

Startia (3393)

Consolidated Fiscal Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2014		8,167	829	856	432	42.8	7.5	344.8
FY03/2015		8,682	747	878	592	58.1	10.0	389.9
FY03/2016CoE		10,000	460	510	250	24.4	9.0	-
FY03/2015	YoY	6.3%	(10.0%)	2.6%	37.2%	-	-	-
FY03/2016CoE	YoY	15.2%	(38.4%)	(41.9%)	(57.8%)	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY03/2015		6,066	295	407	284	-	-	-
Q1 to Q3 FY03/2016		7,274	194	236	51	-	-	-
Q1 to Q3 FY03/2016	YoY	19.9%	(34.3%)	(42.0%)	(82.0%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (17 March 2016)

Adjusting COCOAR

Startia, providing mainly small-&-medium-sized corporates with total IT solutions, including offering of self-developed packaged software, is currently suffering from correcting earnings, short-term. The Company sees increasing sales and earnings, in regards to existing key earnings sources, i.e., operations to sell network devices and MFPs (multifunctional printers) to customers, but sales of self-developed packaged software to create AR (Augmented Reality) contents, i.e., *COCOAR*, carrying high gross profit margin, are adjusting. A part of adoptions of said packaged software has been arousing interests. Nevertheless, sales of *COCOAR* as a whole have been far below expectations, due to unsuccessful sales promotion measures, etc. As both gross profit margin and marginal profit ratio are high, the Company inevitably suffers from major negative impacts in terms earnings. This has led to downgrade for FY03/2016 Company forecasts, while the Company has officially announced to abandon existing prospects for earnings in FY03/2017, where ongoing increases of sales for *COCOAR* are assumed. At the moment, the Company is in the process of working on sales promotions for *COCOAR* again from scratch, by means of retraining junior sales representatives who have joined with the Company as new graduates within the past couple of years, while reconsidering pricing strategy at the same time. Until recently, the Company used to be so keen on hiring new graduates as many as possible to beef up own sales forces, but now cutting back the number of new graduates to be hired. The Company argues that excess hiring of new graduates appears to have created some cases that they inevitably spoke to customers with insufficient knowledge and/or experiences. Going forward, all those changes are expected to nicely drive prospective earnings in FY03/2017, but it is too early for the Company to come up with exact figures for this until the timing to disclose FY03/2016 results.


In Q1 to Q3 FY03/2016, sales came in at ¥7,274m (up 19.9% YoY), operating profit ¥194m (down 34.3%) and operating profit margin 2.7% (down 2.2% points). Sales surged, but earnings came down over the previous year, due mainly to changes of sales mix. Specifically, sales of software to create AR (Augmented Reality) contents, i.e., *COCOAR*, whose sales used to be expected to rise sharply, appear to have come down over the previous year. On top of this, sales of software to create e-book, i.e., *ActiBook*, appear to have also done so. Both of them are packaged software developed by Startia Lab, Inc. (100% consolidated subsidiary) and thus they carry gross profit margin and marginal profit ratio, meaningfully higher than the rest of the business, i.e., operations to sell procured merchandises and/or offering services for customers. In Q1 to Q3, this has worked as double-edged sword. Meanwhile, sales of software to act for developing O2O customer-attracting app for stores, i.e., *AppGoose*, newly launched in FY03/2016, were favorable, but not as substantial as to compensate for sluggishness of the mainstay *COCOAR* and *ActiBook*. Meanwhile, the Company saw steady increases of sales and earnings, in regards to operations to sell MFPs (multifunctional printers) and network devices. The former was driven by successful purchases of operations from 3rd party and mergers & acquisitions, while the latter by increasing necessity to beef up security stemming from introduction of *The Social Security and Tax Number System*. However, sluggish sales of *COCOAR* were a key negative factor, larger than said positives.

FY03/2016 Company forecasts (revised on 29 January 2016) are going for prospective sales of ¥10,000m (up 15.2% YoY), operating profit of ¥460m (down 38.4%) and operating profit margin of 4.6% (down 4.0% points). Based on Q1 to Q3 results, this suggests prospective sales of ¥2,725m (up 4.2% YoY), operating profit of ¥265m (down 41.4%) and operating profit margin of 9.7% (down 7.5% points) in Q4. Due to seasonal factors, etc., the Company is inclined to see operating profit, concentrating in Q4, every year, to a large extent. For example, initial Company forecasts assumed almost 60% of full-year operating profit concentrating in Q4, going for operating profit of ¥650m (up 44.1%) in Q4. Still, this is now expected to be much lower. In fact, the Company is currently working on sales promotions for *COCOAR* again from scratch, but it is too early for the Company to benefit from this in Q4. Still, it should do so in FY03/2017.

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2.0 Company Profile

Provider of Total IT Solutions

Company Name	Startia, Inc. Company Website IR Information Share Price	
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 2015)	
No. of Shares	10,240,400 shares, including 44,450 treasury shares (As of the end of Dec. 2015)	
Main Features	<ul style="list-style-type: none"> ● Mainstay customers: small-&-medium-sized corporates, primarily based in government -ordinance-designated cities ● Selling self-developed software to create e-book and/or AR contents ● Starting up operations in Asia 	
Businesses	<ul style="list-style-type: none"> . Web Solutions (WS) . Networking Solutions (NS) . Business Solutions (BS) . Other Business 	
Top Management	President & CEO: Hideyuki Hongo	
Shareholders	Hideyuki Hongo 43.7%, Japan Trustee Services Bank 5.5%, Akira Saiga 4.9% (As of the end of September 2015)	
Headquarters	Shinjuku-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 613, Unconsolidated: 454 (As of the end of December 2015)	

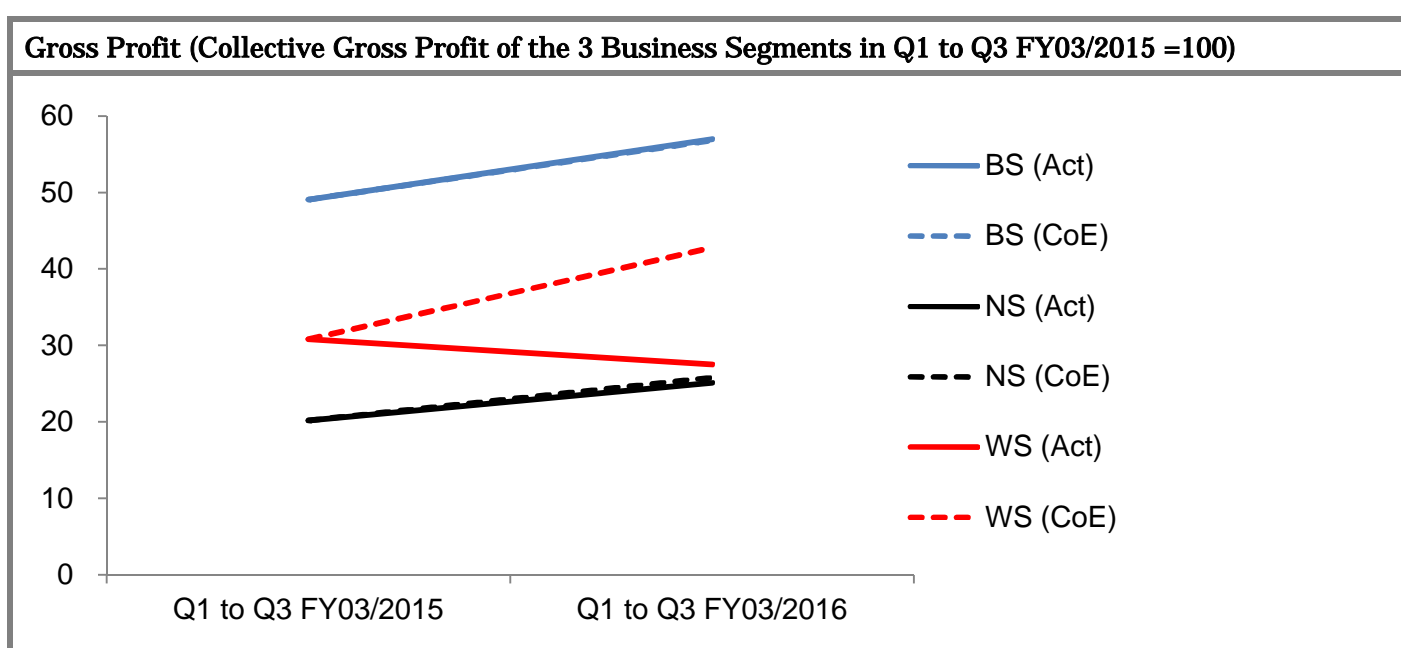
Source: Company Data

3.0 Recent Trading & Prospects

Q1 to Q3 FY03/2016 Results

In Q1 to Q3 FY03/2016, sales came in at ¥7,274m (up 19.9% YoY), operating profit ¥194m (down 34.3%), recurring profit ¥236m (down 42.0%) and net profit ¥51m (down 82.0%).

When compared with quarterly forecasts to have been released in line with the release of initial Company forecasts, sales were better by ¥202m (2.9%) and recurring profit worse by ¥249m (51.3%). Meanwhile, give breaking even expected for non-operating balance on a full-year basis, it should have been the case that operating profit was worse by ¥291m (55.9%). As far as we could gather, the extent of this shortfall of operating profit roughly equates to that of gross profit in Web Solutions (WS), stemming from sales worse-than- expected for software to create AR (Augmented Reality) contents, i.e., *COCOAR*.

