020), saw gross profit of minus ¥167m. Because of unexpected increase in electricity procurement costs, the Company saw expenses larger than expected and thus earnings smaller by the amount corresponding to this increase. Still, this was more than compensated for by above-mentioned shortfall in advertising expenses, etc., having resulted in earnings as a whole for the Company better than expected.

## Digital Marketing Business

On the Digital Marketing Business side, sales related to Cloud CIRCUS accounted for 93.2% of total for FY03/2021. Cloud CIRCUS is an integrated marketing service that supports earnings growth at client companies by optimizing information held by client companies using a variety of SaaS tools (products) developed by the Company. More specifically, it is defined as a service that provides solutions in a total of 5 domains, through 10 types of products and other means, such as Dispatch of Information which is an issue for client companies (mainly smaller business) when cultivating their new customers. The Company's service here is characterized by such a variety of domains to be involved with as trades have tendency to focus on some specific domains in providing their services, according to the Company. At the same time, the Company advocates that Cloud CIRCUS is "a mechanism to increase customers so easily" with its slogan.

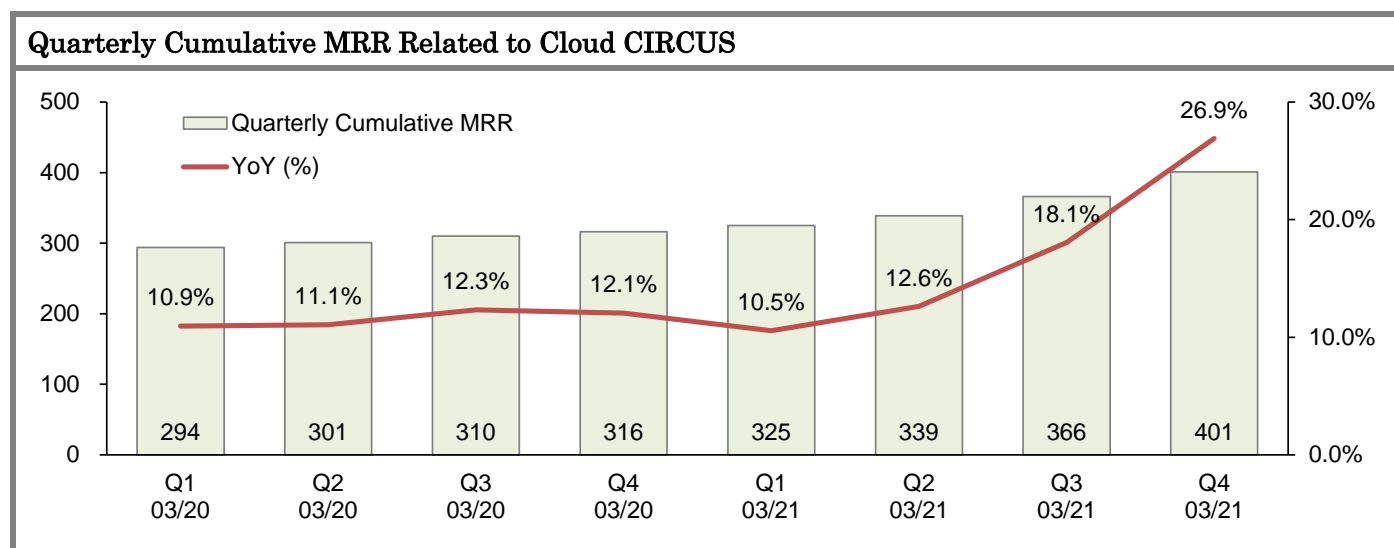


Source: Company Data

For Dispatch of Information, the Company provides ActiBook (e-book / video sharing), 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 tool) is cited as product for Nurture / Conversion (cultivation of prospects and conversion to customers). For Repeat / Churn Prevention, the Company has started providing Fullstar (CSM: Customer Success Management) since 12 April 2021, which is expected to enhance the Company's strategy of cross-selling.

On top of this, the Company is also involved with attracting customers and/or consulting to run ads, actively encouraging digital transformation (DX) at client companies in conjunction with provision of above-mentioned products. Meanwhile, with respect to chatbot service LAMPCHAT acquired by business transfer in January 2021, the Company had completed development to set up linkage with platform of Cloud CIRCUS, having been launched as IZANAI on 7 June 2021, which is expected to promote sales associated with "B2C client companies" in particular.

With respect to BowNow (marketing automation tool), i.e., one of the mainstay products, the Company has seen its adoptions by more than 6,000 companies to date, while being the number one provider in Japan out of all the Japanese providers. Meanwhile, the Company has seen adoptions by more than 2,400 companies for COCOAR (AR app), by more than 6,700 companies for ActiBook (e-book / video sharing) and by more than 1,700 for BlueMonkey (CMS & owned media formation), implying that the Company's mainstay products have been adopted by so 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

For FY03/2021, stock sales, being booked by continued billing, came in at ¥1,608m (up 15.4%) and flow sales, being booked by outright sale, came in at ¥972m (up 12.6%). Meanwhile, as of the end of the fiscal year, the number of licenses for each product stood at 4,775 (up 8.8%), the number of cross-selling client companies (using more than one product) stood at 747 (up 23.7%) and ARPU came in at ¥40,000 (up 21.2%) as a whole and ¥94,000 (up 23.7%) only for cross-selling client companies. The Company suggests that churn rate has remained limited at some 1% across the board, although the impacts stemming from COVID-19 were substantial at some client companies.

In Q1 and Q2, the number of licenses for each product rather slumped, following the impacts stemming from COVID-19, but it appears that the steady rise over the same period of the previous year started and accelerated for H2. On top of this, as the Company's sales promotion measures have started to bear fruit, cumulative MRR, i.e., contents of stock sales, came in at ¥401m (up 26.9%) for Q4, implying accelerating growth rate over the same period of the previous year on a time-oriented basis.

The essence of the Company's sales promotion measures is to realize growth by cross-selling or increase in ARPU. Beginning with the provision of products free of charge through the proposal of freemium plan, the Company is placing the top priority on developing cross-selling (recommending related products) to client companies that have passed through paid service and up-selling (recommending products with higher prices). In light of the trends of above-mentioned KPI, it can be confirmed that the Company's sales promotion measures here are currently being successful.

On 20 May 2021, the Company announced that it had begun implementing new measures for growth through further enhancing cross-selling. The Company launched a system that integrates the IDs of 10 types of products that form the base for providing service related to Cloud CIRCUS in order to strengthen linkage amongst each product. The management screen of this system introduces the products that can be used in freemium plan (8 out of 10 types), providing client companies with a mechanism to start up using products free of charge on top of the paid products. According to the Company, when using this mechanism, it is only necessary to simply click the specified button on the management screen.