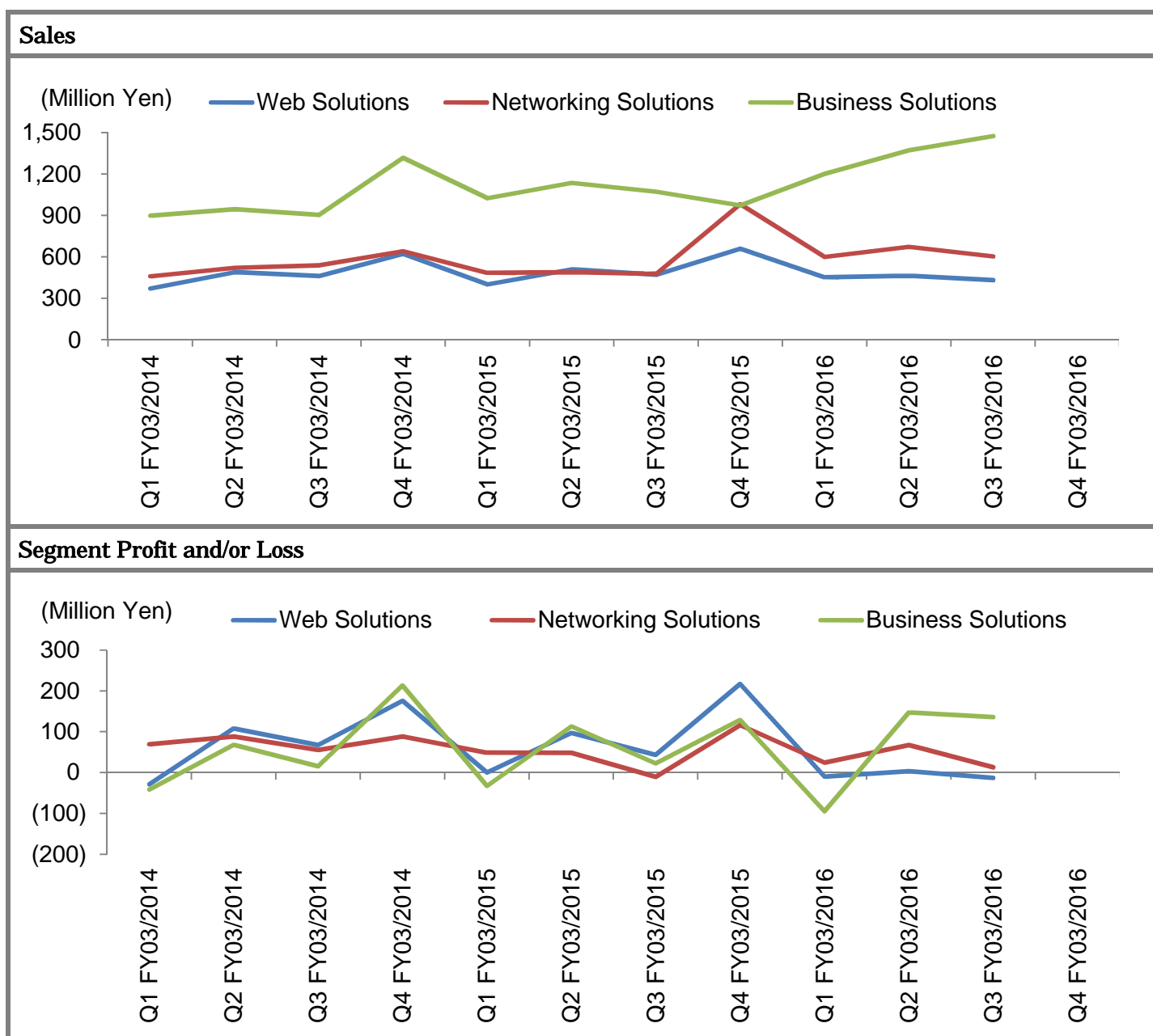


Source: Company Data, WRJ Calculation

Meanwhile, gross profit came in at ¥3,293m (up 10.9%), gross profit margin 45.3% (down 3.7% points), SG&A expenses ¥3,098m (15.9%) and the ratio of SG&A expenses to sales 42.6% (down 1.5% points). Given surging sales as a whole, the increases of SG&A expenses were relatively smaller, but lowering gross profit margin limited the increases of gross profit. As a result, operating profit failed to increase over the previous year.

By business segment, sales of Web Solutions (WS), including sales of *COCOAR*, came in at ¥1,347m (down 2.5%) and thus gross profit in this business segment also came down, as far as we could see. At the same time, it appears that gross profit margin came down a lot.

Meanwhile, Business Solutions (BS) and Networking Solutions (NS) saw increasing gross profit over the previous year. The former was driven by increasing sales of MFPs (multifunctional printers) due to successful purchases of operations from 3rd party and mergers & acquisitions, while the latter by increasing sales of network devices in line with increasing necessity to beef up security stemming from introduction of *The Social Security and Tax Number System*, having resulted in sales of ¥4,051m (up 25.2%) and ¥1,876m (up 29.4%), respectively. The Company is seeing rather lowering gross profit margin in both of the business segments, but increasing sales are substantial enough for both of them to see increasing gross profit over the previous year.



Source: Company Data, WRJ Calculation

In Web Solutions (WS), the Company is involved with selling packaged software developed by Startia Lab, Inc. (100% consolidated subsidiary), mainly comprising of one to create e-book, i.e., *ActiBook* and one to create AR (Augmented Reality) contents, i.e., *COCOAR*. Sales of them collectively account for the bulk of sales in this segment and thus earnings in this business segment hinge on sales in here to a large extent.

Software to create e-book, i.e., *ActiBook*, to do so literally, has been adopted by collective 2,475 corporates (as of the end of December 2015), including well-known major ones belonging to diverse business domains, on top of the mainstay customer base of Business Solutions (BS) and Networking Solutions (NS), i.e., small-&-medium-sized ones.

Meanwhile, software to create AR contents, i.e., *COCOAR*, has been adopted by collective 1,069 corporates (as of the end of December 2015), of which some 40% are accounted for by those belonging to business domains of printing and advertising, as far as we could gather. It appears that the Company is decently exposed to corporates belonging to those business domains as an overall picture, while also exposed to the same customer base on the *ActiBook* side at the same time.

In the mainstay customers, belonging to business domains of printing and advertising, *COCOAR* is used to beef up added value of own products, i.e., printed matters, represented by merchandise packages, company and/or commodity catalogs, etc., as a tool for sales promotions. As far as we could gather, merchandise packages account for some 50% of total applications and some 30% for company and/or commodity catalogs.

As in the case of conventional QR (Quick Response) code, general consumers are given a mechanism to read data, embedded in merchandise packages, company and/or commodity catalogs, etc. as additional information, by means of the use of built-in cameras of Smartphones, etc., while realizing AR (Augmented Reality), at the same time, with a condition that specific app being installed in Smartphones, etc., enabling the offering of added value more than that of the conventional equivalents. The number of downloads for the app has reached some 6.2 million (as of the end of December 2015), according to the Company.

“AR (Augmented Reality)” in the context above refers to “augmentation” of real environment obtained by the use of built-in cameras of Smartphones, etc., while “augmentation” to generation of image pictures in which merchandises, etc. whose sales are to be promoted are virtually fit in real environment, based on data embedded. So, general consumers, i.e., target of the sales promotions, are supposed to be well convinced for purchasing with the image pictures, generated, in regards to specific merchandises, etc. virtually being fit in real environment. This is expected to additionally drive sales for objects of the sales promotions.

The Company argues that customers, having already adopted *COCOAR*, are pretty happy with the effects, generally speaking. Meanwhile, it is also spotted at the same time that the penetration rate of software to create AR contents currently remains no more than some 20%, in regards to the mainstay customer base, i.e., all those corporates belonging to business domains of printing and advertising, while a high potential for the remaining some 80% adopting the software in the foreseeable future, suggested. Nevertheless, a situation has been persisting that potential customers do not sufficiently understand the effects by this new format, which was of one of the key reasons why sales stagnated in Q1 to Q3. The Company used to anticipate favorably increasing sales in here by means of allocating lots of sales representatives who have joined with the Company as new graduates over the past couple of years to sales promotions, but it did not work out at the end of the day, as they lacked in experiences a little too much, while lacking in knowledge on details of merchandises that they were trying to sell, as far as we could gather.

On top of this, the Company believes another factor to be considered is that there may have been a problem of costs for corporates to adopt *COCOAR*, when it is reviewed that price-oriented competition is intense, in business domains of printing and advertising. That is to say, the Company was trying to sell the software at prices too expensive. Now, the Company is trying to get at prices more reasonable, coping with market needs.

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016		
Sales	1,911	4,045	6,066	8,682	2,253	4,761	7,274	-	-	+1,208
Cost of Sales	1,006	2,028	3,095	4,325	1,271	2,585	3,981	-	-	+885
Gross Profit	904	2,016	2,970	4,356	982	2,176	3,293	-	-	+322
SG&A	898	1,762	2,674	3,609	1,089	2,089	3,098	-	-	+424
Operating Profit	6	253	295	747	(107)	86	194	-	-	(101)
Non Operating Balance	12	66	111	131	21	20	41	-	-	(69)
Recurring Profit	18	320	407	878	(85)	107	236	-	-	(170)
Extraordinary Balance	54	55	57	78	-	(45)	(62)	-	-	(120)
Pretax Profit	72	376	464	956	(85)	61	173	-	-	(291)
Tax Charges, etc.	34	138	179	364	(4)	67	124	-	-	(55)
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	(2)	-	-	(2)
Net Profit	38	237	284	592	(80)	(5)	51	-	-	(233)
Sales YoY	+10.6%	+9.8%	+8.6%	+6.3%	+17.9%	+17.7%	+19.9%	-	-	-
Operating Profit YoY	-	+6.8%	(18.8%)	(10.0%)	-	(65.9%)	(34.3%)	-	-	-
Recurring Profit YoY	-	+32.7%	+4.7%	+2.6%	-	(66.6%)	(42.0%)	-	-	-
Net Profit YoY	-	+64.4%	+22.9%	+37.2%	-	-	(82.0%)	-	-	-
Gross Profit Margin	47.3%	49.8%	49.0%	50.2%	43.6%	45.7%	45.3%	-	-	(3.7%)
(SG&A / Sales)	47.0%	43.6%	44.1%	41.6%	48.3%	43.9%	42.6%	-	-	(1.5%)
Operating Profit Margin	0.3%	6.3%	4.9%	8.6%	(4.8%)	1.8%	2.7%	-	-	(2.2%)
Recurring Profit Margin	1.0%	7.9%	6.7%	10.1%	(3.8%)	2.2%	3.2%	-	-	(3.5%)
Net Profit Margin	2.0%	5.9%	4.7%	6.8%	(3.6%)	(0.1%)	0.7%	-	-	(4.0%)
Tax Charges, etc. / Pretax Profit	47.3%	36.8%	38.7%	38.1%	-	108.9%	71.7%	-	-	+33.1%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016		
Sales	1,911	2,134	2,020	2,616	2,253	2,508	2,512	-	-	+492
Cost of Sales	1,006	1,022	1,066	1,230	1,271	1,313	1,396	-	-	+329
Gross Profit	904	1,112	953	1,386	982	1,194	1,116	-	-	+162
SG&A	898	864	911	934	1,089	1,000	1,008	-	-	+97
Operating Profit	6	247	41	451	(107)	194	107	-	-	+65
Non Operating Balance	12	54	44	20	21	(1)	21	-	-	(22)
Recurring Profit	18	302	86	471	(85)	192	129	-	-	+42
Extraordinary Balance	54	1	2	20	-	(45)	(17)	-	-	(19)
Pretax Profit	72	303	88	492	(85)	147	111	-	-	+23
Tax Charges, etc.	34	103	41	184	(4)	72	57	-	-	+15
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	(2)	-	-	(2)
Net Profit	38	199	46	307	(80)	75	56	-	-	+9
Sales YoY	+10.6%	+9.2%	+6.2%	+1.3%	+17.9%	+17.5%	+24.4%	-	-	-
Operating Profit YoY	-	(2.3%)	(66.8%)	(3.1%)	-	(21.6%)	+156.5%	-	-	-
Recurring Profit YoY	-	+15.4%	(41.4%)	+0.9%	-	(36.3%)	+49.8%	-	-	-
Net Profit YoY	-	+25.4%	(46.1%)	+53.8%	-	(62.3%)	+21.0%	-	-	-
Gross Profit Margin	47.3%	52.1%	47.2%	53.0%	43.6%	47.6%	44.4%	-	-	(2.8%)
(SG&A / Sales)	47.0%	40.5%	45.1%	35.7%	48.3%	39.9%	40.1%	-	-	(5.0%)
Operating Profit Margin	0.3%	11.6%	2.1%	17.2%	(4.8%)	7.7%	4.3%	-	-	+2.2%
Recurring Profit Margin	1.0%	14.2%	4.3%	18.0%	(3.8%)	7.7%	5.1%	-	-	+0.9%
Net Profit Margin	2.0%	9.3%	2.3%	11.8%	(3.6%)	3.0%	2.3%	-	-	(0.1%)
Tax Charges, etc. / Pretax Profit	47.3%	34.2%	46.7%	37.5%	-	49.0%	51.2%	-	-	+4.4%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative)

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 03/2015	Q1 to Q2 03/2015	Q1 to Q3 03/2015	Q1 to Q4 03/2015	Q1 03/2016	Q1 to Q2 03/2016	Q1 to Q3 03/2016	Q1 to Q4 03/2016		
Web Solutions	401	910	1,381	2,041	452	915	1,347	-	-	(34)
Networking Solutions	484	972	1,449	2,432	599	1,272	1,876	-	-	+426
Business Solutions	1,025	2,161	3,234	4,208	1,201	2,574	4,051	-	-	+816
Other	-	-	-	-	0	0	0	-	-	-
Sales	1,911	4,045	6,066	8,682	2,253	4,761	7,274	-	-	+1,208
Web Solutions	+8.0%	+5.8%	+4.6%	+5.0%	+12.7%	+0.5%	(2.5%)	-	-	-
Networking Solutions	+5.5%	(0.8%)	(4.6%)	+12.6%	+23.9%	+30.8%	+29.4%	-	-	-
Business Solutions	+14.2%	+17.3%	+17.8%	+3.6%	+17.1%	+19.1%	+25.2%	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Sales (YoY)	+10.6%	+9.8%	+8.6%	+6.3%	+17.9%	+17.7%	+19.9%	-	-	-
Web Solutions	21.0%	22.5%	22.8%	23.5%	20.1%	19.2%	18.5%	-	-	-
Networking Solutions	25.3%	24.0%	23.9%	28.0%	26.6%	26.7%	25.8%	-	-	-
Business Solutions	53.7%	53.4%	53.3%	48.5%	53.3%	54.1%	55.7%	-	-	-
Other	-	-	-	-	0.0%	0.0%	0.0%	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Web Solutions	0	97	141	359	(10)	(7)	(21)	-	-	(162)
Networking Solutions	48	97	85	202	24	92	105	-	-	+19
Business Solutions	(33)	80	103	232	(95)	52	188	-	-	+85
Other	-	-	-	-	(8)	(15)	(25)	-	-	(25)
Segment Profit	15	276	330	795	(89)	121	247	-	-	(83)
Elimination	(9)	(22)	(34)	(48)	(17)	(35)	(53)	-	-	(18)
Operating Profit	6	253	295	747	(107)	86	194	-	-	(101)
Web Solutions	-	+23.6%	(3.7%)	+11.2%	-	-	-	-	-	-
Networking Solutions	(29.5%)	(38.2%)	(59.6%)	(32.8%)	(48.9%)	(5.2%)	+23.0%	-	-	-
Business Solutions	-	+207.2%	+148.4%	(8.5%)	-	(34.9%)	+82.8%	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Segment Profit (YoY)	-	+5.0%	(17.6%)	(9.6%)	-	(55.9%)	(25.1%)	-	-	-
Web Solutions	1.6%	35.5%	42.8%	45.2%	-	(6.0%)	(8.6%)	-	-	-
Networking Solutions	311.4%	35.3%	26.0%	25.5%	-	75.8%	42.7%	-	-	-
Business Solutions	(213.0%)	29.2%	31.3%	29.3%	-	43.1%	76.3%	-	-	-
Other	-	-	-	-	-	(12.9%)	(10.4%)	-	-	-
Segment Profit (Composition)	100.0%	100.0%	100.0%	100.0%	-	100.0%	100.0%	-	-	-
Web Solutions	0.1%	10.7%	10.2%	17.6%	(2.4%)	(0.8%)	(1.6%)	-	-	(11.8%)
Networking Solutions	10.0%	10.0%	5.9%	8.3%	4.1%	7.3%	5.6%	-	-	(0.3%)
Business Solutions	(3.2%)	3.7%	3.2%	5.5%	(7.9%)	2.0%	4.7%	-	-	+1.5%
Other	-	-	-	-	-	-	-	-	-	-
Operating Profit Margin	0.3%	6.3%	4.9%	8.6%	(4.8%)	1.8%	2.7%	-	-	(2.2%)

Source: Company Data, WRJ Calculation

Segmented Information (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 03/2015	Q2 03/2015	Q3 03/2015	Q4 03/2015	Q1 03/2016	Q2 03/2016	Q3 03/2016	Q4 03/2016		
Web Solutions	401	509	470	659	452	463	431	-	-	(38)
Networking Solutions	484	488	476	982	599	672	604	-	-	+127
Business Solutions	1,025	1,136	1,072	973	1,201	1,372	1,476	-	-	+404
Other	-	-	-	-	0	0	0	-	-	-
Sales	1,911	2,134	2,020	2,616	2,253	2,508	2,512	-	-	+492
Web Solutions	+8.0%	+4.1%	+2.3%	+5.9%	+12.7%	(9.1%)	(8.3%)	-	-	-
Networking Solutions	+5.5%	(6.3%)	(11.5%)	+53.3%	+23.9%	+37.6%	+26.7%	-	-	-
Business Solutions	+14.2%	+20.3%	+18.8%	(26.1%)	+17.1%	+20.8%	+37.7%	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Sales (YoY)	+10.6%	+9.2%	+6.2%	+1.3%	+17.9%	+17.5%	+24.4%	-	-	-
Web Solutions	21.0%	23.9%	23.3%	25.2%	20.1%	18.5%	17.2%	-	-	-
Networking Solutions	25.3%	22.9%	23.6%	37.6%	26.6%	26.8%	24.0%	-	-	-
Business Solutions	53.7%	53.2%	53.1%	37.2%	53.3%	54.7%	58.8%	-	-	-
Other	-	-	-	-	0.0%	0.0%	0.0%	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Web Solutions	0	97	43	217	(10)	3	(13)	-	-	(57)
Networking Solutions	48	48	(11)	116	24	67	13	-	-	+24
Business Solutions	(33)	113	22	129	(95)	147	136	-	-	+113
Other	-	-	-	-	(8)	(7)	(10)	-	-	(10)
Segment Profit	15	260	54	464	(89)	211	125	-	-	+71
Elimination	(9)	(12)	(12)	(13)	(17)	(17)	(17)	-	-	(5)
Operating Profit	6	247	41	451	(107)	194	107	-	-	+65
Web Solutions	-	(10.4%)	(35.8%)	+23.7%	-	(96.2%)	-	-	-	-
Networking Solutions	(29.5%)	(44.9%)	-	+31.4%	(48.9%)	+38.5%	-	-	-	-
Business Solutions	-	+65.9%	+47.6%	(39.1%)	-	+29.8%	+503.3%	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Segment Profit (YoY)	-	(2.2%)	(60.5%)	(2.9%)	-	(18.7%)	+130.5%	-	-	-
Web Solutions	1.6%	37.5%	79.7%	46.9%	-	1.7%	(11.0%)	-	-	-
Networking Solutions	311.4%	18.7%	(21.2%)	25.2%	-	31.9%	10.5%	-	-	-
Business Solutions	(213.0%)	43.8%	41.4%	27.9%	-	69.9%	108.5%	-	-	-
Other	-	-	-	-	-	(3.5%)	(8.0%)	-	-	-
Segment Profit (Composition)	100.0%	100.0%	100.0%	100.0%	-	100.0%	100.0%	-	-	-
Web Solutions	0.1%	19.2%	9.2%	33.0%	(2.4%)	0.8%	(3.2%)	-	-	(12.4%)
Networking Solutions	10.0%	10.0%	(2.4%)	11.9%	4.1%	10.0%	2.2%	-	-	+4.6%
Business Solutions	(3.2%)	10.0%	2.1%	13.3%	(7.9%)	10.8%	9.2%	-	-	+7.1%
Other	-	-	-	-	-	-	-	-	-	-
Operating Profit Margin	0.3%	11.6%	2.1%	17.2%	(4.8%)	7.7%	4.3%	-	-	+2.2%