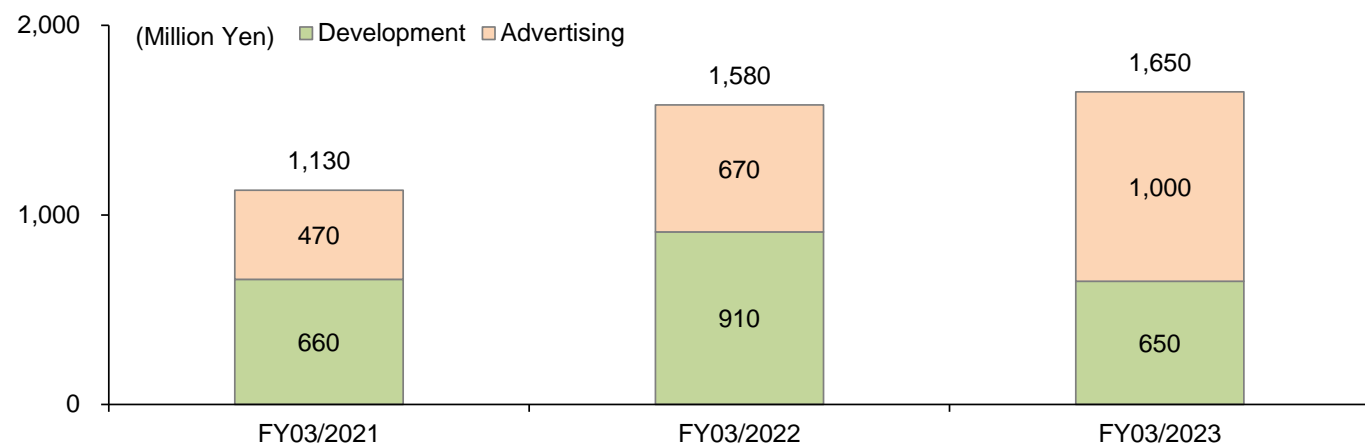
So far, it has been the case that IDs were set for each unique product and proposals for adoptions of freemium plan were made basically through intervention of sales representatives, while the launch of this system made it unnecessary for sales representatives to intervene and the said proposals are being made more efficiently than before, according to the Company. That is to say, it is suggested to incur expenses smaller than before, while the number of adoptions of freemium plan is likely to increase. Thus, such development is expected to accelerate growth driven by cross-selling.

According to the Company, the number of products adopted, including those of freemium plan, stood at as many as more than 20,000 on a cumulative basis as of the end of FY03/2021 versus 4,775 for the number of licenses for each product as mentioned earlier. In light of this, we have an impression that there are good opportunities for them to become being paid for (new acquisitions of client companies) in the future and for development of cross-selling to make progress. Further, as the number of adoptions of freemium plan is now likely to increase as above-mentioned, the said opportunities are now expanding more than before.

Meanwhile, there is an aspect that the Company is trying to efficiently promote sales related to Cloud CIRCUS by means of developing a business division system for each client category. There are some differences in optimal products and/or mix of products for cross-selling from a category to another and the Company is promoting sales in light of the differences here for each client category. To firm trends of ARR for the actual results of FY03/2021, every client category contributed, that of "B2B client companies", accounting for some 60% in sales, in particular.

For "B2B client companies", which has an aspect to have played the most important role to drive sales promotions of Cloud CIRCUS so far in the first place, the Company recognizes further growth in line with enhanced advertising. Strengths are persisting for new acquisitions of client companies and also for cross-selling. Meanwhile, for "B2C client companies", the Company has started to benefit from development and launch of optimal products for this client category after its effort to get ready for establishing a sales system for some time. The same applies to a client category called "partner companies". What are categorized here are mainly those of printing companies and advertising agencies which do not utilize Cloud CIRCUS for own digital marketing but for beefing up that of own clients.

## Midterm Management Plan NEXT'S 2025 / Upfront Spending on the Digital Marketing Business side



Source: Company Data, WRJ Calculation

At the same time, the Company is implementing upfront spending (aggressive spending on advertising and development) aimed at accelerating the growth rate of ARR from a long-term perspective in line with assumptions of midterm management plan NEXT'S 2025. For FY03/2021, the actual results were rather lower for the spending, while the Company is now going for spending rather higher for FY03/2022. The spending in the actual results of FY03/2021 were lower by ¥70m (5.8%), comprising shortfall of ¥40m (5.7%) in development expenses and shortfall of ¥30m (6.0%) in advertising expenses. Meanwhile, upward revision has been made for prospective spending for FY03/2022 by ¥30m (1.9%). With an objective of accelerating the speed of development, the Company is now going for development expenses larger by as much as ¥160m (21.3%) than initially assumed, while prospective advertising expenses have been revised down by ¥130m (16.3%). In light of a factor that the effect of TV commercial was confirmed, the Company now plans to raise efficiency of spending in advertising expenses. Meanwhile, prospects for FY03/2023 have remained unchanged.

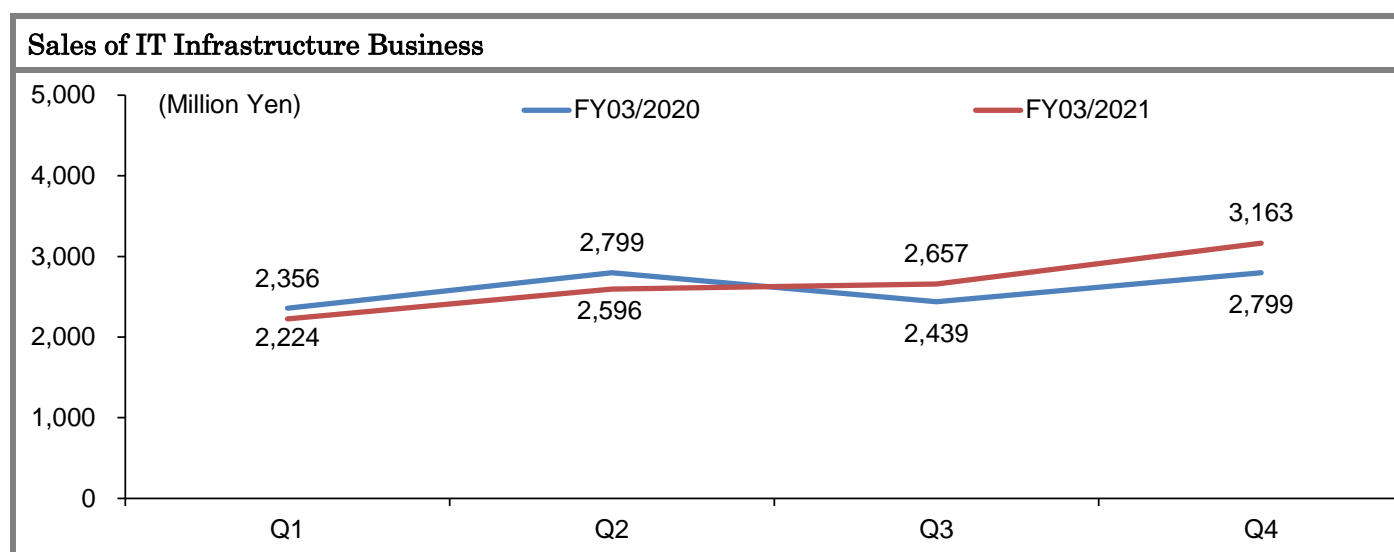
Midterm management plan NEXT'S 2025 assumes that the Company will "actively spend to accelerate growth" in the initial three years (FY03/2021 to FY03/2023), which is positioned as a phase for "aiming to shift to a high-growth model" for earnings. In particular, a major feature of this is that the spending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



Meanwhile, the Company has also announced its policy of pursuing cross-selling between segments, i.e., Digital Marketing Business and IT Infrastructure Business. Both segments have so-called smaller business as the key customer base, but the Company is exposed to smaller business relatively larger on the Digital Marketing Business side, while being exposed to smaller business relatively smaller on the IT Infrastructure side, having resulted in no cross-selling between the two segments so far, according to the Company. The Company is now heading for the development of cross-selling here from the beginning of FY03/2022 with a target to create contribution more than a certain extent for FY03/2025, the final year of midterm management plan NEXT'S 2025. In particular, the Company is looking to progress of cross-selling to provide customer base on the IT Infrastructure side (the number of client companies being more than 25,000) with Cloud CIRCUS, while having started up sales promotions through local sales agencies in Vietnam as the first step to enter into markets in Asia for Cloud CIRCUS.