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
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016	03/2016	
Cash & Deposit	2,126	2,227	2,082	2,335	1,891	2,742	2,660	-	-	+577
Accounts Receivables	1,000	997	954	1,319	1,075	1,250	1,277	-	-	+323
Inventory	56	75	92	76	74	68	82	-	-	(10)
Other	153	362	206	325	257	390	283	-	-	+76
Current Assets	3,336	3,663	3,336	4,057	3,299	4,452	4,303	-	-	+966
Tangible Assets	112	117	118	150	153	159	187	-	-	+69
Intangible Assets	545	567	676	811	814	848	951	-	-	+274
Investments & Other Assets	462	512	646	642	680	735	776	-	-	+129
Fixed Assets	1,120	1,197	1,442	1,604	1,648	1,744	1,915	-	-	+473
Deferred Assets	-	-	-	-	-	-	-	-	-	-
Total Assets	4,457	4,860	4,778	5,662	4,948	6,196	6,218	-	-	+1,440
Accounts Payables	454	471	480	565	508	543	581	-	-	+100
Short-Term Debt	-	-	-	-	-	333	349	-	-	+349
Other	521	740	631	1,119	624	768	750	-	-	+118
Current Liabilities	976	1,211	1,112	1,684	1,132	1,645	1,680	-	-	+568
Long-Term Debt	-	-	-	-	-	666	635	-	-	+635
Other	-	-	-	-	-	-	2	-	-	+2
Fixed Liabilities	-	-	-	-	-	666	637	-	-	+637
Total Liabilities	976	1,212	1,112	1,684	1,132	2,311	2,318	-	-	+1,206
Shareholders' Equity	3,469	3,636	3,652	3,960	3,802	3,878	3,894	-	-	+241
Other	11	11	14	17	13	6	6	-	-	(8)
Net Assets	3,480	3,648	3,666	3,977	3,815	3,884	3,900	-	-	+233
Total Liabilities & Net Assets	4,457	4,860	4,778	5,662	4,948	6,196	6,218	-	-	+1,440
Equity Capital	3,479	3,646	3,664	3,975	3,813	3,882	3,894	-	-	+230
Interest Bearing Debt	-	-	-	-	-	1,000	984	-	-	+984
Net Debt	(2,126)	(2,227)	(2,082)	(2,335)	(1,891)	(1,742)	(1,675)	-	-	+407
Capital Ratio	78.1%	75.0%	76.7%	70.2%	77.1%	62.7%	62.6%	-	-	-
Net Debt Equity Ratio	(61.3%)	(61.2%)	(57.0%)	(59.0%)	(49.8%)	(44.9%)	(43.0%)	-	-	-
ROE (12 months)	15.0%	15.4%	14.0%	15.9%	13.0%	9.3%	9.5%	-	-	-
ROA (12 months)	21.4%	20.6%	19.5%	16.2%	16.5%	12.0%	12.9%	-	-	-
Quick Ratio	320%	266%	273%	217%	262%	243%	234%	-	-	-
Current Ratio	342%	302%	300%	241%	291%	271%	256%	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q4	Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016	03/2016	
Operating Cash Flow	4	213	370	755	(124)	(56)	164	-	-	(206)
Investing Cash Flow	(107)	(146)	(449)	(582)	(251)	(454)	(649)	-	-	(199)
Operating CF & Investing CF	(102)	67	(79)	172	(376)	(510)	(485)	-	-	(405)
Financing Cash Flow	(19)	(51)	(82)	(82)	(76)	923	798	-	-	+880
Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016	03/2016	
Operating Cash Flow	4	208	156	384	(124)	67	220	-	-	+64
Investing Cash Flow	(107)	(38)	(303)	(132)	(251)	(202)	(195)	-	-	+108
Operating CF & Investing CF	(102)	170	(146)	252	(376)	(134)	25	-	-	+172
Financing Cash Flow	(19)	(31)	(30)	0	(76)	999	(125)	-	-	(94)

Source: Company Data, WRJ Calculation

FY03/2016 Company Forecasts and Results (Full Year, Half Year)

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	OP	RP	NP
FY03/2016CoE	8-May-15	Q4 Results	10,000	1,134	1,134	567
FY03/2016CoE	31-Jul-15	Q1 Results	10,000	1,134	1,134	567
FY03/2016CoE	23-Oct-15	Revision	10,000	1,134	1,134	567
FY03/2016CoE	30-Oct-15	Q2 Results	10,000	1,134	1,134	567
FY03/2016CoE	29-Jan-16	Q3 Results	10,000	460	510	250
		Amount of Gap	0	(674)	(624)	(317)
		Rates of Gap	0.0%	(59.4%)	(55.0%)	(55.9%)
FY03/2016CoE	8-May-15	Q4 Results	10,000	1,134	1,134	567
FY03/2016CoE	29-Jan-16	Q3 Results	10,000	460	510	250
		Amount of Gap	0	(674)	(624)	(317)
		Rates of Gap	0.0%	(59.4%)	(55.0%)	(55.9%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	OP	RP	NP
Q1 to Q2 FY03/2016CoE	8-May-15	Q4 Results	4,416	166	166	83
Q1 to Q2 FY03/2016CoE	31-Jul-15	Q1 Results	4,416	166	166	83
Q1 to Q2 FY03/2016CoE	23-Oct-15	Revision	4,761	86	107	(5)
		Amount of Gap	345	(80)	(59)	(88)
		Rates of Gap	7.8%	(48.2%)	(35.5%)	-
Q1 to Q2 FY03/2016Act	30-Oct-15	Q2 Results	4,761	86	107	(5)
		Amount of Gap	0	0	0	0
		Rates of Gap	0.0%	0.0%	0.0%	-
Q1 to Q2 FY03/2016CoE	8-May-15	Q4 Results	4,416	166	166	83
Q1 to Q2 FY03/2016Act	30-Oct-15	Q2 Results	4,761	86	107	(5)
		Amount of Gap	345	(80)	(59)	(88)
		Rates of Gap	7.8%	(48.2%)	(35.5%)	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	OP	RP	NP
Q3 to Q4 FY03/2016CoE	8-May-15	Q4 Results	5,584	968	968	484
Q3 to Q4 FY03/2016CoE	31-Jul-15	Q1 Results	5,584	968	968	484
Q3 to Q4 FY03/2016CoE	23-Oct-15	Revision	5,239	1,048	1,027	572
		Amount of Gap	(345)	80	59	88
		Rates of Gap	(6.2%)	8.3%	6.1%	18.2%
Q3 to Q4 FY03/2016CoE	30-Oct-15	Q2 Results	5,239	1,048	1,027	572
Q3 to Q4 FY03/2016CoE	29-Jan-16	Q3 Results	5,239	374	403	255
		Amount of Gap	0	(674)	(624)	(317)
		Rates of Gap	0.0%	(64.3%)	(60.8%)	(55.4%)
Q3 to Q4 FY03/2016CoE	8-May-15	Q4 Results	5,584	968	968	484
Q3 to Q4 FY03/2016CoE	29-Jan-16	Q3 Results	5,239	374	403	255
		Amount of Gap	(345)	(594)	(565)	(229)
		Rates of Gap	(6.2%)	(61.4%)	(58.4%)	(47.3%)