## 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 being more than 25,000), 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

For FY03/2021, stock sales, being booked by continued billing, came in at ¥4,382m (up 7.8%) and flow sales, being booked by outright sale, came in at ¥6,259m (down 1.1%). Meanwhile, the number of client companies on a continued billing contract basis came in at 17,723 (up 3.0%), the number of client companies using a number of merchandises came in at 8,425 (up 9.1%) and sales per sales representative came in at ¥54.8m (down 0.9%). It appears that the Company has been successful in its focus on stock sales, but it also appears that the impacts stemming from COVID-19 were inevitably large for flow sales in a respect that door-to-door sales have been a key factor in expanding sales here. As a result of this, sales per sales representative, the most important KPI in midterm management plan NEXT'S 2025 on the IT Infrastructure Business side, has been sluggish. More importantly, however, it appears that the impacts stemming from COVID-19 have been declining over time in light of quarterly trends in segment sales, Segment sales for Q1 and Q2 were forced to decline over the same period of the previous year, which was followed by increase for Q3 and the same applied to segment sales for Q4.

## 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	324	221	270	242
		Rate of Gap	2.5%	-	-	-
FY03/2021CoE	15-May-20	Q4 Results	13,000	(200)	(200)	(372)
FY03/2021Act	14-May-21	Q4 Results	13,324	21	70	(130)
		Amount of Gap	324	221	270	242
		Rate of Gap	2.5%	-	-	-
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)
Q3 to Q4 FY03/2021Act	14-May-21	Q4 Results	7,348	12	39	(115)
		Amount of Gap	324	221	270	242
		Rate of Gap	4.6%	-	-	-
Q3 to Q4 FY03/2021CoE	15-May-20	Q4 Results	7,000	140	140	39
Q3 to Q4 FY03/2021Act	14-May-21	Q4 Results	7,348	12	39	(115)
		Amount of Gap	348	(128)	(101)	(154)
		Rate of Gap	5.0%	(91.4%)	(72.1%)	-

Source: Company Data, WRJ Calculation

## 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.
<b>Sales</b>	<b>2,873</b>	<b>6,240</b>	<b>9,240</b>	<b>12,778</b>	<b>2,758</b>	<b>5,976</b>	<b>9,293</b>	<b>13,324</b>		<b>+546</b>
Cost of Sales	1,641	3,469	5,168	7,062	1,597	3,324	5,147	7,508		+445
Gross Profit	1,232	2,770	4,071	5,715	1,160	2,651	4,145	5,816		+100
SG&A Expenses	1,235	2,450	3,716	4,982	1,304	2,641	4,132	5,794		+811
<b>Operating Profit</b>	<b>(2)</b>	<b>320</b>	<b>355</b>	<b>732</b>	<b>(143)</b>	<b>9</b>	<b>12</b>	<b>21</b>		<b>(711)</b>
Non Operating Balance	(9)	15	27	38	11	22	28	48		+10
<b>Recurring Profit</b>	<b>(12)</b>	<b>335</b>	<b>383</b>	<b>771</b>	<b>(132)</b>	<b>31</b>	<b>40</b>	<b>70</b>		<b>(701)</b>
Extraordinary Balance	-	2	2	(111)	(10)	(13)	(1)	(8)		+103
Profit before Income Taxes	(12)	338	385	659	(142)	18	39	62		(597)
Total Income Taxes	20	159	193	441	(42)	34	102	192		(248)
NP Belonging to Non-Controlling SHs	(1)	(1)	(1)	(1)	-	-	-	-		+1
<b>Profit Attributable to Owners of Parent</b>	<b>(31)</b>	<b>180</b>	<b>193</b>	<b>219</b>	<b>(100)</b>	<b>(15)</b>	<b>(63)</b>	<b>(130)</b>		<b>(350)</b>
Sales YoY	+3.3%	+8.9%	+7.1%	+7.3%	(4.0%)	(4.2%)	+0.6%	+4.3%		-
Operating Profit YoY	-	+8.6%	(6.0%)	+41.6%	-	(96.9%)	(96.4%)	(97.0%)		-
Recurring Profit YoY	-	+1.5%	(7.7%)	+34.5%	-	(90.5%)	(89.3%)	(90.9%)		-
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%	43.7%		(1.1%)
Sales to SG&A Expenses Ratio	43.0%	39.3%	40.2%	39.0%	47.3%	44.2%	44.5%	43.5%		+4.5%
Operating Profit Margin	(0.1%)	5.1%	3.8%	5.7%	(5.2%)	0.2%	0.1%	0.2%		(5.6%)
Recurring Profit Margin	(0.4%)	5.4%	4.1%	6.0%	(4.8%)	0.5%	0.4%	0.5%		(5.5%)
Profit Attributable to Owners of Parent Margin	(1.1%)	2.9%	2.1%	1.7%	(3.6%)	(0.3%)	(0.7%)	(1.0%)		(2.7%)
Total Income Taxes/Profit before Income Taxes	-	47.3%	50.3%	66.9%	-	182.4%	258.4%	310.3%		+243.4%
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.
<b>Sales</b>	<b>2,873</b>	<b>3,366</b>	<b>3,000</b>	<b>3,538</b>	<b>2,758</b>	<b>3,217</b>	<b>3,317</b>	<b>4,031</b>		<b>+493</b>
Cost of Sales	1,641	1,828	1,698	1,894	1,597	1,726	1,823	2,360		+466
Gross Profit	1,232	1,538	1,301	1,643	1,160	1,490	1,493	1,670		+27
SG&A Expenses	1,235	1,214	1,266	1,266	1,304	1,337	1,490	1,662		+395
<b>Operating Profit</b>	<b>(2)</b>	<b>323</b>	<b>35</b>	<b>377</b>	<b>(143)</b>	<b>153</b>	<b>2</b>	<b>8</b>		<b>(368)</b>
Non Operating Balance	(9)	24	12	11	11	10	6	20		+9
<b>Recurring Profit</b>	<b>(12)</b>	<b>347</b>	<b>47</b>	<b>388</b>	<b>(132)</b>	<b>164</b>	<b>8</b>	<b>29</b>		<b>(358)</b>
Extraordinary Balance	-	2	-	(114)	(10)	(3)	12	(7)		+107
Profit before Income Taxes	(12)	350	47	273	(142)	161	21	22		(251)
Total Income Taxes	20	139	34	247	(42)	76	68	89		(157)
NP Belonging to Non-Controlling SHs	(1)	-	-	-	-	-	-	-		-
<b>Profit Attributable to Owners of Parent</b>	<b>(31)</b>	<b>211</b>	<b>13</b>	<b>26</b>	<b>(100)</b>	<b>84</b>	<b>(47)</b>	<b>(67)</b>		<b>(93)</b>
Sales YoY	+3.3%	+14.2%	+3.7%	+7.8%	(4.0%)	(4.4%)	+10.6%	+13.9%		-
Operating Profit YoY	-	+25.4%	(57.7%)	+170.9%	-	(52.4%)	(91.7%)	(97.7%)		-
Recurring Profit YoY	-	+23.7%	(44.0%)	+145.2%	-	(52.7%)	(81.1%)	(92.4%)		-
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%	41.4%		(5.0%)
Sales to SG&A Expenses Ratio	43.0%	36.1%	42.2%	35.8%	47.3%	41.6%	44.9%	41.2%		+5.4%
Operating Profit Margin	(0.1%)	9.6%	1.2%	10.7%	(5.2%)	4.8%	0.1%	0.2%		(10.4%)
Recurring Profit Margin	(0.4%)	10.3%	1.6%	11.0%	(4.8%)	5.1%	0.3%	0.7%		(10.2%)
Profit Attributable to Owners of Parent Margin	(1.1%)	6.3%	0.4%	0.7%	(3.6%)	2.6%	(1.4%)	(1.7%)		(2.4%)
Total Income Taxes/Profit before Income Taxes	-	39.8%	71.8%	90.3%	-	47.5%	326.0%	403.2%		+312.9%