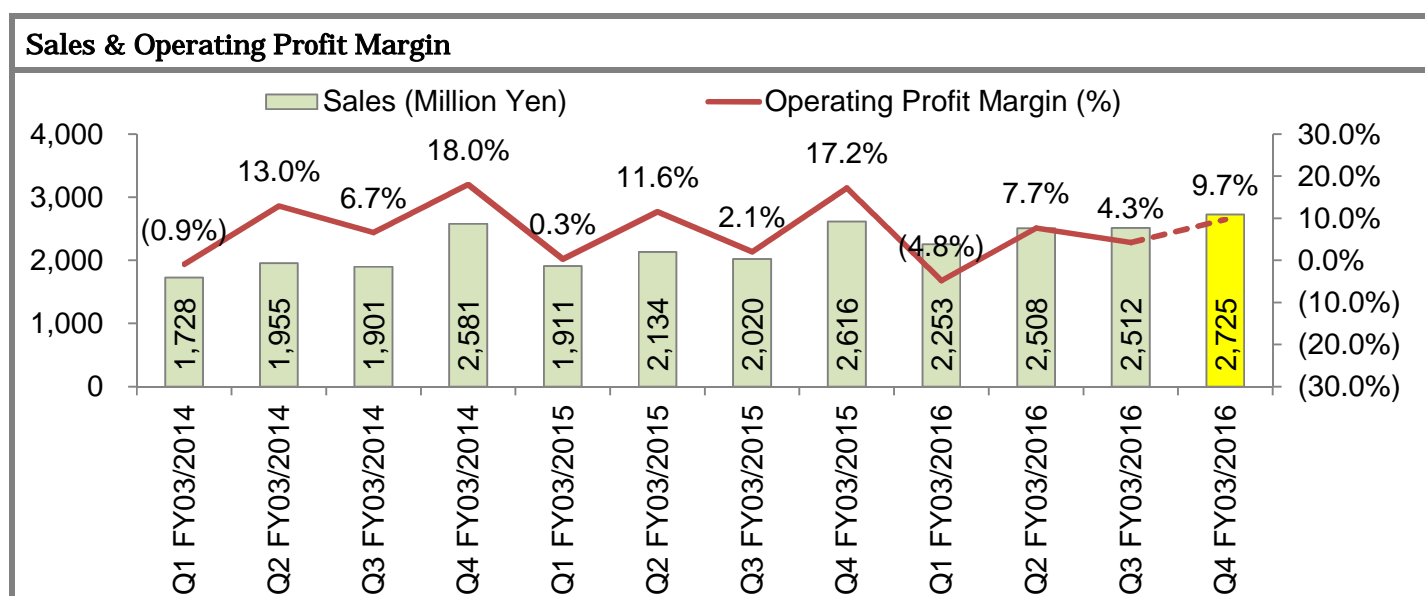
FY03/2016 Company Forecasts and Results (Quarterly)

Consolidated Quarter (Million Yen)	Date	Event	Sales	OP	RP	NP
Q1 FY03/2016CoE	14-May-15	Q4 Results	1,969	-	(137)	-
Q1 FY03/2016Act	31-Jul-15	Q1 Results	2,253	-	(85)	-
		Amount of Gap	284	-	52	-
		Rates of Gap	14.4%	-	-	-
Consolidated Quarter (Million Yen)	Date	Event	Sales	OP	RP	NP
Q2 FY03/2016CoE	14-May-15	Q4 Results	2,447	-	304	-
Q2 FY03/2016Act	30-Oct-15	Q2 Results	2,508	-	192	-
		Amount of Gap	61	-	(112)	-
		Rates of Gap	2.5%	-	(36.8%)	-
Consolidated Quarter (Million Yen)	Date	Event	Sales	Sales	Sales	Sales
Q3 FY03/2016CoE	14-May-15	Q4 Results	2,657	-	318	-
Q3 FY03/2016Act	29-Jan-16	Q4 Results	2,512	-	129	-
		Amount of Gap	(145)	-	(189)	-
		Rates of Gap	(5.5%)	-	(59.4%)	-
Consolidated Quarter (Million Yen)	Date	Event	Sales	Sales	Sales	Sales
Q4 FY03/2016CoE	14-May-15	Q4 Results	2,927	-	650	-
Q4 FY03/2016CoE	29-Jan-16	Q3 Results	2,725	-	273	-
		Amount of Gap	(202)	-	(377)	-
		Rates of Gap	(6.9%)	-	(58.0%)	-

Source: Company Data, WRJ Calculation

FY03/2016 Company Forecasts

FY03/2016 Company forecasts (revised on 29 January 2016) are going for prospective sales of ¥10,000m (up 15.2% YoY), operating profit of ¥460m (down 38.4%), recurring profit of ¥510m (down 41.9%) and net profit of ¥250m (down 57.8%), while operating profit margin of 4.6% (down 4.0% points). When compared with initial Company forecasts, although sales have remained unchanged, operating profit has been downgraded by ¥674m (59.4%), recurring profit by ¥624m (55.0%) and net profit by ¥317m (55.9%).



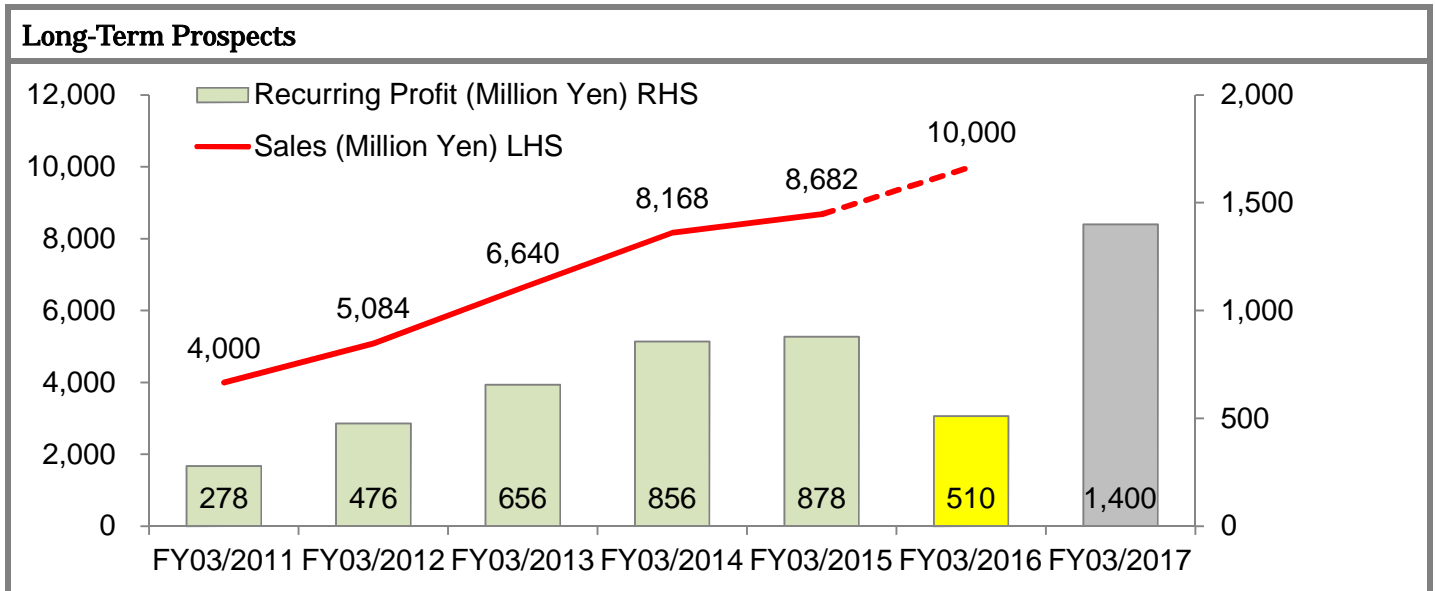
Source: Company Data, WRJ Calculation

As mentioned earlier, sales of software to create AR (Augmented Reality) contents, i.e., *COCOAR*, were sluggish in Q1 to Q3, which resulted in shortfall of gross profit in Web Solutions (WS), including sales of *COCOAR*, eventually having led to shortfall of earnings as a whole for the Company. Meanwhile, revised Company forecasts are going for the same trends of earnings in Q4, as far as we could gather. On top of this, the Company also mentions that it has “booked some loss by selling shares of affiliates and appraisal loss on investment securities due to business performance worse than initially expected for tie-up corporates in terms of capital and/or operations”, which was also not assumed in initial Company forecasts.

Meanwhile, FY03/2016 Company forecasts (revised on 29 January 2016) are going for prospective annual dividend of ¥9.0, implying payout ratio of 36.9%, after retroactive adjustments for 1:2 share split, implemented on 1 October 2015. The Company has been claiming for raising target payout ratio up to 20% from 15% since 17 September 2015, as found in release on the same day. In order to notify the Company’s intention to share earnings more aggressively with shareholders, while trying to invite new shareholders, Company forecasts used to go for annual dividend of ¥11.5, implying payout ratio of 20.7%. However, given shortfall of earnings, including net profit, i.e., the source of dividend, prospective annual dividend has been revised down.

Long-Term Prospects

Initial Company forecasts in FY03/2016 were going for prospective recurring profit of ¥1,134m (up 29.2% YoY), while the Company clearly suggested prospective recurring profit of ¥1,400m (up 23.5%) in FY03/2017. However, the most recent FY03/2016 Company forecasts (revised on 29 January 2016) are going for prospective recurring profit of ¥510m (down 41.9%), suffering from shortfall of ¥624m (55.0%). Given this, the Company has abandoned existing prospects for FY03/2017.