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	2,580		+322
IT Infrastructure Business	2,356	5,156	7,595	10,395	2,224	4,820	7,478	10,641		+246
CVC Business	-	-	0	0	-	-	0	57		+57
Overseas Business	48	73	99	121	13	24	35	43		(77)
Other	2	3	3	4	-	-	-	0		(3)
<b>Sales</b>	<b>2,873</b>	<b>6,240</b>	<b>9,240</b>	<b>12,778</b>	<b>2,758</b>	<b>5,976</b>	<b>9,293</b>	<b>13,324</b>		<b>+546</b>
Digital Marketing Business	(50)	(13)	(3)	137	10	40	(69)	(121)		(259)
IT Infrastructure Business	(1)	291	302	598	(154)	(13)	166	285		(313)
CVC Business	(0)	(0)	(0)	(51)	(0)	(12)	(12)	44		+96
Overseas Business	20	9	7	3	(11)	(21)	(31)	(52)		(55)
Other	(7)	(13)	(14)	(14)	-	-	-	-		+14
<b>Segment Profit</b>	<b>(39)</b>	<b>272</b>	<b>290</b>	<b>673</b>	<b>(155)</b>	<b>(6)</b>	<b>53</b>	<b>157</b>		<b>(516)</b>
Adjustments	36	47	64	59	11	16	(40)	(135)		(194)
<b>Operating Profit</b>	<b>(2)</b>	<b>320</b>	<b>355</b>	<b>732</b>	<b>(143)</b>	<b>9</b>	<b>12</b>	<b>21</b>		<b>(711)</b>
Digital Marketing Business	(10.9%)	(1.4%)	(0.2%)	6.1%	2.1%	3.6%	(3.9%)	(4.7%)		(10.8%)
IT Infrastructure Business	(0.0%)	5.6%	4.0%	5.8%	(7.0%)	(0.3%)	2.2%	2.7%		(3.1%)
CVC Business	-	-	(178.4%)	-	-	-	-	77.7%		-
Overseas Business	41.6%	12.7%	7.5%	2.5%	(82.6%)	(87.8%)	(89.6%)	(119.9%)		(122.4%)
Other	(290.4%)	(398.1%)	(396.8%)	(363.0%)	-	-	-	0.0%		+363.0%
<b>Operating Profit Margin</b>	<b>(0.1%)</b>	<b>5.1%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>(5.2%)</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.2%</b>		<b>(5.6%)</b>

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	802		+85
IT Infrastructure Business	2,356	2,799	2,439	2,799	2,224	2,596	2,657	3,163		+363
CVC Business	-	-	0	-	-	-	0	57		+57
Overseas Business	48	25	25	21	13	10	11	7		(13)
Other	2	1	0	0	-	-	-	0		+0
<b>Sales</b>	<b>2,873</b>	<b>3,366</b>	<b>3,000</b>	<b>3,538</b>	<b>2,758</b>	<b>3,217</b>	<b>3,317</b>	<b>4,031</b>		<b>+493</b>
Digital Marketing Business	(50)	37	9	141	10	30	(109)	(52)		(193)
IT Infrastructure Business	(1)	292	11	296	(154)	141	180	119		(177)
CVC Business	(0)	(0)	0	(51)	(0)	(12)	0	57		+108
Overseas Business	20	(10)	(1)	(4)	(11)	(10)	(10)	(20)		(15)
Other	(7)	(6)	(1)	0	-	-	-	-		(0)
<b>Segment Profit</b>	<b>(39)</b>	<b>311</b>	<b>18</b>	<b>382</b>	<b>(155)</b>	<b>148</b>	<b>60</b>	<b>103</b>		<b>(278)</b>
Adjustments	36	11	17	(5)	11	4	(57)	(94)		(89)
<b>Operating Profit</b>	<b>(2)</b>	<b>323</b>	<b>35</b>	<b>377</b>	<b>(143)</b>	<b>153</b>	<b>2</b>	<b>8</b>		<b>(368)</b>
Digital Marketing Business	(10.9%)	6.9%	1.9%	19.7%	2.1%	4.9%	(17.0%)	(6.5%)		(26.3%)
IT Infrastructure Business	(0.0%)	10.4%	0.5%	10.6%	(7.0%)	5.4%	6.8%	3.8%		(6.8%)
CVC Business	-	-	7.1%	-	-	-	13.5%	99.6%		-
Overseas Business	41.6%	(43.1%)	(7.1%)	(21.1%)	(82.6%)	(94.3%)	(93.3%)	(257.0%)		(235.9%)
Other	(290.4%)	(656.6%)	(382.4%)	77.5%	-	-	-	0.0%		(77.5%)
<b>Operating Profit Margin</b>	<b>(0.1%)</b>	<b>9.6%</b>	<b>1.2%</b>	<b>10.7%</b>	<b>(5.2%)</b>	<b>4.8%</b>	<b>0.1%</b>	<b>0.2%</b>		<b>(10.4%)</b>

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	3,245	(169)	
Accounts Receivables	1,615	1,984	1,671	2,079	1,588	1,855	1,842	2,331	+252	
Inventory	131	112	143	203	203	152	195	168	(34)	
Other	487	523	395	489	352	488	598	724	+234	
<b>Current Assets</b>	<b>5,218</b>	<b>5,476</b>	<b>5,186</b>	<b>6,187</b>	<b>5,602</b>	<b>5,717</b>	<b>5,341</b>	<b>6,469</b>	<b>+282</b>	
Tangible Assets	124	118	111	113	112	111	110	137	+24	
Intangible Assets	476	503	502	360	410	530	656	837	+477	
Investments and Other Assets	1,437	1,420	1,372	1,249	1,371	1,362	1,290	1,345	+95	
<b>Fixed Assets</b>	<b>2,038</b>	<b>2,043</b>	<b>1,986</b>	<b>1,723</b>	<b>1,894</b>	<b>2,004</b>	<b>2,058</b>	<b>2,320</b>	<b>+597</b>	
<b>Total Assets</b>	<b>7,256</b>	<b>7,519</b>	<b>7,173</b>	<b>7,910</b>	<b>7,497</b>	<b>7,722</b>	<b>7,399</b>	<b>8,790</b>	<b>+879</b>	
Accounts Payables	685	725	684	763	514	659	724	901	+138	
Short Term Debt	466	466	466	600	675	617	558	855	+255	
Other	879	999	837	1,281	981	1,125	1,025	1,318	+37	
<b>Current Liabilities</b>	<b>2,031</b>	<b>2,191</b>	<b>1,988</b>	<b>2,644</b>	<b>2,172</b>	<b>2,401</b>	<b>2,308</b>	<b>3,075</b>	<b>+431</b>	
Long Term Debt	626	498	373	512	646	509	376	1,032	+520	
Other	70	77	83	52	76	89	75	104	+52	
<b>Fixed Liabilities</b>	<b>697</b>	<b>575</b>	<b>457</b>	<b>564</b>	<b>722</b>	<b>598</b>	<b>451</b>	<b>1,137</b>	<b>+572</b>	
<b>Total Liabilities</b>	<b>2,728</b>	<b>2,767</b>	<b>2,445</b>	<b>3,208</b>	<b>2,894</b>	<b>3,000</b>	<b>2,760</b>	<b>4,213</b>	<b>+1,004</b>	
<b>Shareholders' Equity</b>	<b>4,354</b>	<b>4,578</b>	<b>4,569</b>	<b>4,607</b>	<b>4,457</b>	<b>4,552</b>	<b>4,484</b>	<b>4,418</b>	<b>(188)</b>	
Other	173	172	157	93	144	169	153	158	+64	
<b>Net Assets</b>	<b>4,528</b>	<b>4,751</b>	<b>4,727</b>	<b>4,701</b>	<b>4,602</b>	<b>4,722</b>	<b>4,638</b>	<b>4,577</b>	<b>(124)</b>	
<b>Total Liabilities and Net Assets</b>	<b>7,256</b>	<b>7,519</b>	<b>7,173</b>	<b>7,910</b>	<b>7,497</b>	<b>7,722</b>	<b>7,399</b>	<b>8,790</b>	<b>+879</b>	
Equity Capital	4,528	4,751	4,727	4,701	4,602	4,722	4,638	4,577	(124)	
Interest Bearing Debt	1,093	965	840	1,112	1,321	1,126	935	1,888	+775	
Net Debt	(1,889)	(1,890)	(2,135)	(2,302)	(2,136)	(2,094)	(1,769)	(1,356)	+945	
Equity Ratio	62.4%	63.2%	65.9%	59.4%	61.4%	61.1%	62.7%	52.1%	-	
Net Debt Equity Ratio	(41.7%)	(39.8%)	(45.2%)	(49.0%)	(46.4%)	(44.4%)	(38.2%)	(29.6%)	-	
ROE (12 months)	5.0%	5.7%	5.4%	4.7%	3.3%	0.5%	(0.8%)	(2.8%)	-	
ROA (12 months)	7.1%	7.9%	7.3%	9.6%	8.8%	6.1%	5.9%	0.8%	-	
Quick Ratio	226%	221%	234%	208%	232%	211%	197%	181%	-	
Current Ratio	257%	250%	261%	234%	258%	238%	231%	210%	-	

Source: Company Data, WRJ Calculation

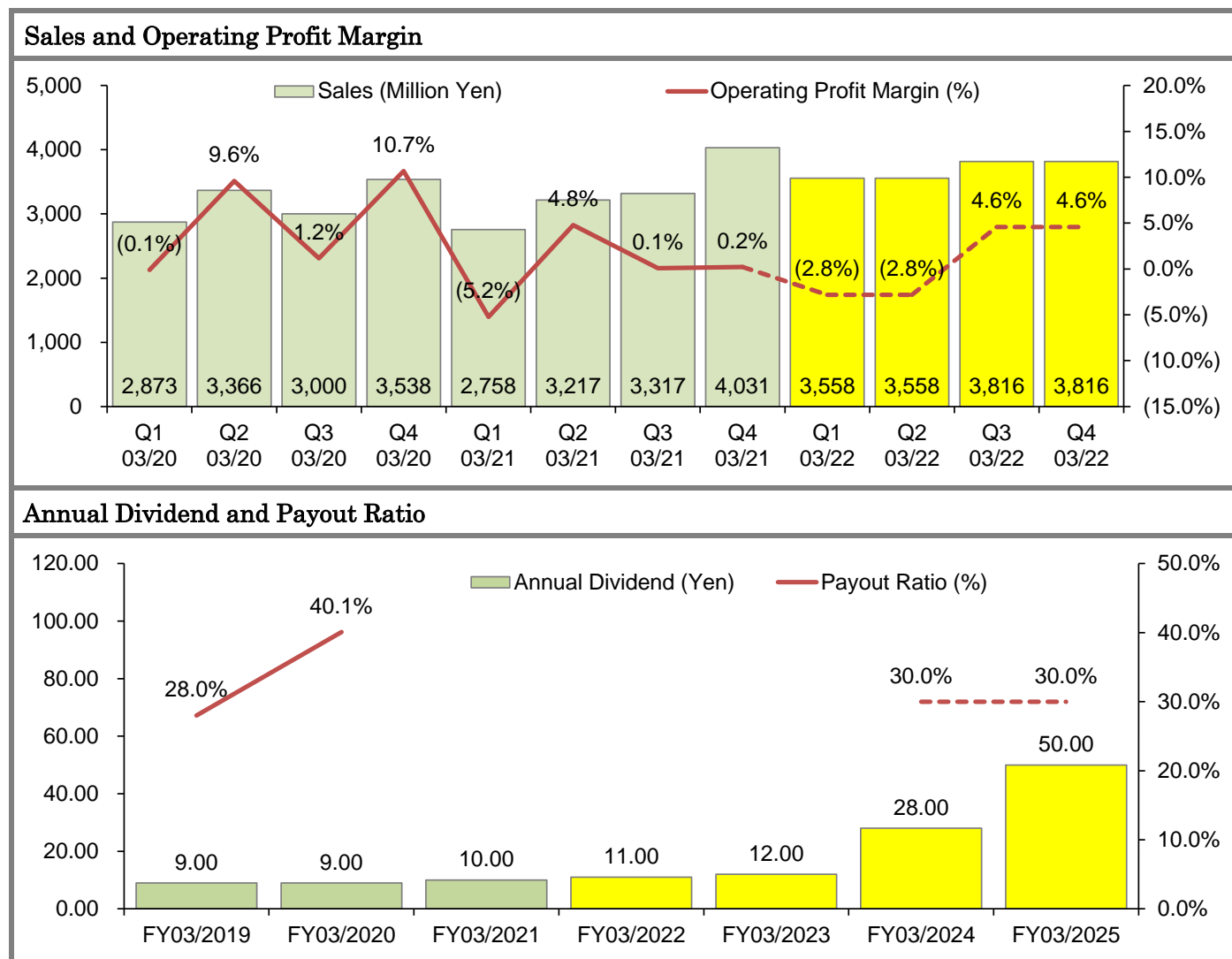
## Cash Flow Statement (Cumulative)

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	-	525	-	95	-	(189)	(715)	
Investing Cash Flow	-	(178)	-	(231)	-	(262)	-	(703)	(472)	
<b>Operating CF and Investing CF</b>	<b>-</b>	<b>(128)</b>	<b>-</b>	<b>294</b>	<b>-</b>	<b>(166)</b>	<b>-</b>	<b>(892)</b>	<b>(1,187)</b>	
Financing Cash Flow	-	(294)	-	(163)	-	(29)	-	722	+885	

Source: Company Data, WRJ Calculation

### FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 22 June 2021) are going for prospective sales of ¥14,750m (up 10.7% YoY), operating profit of ¥150m (up 591.9%), recurring profit of ¥150m (up ¥113.4%) and profit attributable to owners of parent of ¥50m (versus minus ¥130m in the previous year), while operating profit margin of 1.0% (up 0.9% points).



Source: Company Data, WRJ Calculation (quarters in FY03/2022: half-year Company forecasts, pro rata)

When compared with initial Company forecasts (announced on 14 May 2021), prospective sales have been revised down by ¥250m (1.7%), while profit attributable to owners of parent revised up by ¥170m. With respect to operating profit and recurring profit, currently under being examined, Company forecasts have remained unchanged. For prospective annual dividend of ¥11.00 per share, Company forecasts have also remained unchanged. The background to this revision is that the Company sells 51.0% of shares held for its 100% subsidiary in charge of cloud storage service, resulting in the operations on a consolidated basis as those of an equity-method affiliate as of 1 July 2021 and thereafter. Meanwhile, in line with this, the Company is to book extraordinary profit of ¥415m as gain on sale of shares in related company for the period of Q1 to Q2.