Source: Company Data

The Company used to be looking to contributions from Web Solutions (WS), in particular, as a driver for achieving recurring profit of ¥1,400m in FY03/2017, while the basic idea was as follows:

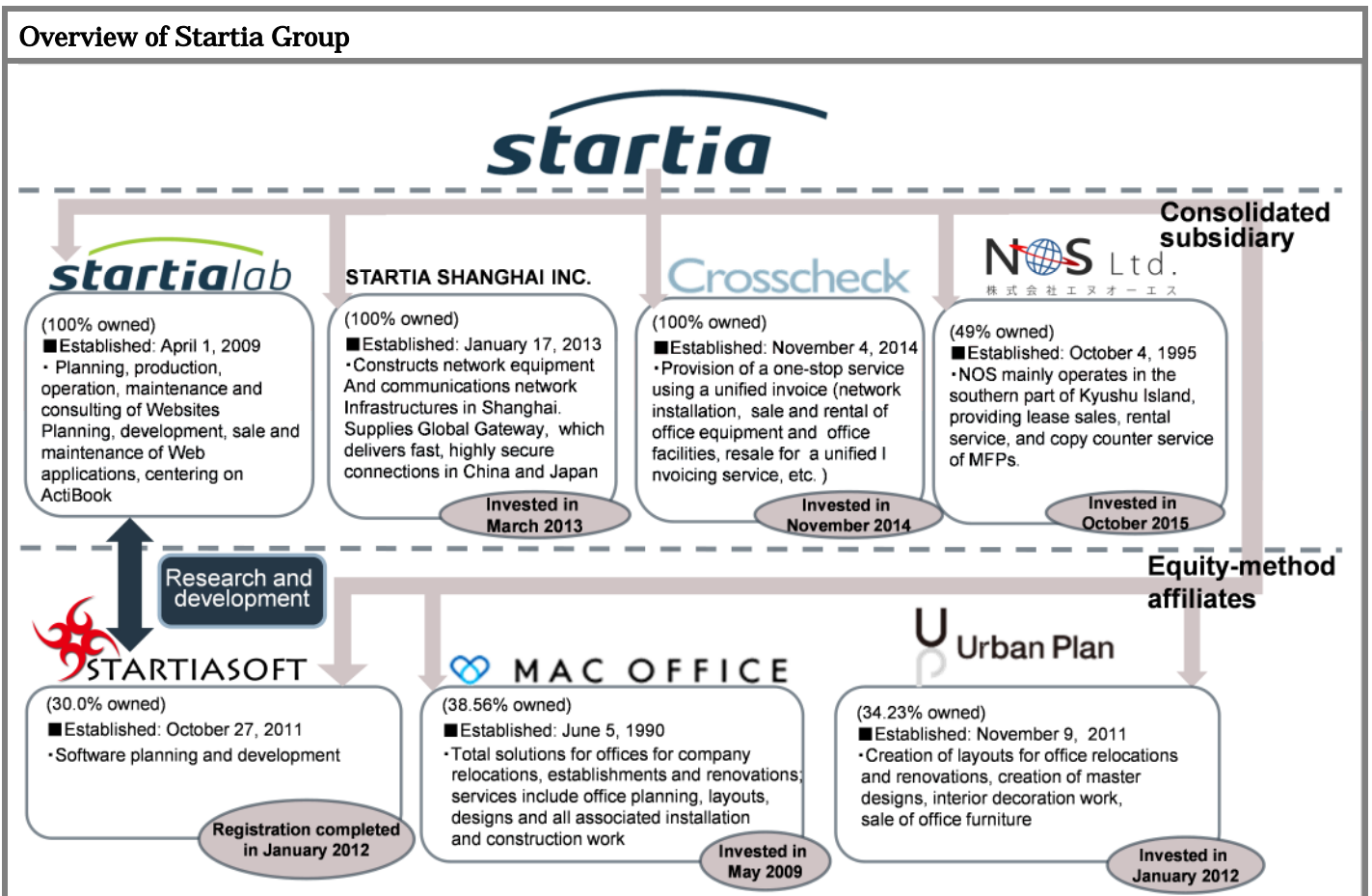
“In Web Solutions (WS), earnings from existing software to create AR contents, i.e., *COCOAR* and software to create e-book, i.e., *ActiBook*, are to remain buoyant, while the Company is to start seeing full-fledged contributions to earnings from software to act for developing O2O customer-attracting app for stores, i.e., *AppGoose*. In regards to Networking Solutions (NS), the Company is to be increasingly exposed to system building for networking, driven by national policy to adopt *The Social Security and Tax Number System*, while sales of online storage services are to increase steadily. In regards to Business Solutions (BS), meanwhile, increasing sales of MFPs (multifunctional printers), the key earnings pillar in here, are to persist, while increasing earnings associated with *Hikari Collaboration* are to more than compensate for decreasing earnings from existing operations to offer reception desk services for phone lines.”

Meanwhile, in a long-term view, it should be mentioned that the Company's operations overseas to be breaking even in FY03/2016 are to contribute to prospective earnings. At present, the Company offers network devices and telecommunication infrastructures for Japanese customers' local bases in Shanghai, setting up *Global Gateway* to connect Japan and China. On top of this, in January 2015, the Company set up new branch of Startia Lab, Inc. (100% consolidated subsidiary) in Taiwan to beef up sales overseas of software to create e-book.

4.0 Business Model

Startia Group to Expand

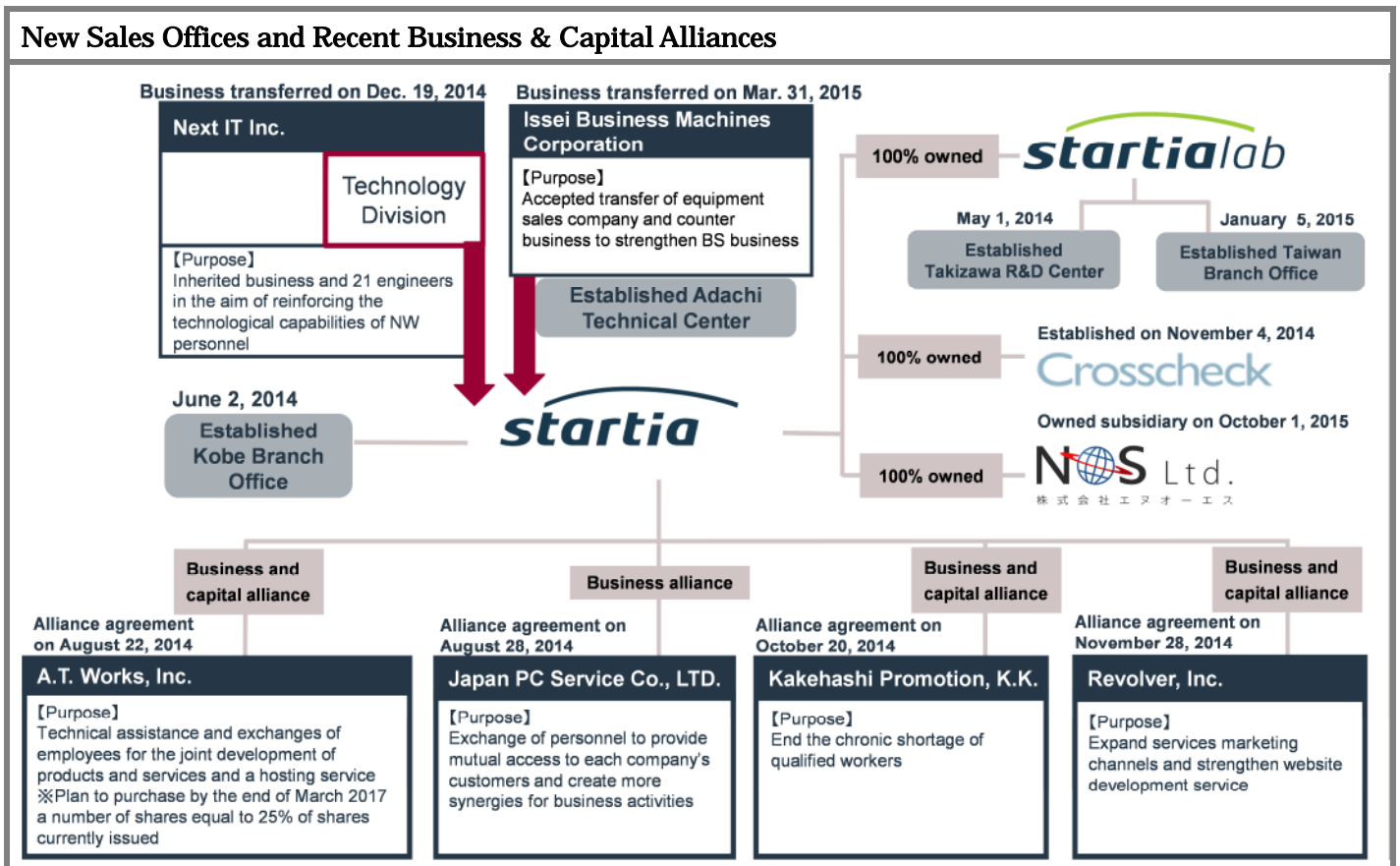
Startia Group, run by the Company, is persistently enlarging its business operations for long-term growth. On top of Tokyo head office based in Shinjuku, the Company, established on 21 February 1996, has been successively setting up own sales offices in Osaka, East Tokyo, Yokohama, Nagoya, Fukuoka, Kobe, etc., while actively implementing business & capital alliances, in order to accelerate its long-term earnings growth.



Source: Company Data

Proposing Total IT Solutions for Corporates with Headcounts Fewer Than 300

The Company mentions that its mission is "to become a leading company to produce excellent business and human resources by means of identifying needs in society and markets, while creating future for people and corporates", being involved with operations to "propose total IT solutions for corporates with headcounts fewer than 300" as a major task. Meanwhile, on 21 February 2015, the Company came up with a new corporate slogan "humanly coping with cutting-edge technology" in the greeting of the 20th anniversary.