On the other hand, initial Company forecasts assumed factors as follows:

Sales are assumed to increase on the Digital Marketing Business side and on the IT Infrastructure Business side. With respect to the former, stock sales are to increase significantly driven by ongoing high growth of ARR, while flow sales are to suffer from some decrease due to adoption of new revenue recognition standard, but it is immune at gross profit level, according to the Company. With respect to the latter, both stock sales and flow sales are assumed to perform well. Elsewhere, SG&A expenses as a whole for the Company are assumed to increase sharply as upfront spending to drive future growth will continue increasing. Still, it is assumed to be more than compensated for by increased gross profit in line with increased sales, resulting in a major improvement in earnings as a whole for the Company.

Gaps in assumptions between initial Company forecasts and midterm management plan NEXT'S 2025 (announced on 15 May 2020) were as follows:

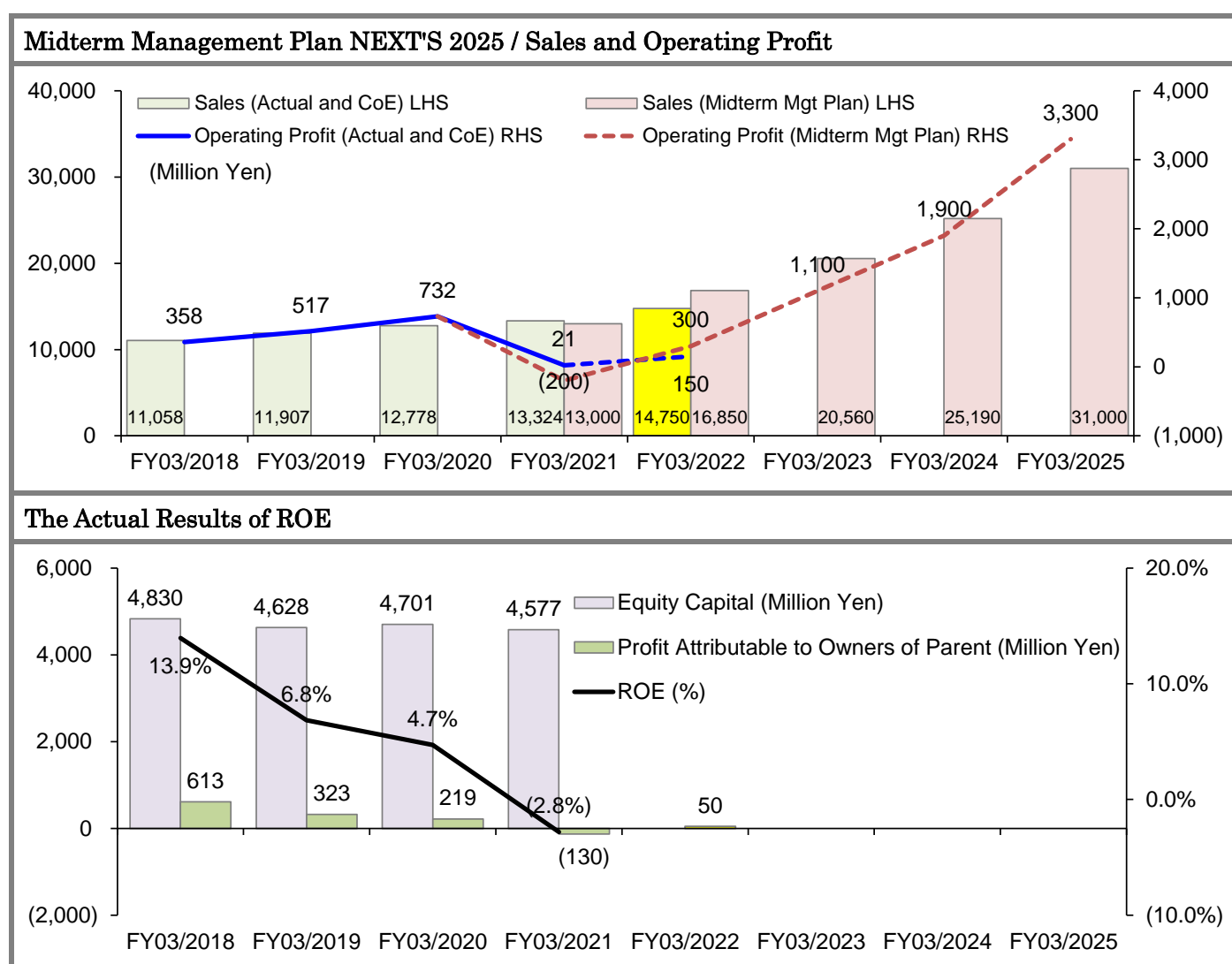
Prospective sales are lower by ¥1,850m (11.0%) and operating profit lower by ¥150m (50.0%), which is due mainly to substantial shortfall in flow sales on the IT Infrastructure Business side. This is because of the enhanced impacts stemming from COVID-19 for the operations here. Sales here are to increase over the actual results in FY03/2021 as above-mentioned, but it appears that the said levels in the actual results are lower than initially assumed.

Meanwhile, the Company is to pay dividend for FY03/2022 as expected in midterm management plan NEXT'S 2025. 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 upfront spending, 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%.



## Long-Term Prospects

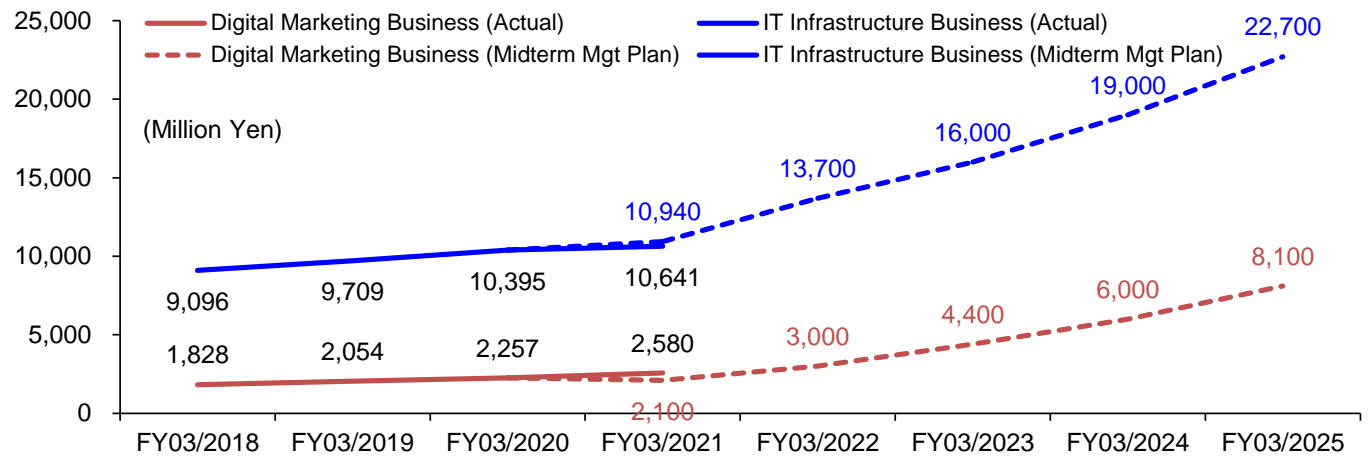
On 15 May 2020, the Company announced the actual results of FY03/2020 and its 5-year midterm management plan NEXT'S 2025 (FY03/2021 to FY03/2025) at the same time. The Company is calling for prospective sales of ¥31,000m, operating profit of ¥3,300m and operating profit margin of 10.6% in FY03/2025,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



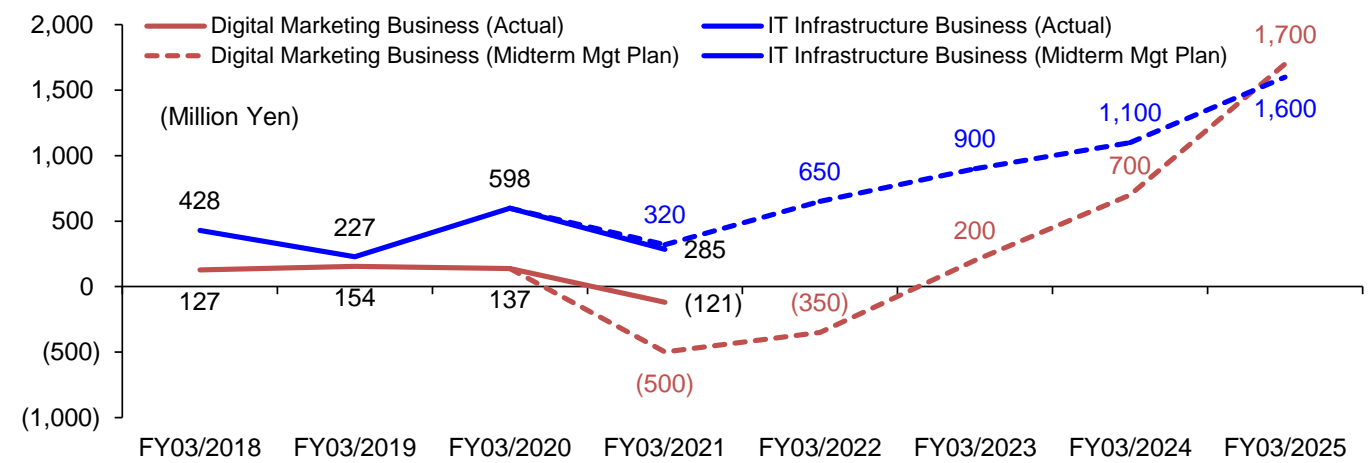
Source: Company Data, WRJ Calculation

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 5-year period leading up to FY03/2025, implying a very 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 those of the IT Infrastructure Business side for FY03/2025. Over 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.

### Midterm Management Plan NEXT'S 2025 / Segment Sales



### Midterm Management Plan NEXT'S 2025 / Segment Profit



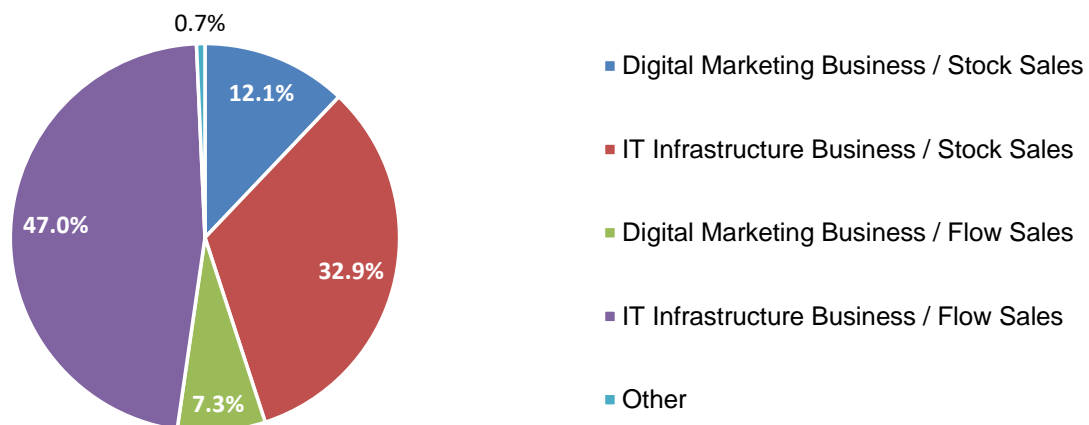
Source: Company Data, WRJ Calculation

## 4.0 Business Model

### Focus on Stock Sales

The Company has announced a policy of strengthening its focus on stock sales. The Company aims to achieve stable and dramatic growth from a long-term perspective. Meanwhile, when transitioning to a holding company structure in April 2018, the Company has formulated a basic growth model of nurturing operations on the Digital Marketing Business side based on earnings of operations on the IT Infrastructure Business side to continue to grow stably. In terms of stock sales, it appears that there is a strong aspect that the Digital Marketing Business side encourages the growth as a whole for the Company.

**Breakdown of Stock Sales and Flow Sales (FY03/2021 Actual Results)**



Source: Company Data, WRJ Calculation

In terms of FY03/2021 actual results, sales on the Digital Marketing Business side accounted for 19.4% of sales as a whole for the Company, comprising 12.1% by stock sales and 7.3% by flow sales, while sales on the IT Infrastructure side accounted for 79.9%, comprising 32.9% by stock sales and 47.0% by flow sales. Collectively, stock sales accounted for 45.0%, flow sales 54.3% and other 0.7% out of sales as a whole for the Company.

With respect to ARR related to Cloud CIRCUS, which is the content of stock sales on the Digital Marketing Business side, the Company is calling for CAGR of some 30% from a long-term perspective, which is expected to be the key driver for the Company to achieve stable and dramatic growth. Meanwhile, on the IT Infrastructure Business side, stock sales have increased nicely for FY03/2021 in spite of the impacts stemming from COVID-19 as mentioned earlier. On the IT Infrastructure side, there are some domains where flow sales are crucially important. Still, given the Company's policy above-mentioned, stock sales are expected to basically increase in terms of portion to sales of the segment for the future.