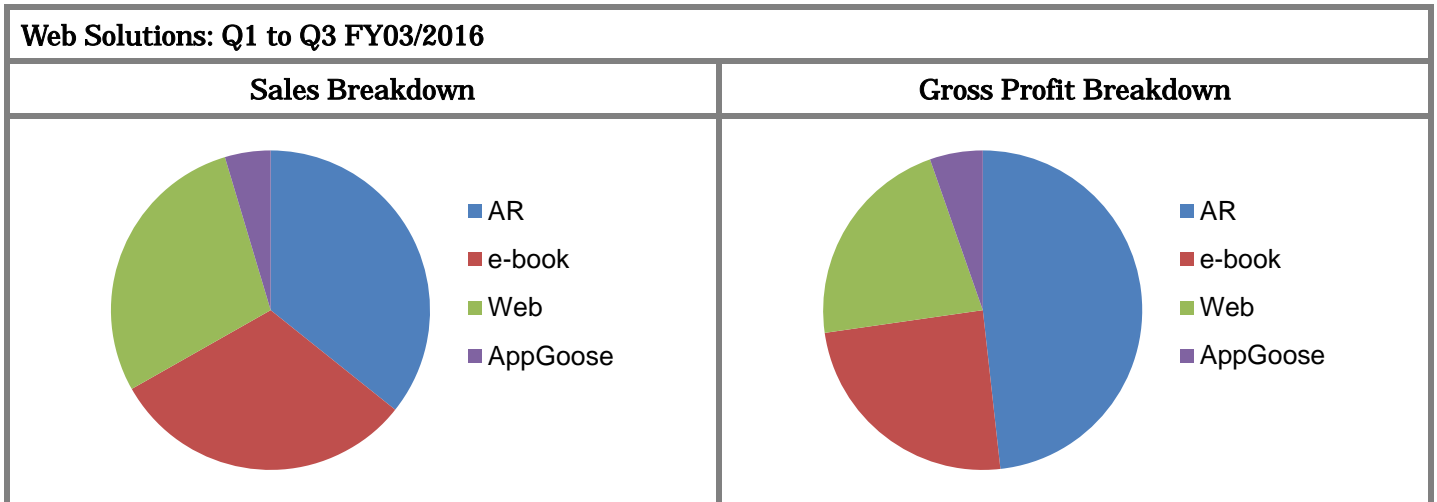
Source: Company Data

For corporates with headcounts fewer than 300, it has been demanded to get equipped with decent IT systems just like those of major corporates, but they often cannot afford running dedicated team for this, while the largest system integrators and/or dealers of network devices are not so active in selling to them due to inefficiency stemming from small headcounts fewer than 300, according to the Company. Now, for the advantage of the fact, the Company's idea is to set this customer domain as the core part to cultivate. It could be said that the Company is in charge of outsourcing services for IT operations of corporates with headcounts fewer than 300.

According to "2014 Economic Census for Business Activity" by Ministry of Internal Affairs and Communications, the number of business operation bases with headcounts fewer than 300 stands at 5,550,000, while 2,970,000 as far as being able to be covered by all those sales bases run by the Company. Meanwhile, the number of active customers, on an invoice basis, stands at no more than 15,000 for the Company, when roughly estimated. Thus, the Company appears being exposed to markets with great room to newly cultivate, going forward.

Web Solutions

In Web Solutions (WS), the Company sells packaged software developed by Startia Lab, Inc. (100% consolidated subsidiary). Sales stemming from licensing, maintenance & services, etc. of software to create AR (Augmented Reality) contents, i.e., COCOAR, account for almost half of gross profit in this business segment, while roughly one fourth by those of software to create e-book, i.e., *ActiBook*. Thus, two of them, collectively, are overwhelming determinants of earnings in here.



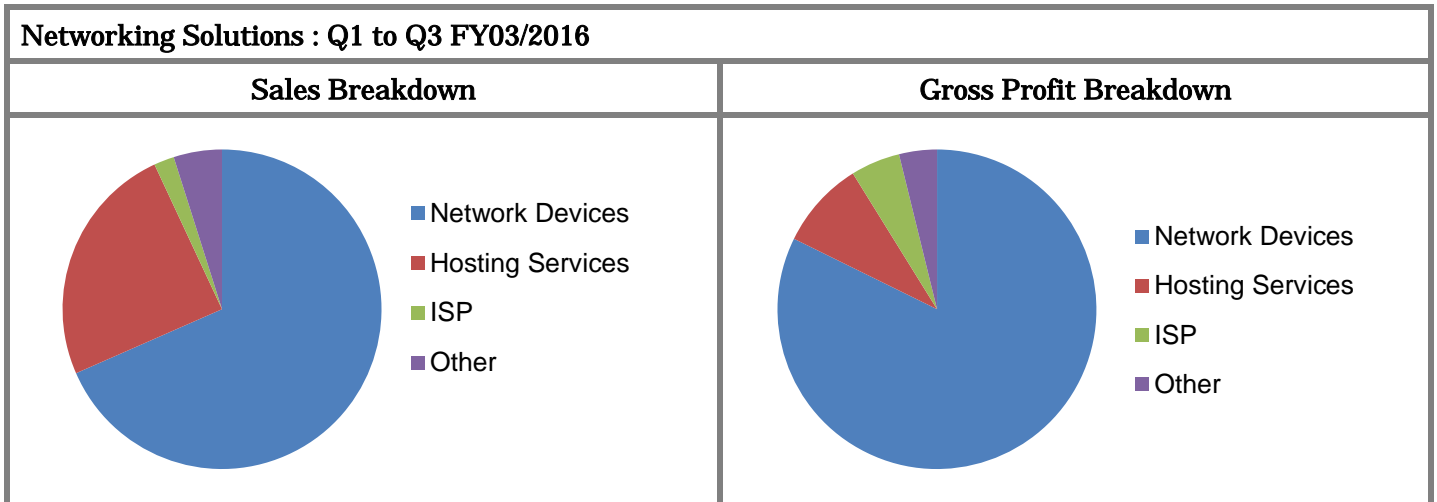
Source: Company Data, WRJ Calculation

On top of this, the Company is also involved with planning, creations, consulting, management, maintenance, etc. of websites, including those of web applications for all those packaged software in this business segment, accounting for the bulk of remaining one fourth of gross profit.

In FY03/2016, the Company has started benefiting from sales of packaged software newly developed by Startia Lab, Inc., but impacts have remained insignificant to date. It was 28 April 2015 that the Company launched software to act for developing O2O customer-attracting app for stores, i.e., *AppGoose*, in the market. This represents app for Smartphones to post information of own stores, including scenery in the store, notice, map, rate plan, etc. The Company argues that this makes it possible to directly and timely appeal to potential customers who have installed the app, in regards to information associated with coupons, holding of events, etc., on a push basis, eventually persuading them to come to the stores.

Networking Solutions

In Networking Solutions (NS), sales associated with network devices account for more than three fourth of gross profit. Specifically, the Company is involved with outright sales of major makers' routers, etc., including those through leasing contracts, as well as with offering of related solutions. On top of this, the Company is also involved with rental services of the same devices, incorporating maintenances & services, while also with rental services of peripheral software such as firewalls at the same time.



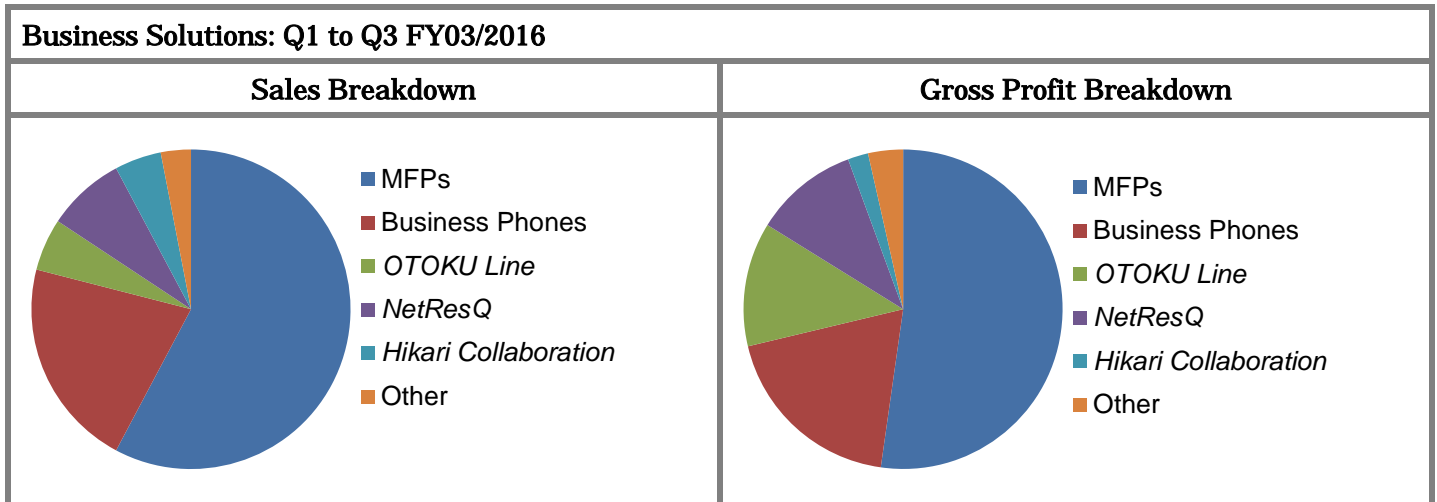
Source: Company Data, WRJ Calculation

Elsewhere, the Company is involved with hosting services and ISP services, but both of them are insignificant in terms of gross profit.

On the hosting services side, the Company is running operations of literal hosting services as well as self-developed SaaS-type online storage services, i.e., *Secure SAMBA*. In regards to the former, the Company is currently suffering from charges to beef up securities, which is one of the reasons for insignificant gross profit in here. Meanwhile, in regards to the latter, the Company is estimated to be the 5th largest in Japan, but holding higher market shares while being competitive, as far as the Company's mainstay customer base, i.e., corporates with headcounts fewer than 300, are concerned. The Company is trying to get at steady increases of sales for said online storage services, going forward.

Business Solutions

In Business Solutions (BS), sales associated with MFPs (multifunctional printers) account for half of gross profit. The Company is heavily involved with outright sales, including those through leasing contracts, and rental services. At the same time, so is the Company with maintenance & services, for hardware to have been offered to customers, including operations to obtain fee revenues in line with the volume of emissions for hard copies.



Source: Company Data, WRJ Calculation

Apart from MFPs (multifunctional printers), the Company sees gross profit being generated, mainly from business phones, *OTOKU Line* and *NetResQ*. In regards to business phones, the Company is involved with outright sales, installation works and maintenance & services, while also with rental services of IP business phones, together with maintenance & services for them.