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
<b>Sales</b>	<b>10,282</b>	<b>11,058</b>	<b>11,907</b>	<b>12,778</b>	<b>13,324</b>	<b>14,750</b>	<b>+1,425</b>
Cost of Sales	5,745	6,144	6,582	7,062	7,508	-	-
Gross Profit	4,536	4,914	5,325	5,715	5,816	-	-
SG&A Expenses	4,271	4,555	4,807	4,982	5,794	-	-
<b>Operating Profit</b>	<b>265</b>	<b>358</b>	<b>517</b>	<b>732</b>	<b>21</b>	<b>150</b>	<b>+128</b>
Non Operating Balance	20	18	55	38	48	-	(48)
<b>Recurring Profit</b>	<b>285</b>	<b>376</b>	<b>573</b>	<b>771</b>	<b>70</b>	<b>150</b>	<b>+79</b>
Extraordinary Balance	(103)	389	25	(111)	(8)	-	-
Profit before Income Taxes	182	766	598	659	62	-	-
Total Income Taxes	174	169	289	441	192	-	-
NP Belonging to Non-Controlling SHs	2	(16)	(13)	(1)	-	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>5</b>	<b>613</b>	<b>323</b>	<b>219</b>	<b>(130)</b>	<b>50</b>	<b>+180</b>
Sales YoY	+1.1%	+7.5%	+7.7%	+7.3%	+4.3%	+10.7%	-
Operating Profit YoY	(47.3%)	+35.1%	+44.4%	+41.6%	(97.0%)	+591.9%	-
Recurring Profit YoY	(47.6%)	+31.9%	+52.3%	+34.5%	(90.9%)	+113.4%	-
Profit Attributable to Owners of Parent YoY	(97.7%)	-	(47.3%)	(32.0%)	-	-	-
Gross Profit Margin	44.1%	44.4%	44.7%	44.7%	43.7%	-	-
Sales to SG&A Expenses Ratio	41.5%	41.2%	40.4%	39.0%	43.5%	-	-
Operating Profit Margin	2.6%	3.2%	4.3%	5.7%	0.2%	1.0%	+0.9%
Recurring Profit Margin	2.8%	3.4%	4.8%	6.0%	0.5%	1.0%	+0.5%
Profit Attributable to Owners of Parent Margin	0.1%	5.5%	2.7%	1.7%	(1.0%)	0.3%	+1.3%
Total Income Taxes / Profit before Income Taxes	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
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Digital Marketing Business	-	1,828	2,054	2,257	2,580	-	-
IT Infrastructure Business	-	9,096	9,709	10,395	10,641	-	-
CVC Business	-	1	-	0	57	-	-
Overseas Business	-	132	141	121	43	-	-
Other	-	-	1	4	0	-	-
<b>Sales</b>	<b>10,282</b>	<b>11,058</b>	<b>11,907</b>	<b>12,778</b>	<b>13,324</b>	<b>14,750</b>	<b>+1,425</b>
Digital Marketing Business	-	127	154	137	(121)	-	-
IT Infrastructure Business	-	428	227	598	285	-	-
CVC Business	-	(45)	(30)	(51)	44	-	-
Overseas Business	-	14	(11)	3	(52)	-	-
Other	-	-	(4)	(14)	-	-	-
<b>Segment Profit</b>	<b>-</b>	<b>524</b>	<b>335</b>	<b>673</b>	<b>157</b>	<b>-</b>	<b>-</b>
Adjustments	-	(165)	181	59	(135)	-	-
<b>Operating Profit</b>	<b>265</b>	<b>358</b>	<b>517</b>	<b>732</b>	<b>21</b>	<b>150</b>	<b>+128</b>
Digital Marketing Business	-	7.0%	7.5%	6.1%	(4.7%)	-	-
IT Infrastructure Business	-	4.7%	2.3%	5.8%	2.7%	-	-
CVC Business	-	-	-	-	77.7%	-	-
Overseas Business	-	10.8%	(8.2%)	2.5%	(119.9%)	-	-
Other	-	-	-	(363.0%)	0.0%	-	-
<b>Operating Profit Margin</b>	<b>2.6%</b>	<b>3.2%</b>	<b>4.3%</b>	<b>5.7%</b>	<b>0.2%</b>	<b>1.0%</b>	<b>+0.9%</b>

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
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
No. of Shares FY End (thousand shares)	10,240	10,240	10,240	10,240	10,240	-	-
Earnings/ EPS (thousand shares)	10,193	10,101	10,060	9,797	9,855	-	-
Treasury Shares FY End (thousand shares)	139	139	475	409	336	-	-
Earnings per Share	0.58	60.74	32.15	22.45	(13.25)	5.07	-
Earnings per Share (fully diluted)	-	-	-	-	-	-	-
Book Value per Share	393.04	478.21	473.95	478.24	478.24	-	-
Dividend per Share	9.00	12.00	9.00	9.00	10.00	11.00	-
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	YoY
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings per Share	0.58	60.74	32.15	22.45	(13.25)	5.07	-
Book Value per Share	393.04	478.21	473.95	478.24	478.24	-	-
Dividend per Share	9.00	12.00	9.00	9.00	10.00	11.00	-
Payout Ratio	1,551.7%	19.8%	28.0%	40.1%	-	217.0%	-

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
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Cash and Deposit	2,221	3,718	3,293	3,414	3,245	-	-
Accounts Receivables	1,772	1,684	1,918	2,079	2,331	-	-
Inventory	89	104	106	203	168	-	-
Other	416	420	801	489	724	-	-
<b>Current Assets</b>	<b>4,498</b>	<b>5,927</b>	<b>6,119</b>	<b>6,187</b>	<b>6,469</b>	-	-
Tangible Assets	108	99	116	113	137	-	-
Intangible Assets	531	398	499	360	837	-	-
Investments and Other Assets	756	1,320	1,482	1,249	1,345	-	-
<b>Fixed Assets</b>	<b>1,396</b>	<b>1,819</b>	<b>2,098</b>	<b>1,723</b>	<b>2,320</b>	-	-
<b>Total Assets</b>	<b>5,894</b>	<b>7,747</b>	<b>8,218</b>	<b>7,910</b>	<b>8,790</b>	-	-
Accounts Payables	681	766	810	763	901	-	-
Short Term Debt	346	400	466	600	855	-	-
Other	684	1,222	1,465	1,281	1,318	-	-
<b>Current Liabilities</b>	<b>1,712</b>	<b>2,388</b>	<b>2,742</b>	<b>2,644</b>	<b>3,075</b>	-	-
Long Term Debt	200	466	751	512	1,032	-	-
Other	11	26	93	52	104	-	-
<b>Fixed Liabilities</b>	<b>211</b>	<b>493</b>	<b>845</b>	<b>564</b>	<b>1,137</b>	-	-
<b>Total Liabilities</b>	<b>1,923</b>	<b>2,881</b>	<b>3,588</b>	<b>3,208</b>	<b>4,213</b>	-	-
<b>Shareholders' Equity</b>	<b>3,932</b>	<b>4,455</b>	<b>4,431</b>	<b>4,607</b>	<b>4,418</b>	-	-
Other	38	409	198	93	158	-	-
<b>Net Assets</b>	<b>3,970</b>	<b>4,865</b>	<b>4,629</b>	<b>4,701</b>	<b>4,577</b>	-	-
<b>Total Liabilities and Net Assets</b>	<b>5,894</b>	<b>7,747</b>	<b>8,218</b>	<b>7,910</b>	<b>8,790</b>	-	-
Equity Capital	3,970	4,830	4,628	4,701	4,577	-	-
Interest Bearing Debt	546	866	1,218	1,112	1,888	-	-
Net Debt	(1,674)	(2,852)	(2,075)	(2,302)	(1,356)	-	-
Equity Ratio	67.3%	62.3%	56.3%	59.4%	52.1%	-	-
Net Debt Equity Ratio	(42.2%)	(59.1%)	(44.8%)	(49.0%)	(29.6%)	-	-
ROE (12 months)	0.1%	13.9%	6.8%	4.7%	(2.8%)	-	-
ROA (12 months)	4.6%	5.5%	7.2%	9.6%	0.8%	-	-
Quick Ratio	233%	226%	190%	208%	181%	-	-
Current Ratio	263%	248%	223%	234%	210%	-	-

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
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Operating Cash Flow	155	846	194	525	(189)	-	-
Investing Cash Flow	(165)	401	(537)	(231)	(703)	-	-
<b>Operating CF and Investing CF</b>	<b>(10)</b>	<b>1,248</b>	<b>(343)</b>	<b>294</b>	<b>(892)</b>	-	-
Financing Cash Flow	(403)	276	(73)	(163)	722	-	-

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### Humanly Dealing 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 dealing 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 ARR, which is its key feature to do so, on the Digital Marketing Business side, while pursuing growth on the IT Infrastructure Business side in the form of allocating resources on promotions of stock sales, while enhancing flow sales at the same time.

## 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, Inc.
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
December 2020	Liquidated Startia Taiwan, Inc.
Ditto	Sold all the shares of Startia Shanghai, Inc. and excluded it from the scope of consolidation



**Disclaimer**

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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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