OTOKU Line represents operations to offer reception desk services for phone lines, run by SoftBank Telecom Corp. In this business model, incentives have been generated by operations for the Company to cultivate new customers on behalf of the counterparty by means of persuading new customers to adopt said services and then fees in line with the use of the services by them. To date, however, the Company has shifting its resources to offering of own services as one of the operators of *Hikari Collaboration*. This has started to nicely generate sales and gross profit, but decreasing sales and gross profit for existing *OTOKU Line* are taking place at the same time. Most recently, impacts from the former have remained smaller than the latter, but the Company is looking to a turnaround in the foreseeable future.

Meanwhile, *NetResQ* represents maintenance & services for network devices, enabling small-&-medium-sized corporates, i.e., the Company's mainstay customer base, materialize gateway-based security measures with functionality of UTM (Unified Threat Management). Sales had been included in Networking Solutions (NS) by FY03/2015, while being included in Business Solutions (BS), starting in FY03/2016.

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act FY 03/2011	Cons.Act FY 03/2012	Cons.Act FY 03/2013	Cons.Act FY 03/2014	Cons.CoE FY 03/2015	Cons.CoE FY 03/2016	YoY Net Chg.
Sales	4,000	5,084	6,640	8,167	8,682	10,000	+1,317
Cost of Sales	1,742	2,305	3,152	3,922	4,325	-	-
Gross Profit	2,257	2,779	3,487	4,245	4,356	-	-
SG&A	1,984	2,319	2,831	3,415	3,609	-	-
Operating Profit	273	459	656	829	747	460	(287)
Non Operating Balance	4	16	-	26	131	50	(81)
Recurring Profit	278	475	655	856	878	510	(368)
Extraordinary Balance	(20)	4	-	(71)	78	-	-
Pretax Profit	257	480	655	784	956	-	-
Tax Charges, etc.	128	201	264	352	364	-	-
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	-
Net Profit	129	278	391	432	592	250	(342)
Sales YoY	+19.3%	+27.1%	+30.6%	+23.0%	+6.3%	+15.2%	-
Operating Profit YoY	+70.8%	+68.0%	+42.9%	+26.5%	(10.0%)	(38.4%)	-
Recurring Profit YoY	+68.7%	+71.1%	+37.8%	+30.6%	+2.6%	(41.9%)	-
Net Profit YoY	+12.3%	+115.2%	+40.4%	+10.5%	+37.2%	(57.8%)	-
Gross Profit Margin	56.4%	54.7%	52.5%	52.0%	50.2%	-	-
(SG&A / Sales)	49.6%	45.6%	42.6%	41.8%	41.6%	-	-
Operating Profit Margin	6.8%	9.0%	9.9%	10.2%	8.6%	4.6%	(4.0%)
Recurring Profit Margin	7.0%	9.4%	9.9%	10.5%	10.1%	5.1%	(5.0%)
Net Profit Margin	3.2%	5.5%	5.9%	5.3%	6.8%	2.5%	(4.3%)
Tax Charges, etc. / Pretax Profit	49.8%	42.0%	40.3%	44.9%	38.1%	-	-

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	Cons.CoE	YoY
(Million Yen)	FY	FY	FY	FY	FY	FY	Net Chg.
	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	
Web Solutions	701	1,073	1,482	1,943	2,041	-	-
Networking Solutions	1,225	1,424	1,843	2,160	2,432	-	-
Business Solutions	2,073	2,585	3,314	4,063	4,208	-	-
Other	-	-	-	-	-	-	-
Sales	4,000	5,084	6,640	8,167	8,682	10,000	+1,317
Web Solutions	+57.9%	+53.1%	+38.0%	+31.2%	+5.0%	-	-
Networking Solutions	+16.9%	+16.3%	+29.4%	+17.2%	+12.6%	-	-
Business Solutions	+11.4%	+24.7%	+28.2%	+22.6%	+3.6%	-	-
Other	-	-	-	-	-	-	-
Sales (YoY)	+19.3%	+27.1%	+30.6%	+23.0%	+6.3%	+15.2%	-
Web Solutions	17.5%	21.1%	22.3%	23.8%	23.5%	-	-
Networking Solutions	30.6%	28.0%	27.8%	26.4%	28.0%	-	-
Business Solutions	51.8%	50.9%	49.9%	49.7%	48.5%	-	-
Other	-	-	-	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Web Solutions	113	220	165	323	359	-	-
Networking Solutions	109	179	362	301	202	-	-
Business Solutions	69	91	169	254	232	-	-
Other	-	-	-	-	-	-	-
Segment Profit	292	492	697	879	795	-	-
Elimination	(19)	(33)	(41)	(49)	(48)	-	-
Operating Profit	273	459	656	829	747	460	(287)
Web Solutions	(16.7%)	+94.3%	(25.1%)	+95.2%	+11.2%	-	-
Networking Solutions	-	+64.5%	+101.6%	(16.8%)	(32.8%)	-	-
Business Solutions	+5.2%	+31.7%	+84.4%	+50.2%	(8.5%)	-	-
Other	-	-	-	-	-	-	-
Segment Profit (YoY)	+41.2%	+68.2%	+41.6%	+26.0%	(9.6%)	-	-
Web Solutions	38.8%	44.8%	23.7%	36.7%	45.2%	-	-
Networking Solutions	37.3%	36.5%	52.0%	34.3%	25.5%	-	-
Business Solutions	23.8%	18.7%	24.3%	29.0%	29.3%	-	-
Other	-	-	-	-	-	-	-
Segment Profit (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-
Web Solutions	16.2%	20.6%	11.2%	16.6%	17.6%	-	-
Networking Solutions	8.9%	12.6%	19.7%	14.0%	8.3%	-	-
Business Solutions	3.4%	3.6%	5.1%	6.3%	5.5%	-	-
Other	-	-	-	-	-	-	-
Operating Profit Margin	6.8%	9.0%	9.9%	10.2%	8.6%	4.6%	(4.0%)

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	Cons.CoE	YoY
(Million Yen)	FY	FY	FY	FY	FY	FY	Net Chg.
	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	
Operating Cash Flow	410	461	566	638	755	-	-
Investing Cash Flow	(214)	(240)	(591)	(286)	(582)	-	-
Operating CF & Investing CF	196	221	(24)	352	172	-	-
Financing Cash Flow	597	(186)	(146)	(24)	(82)	-	-

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.CoE	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	Net Chg.
No. of Shares FY End (-000 Shares)	4,953	4,956	5,012	5,064	5,120	-	-
Net Profit / EPS (-000 Shares)	4,401	4,954	4,975	5,053	5,101	-	-
Treasury Shares FY End (-000 Shares)	0	0	0	0	22	-	-
Earnings Per Share	29.4	56.2	78.6	85.5	116.2	24.4	-
Earnings Per Share (Fully Diluted)	28.6	55.4	77.2	83.5	112.8	-	-
Book Value Per Share	484.4	534.9	605.7	689.7	779.8	-	-
Dividend Per Share	5.0	5.6	7.9	15.0	20.0	9.0	-
Payout Ratio	17.0%	10.0%	10.0%	17.6%	17.2%	36.9%	-

Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	Net Chg.
Stock Split Factor	2	2	2	2	2	1	-
Earnings Per Share	14.7	28.1	39.3	42.8	58.1	24.4	-
Book Value Per Share	242.2	267.4	302.9	344.8	389.9	-	-
Dividend Per Share	2.5	2.8	3.9	7.5	10.0	9.0	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	Net Chg.
Cash & Deposit	2,010	2,055	2,068	2,247	2,335	-	-
Accounts Receivables	631	837	1,033	1,438	1,319	-	-
Inventory	21	25	35	31	76	-	-
Other	145	173	259	333	325	-	-
Current Assets	2,808	3,092	3,396	4,051	4,057	-	-
Tangible Assets	97	108	100	105	150	-	-
Intangible Assets	240	258	327	502	811	-	-
Investments & Other Assets	277	309	450	507	642	-	-
Fixed Assets	615	676	878	1,115	1,604	-	-
Deferred Assets	14	9	4	-	-	-	-
Total Assets	3,439	3,777	4,279	5,167	5,662	-	-
Accounts Payables	291	354	453	618	565	-	-
Short-Term Debt	151	141	-	-	-	-	-
Other	454	631	789	1,043	1,119	-	-
Current Liabilities	898	1,126	1,242	1,661	1,684	-	-
Long-Term Debt	141	-	-	-	-	-	-
Other	-	-	-	12	-	-	-
Fixed Liabilities	141	-	-	12	-	-	-
Total Liabilities	1,039	1,126	1,243	1,673	1,684	-	-
Shareholders' Equity	2,404	2,658	3,044	3,450	3,960	-	-
Other	(4)	(7)	(8)	43	17	-	-
Net Assets	2,399	2,650	3,035	3,493	3,977	-	-
Total Liabilities & Net Assets	3,439	3,777	4,279	5,167	5,662	-	-
Equity Capital	2,399	2,650	3,035	3,492	3,975	-	-
Interest Bearing Debt	293	141	-	-	-	-	-
Net Debt	(1,716)	(1,913)	(2,068)	(2,247)	(2,335)	-	-
Capital Ratio	69.8%	70.1%	70.9%	67.6%	70.2%	-	-
Net Debt Equity Ratio	(71.4%)	(72.0%)	(68.0%)	(65.1%)	(59.0%)	-	-
ROE (12 months)	6.9%	11.0%	13.8%	13.2%	15.9%	-	-
ROA (12 months)	9.3%	13.2%	16.3%	18.1%	16.2%	-	-
Quick Ratio	294%	257%	250%	222%	217%	-	-
Current Ratio	313%	275%	273%	244%	241%	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

TSE1 Listing

The Company, having made market changeover to Tokyo Stock Exchange 1st Section from Mothers on 28 February 2014, was founded, on 21 February 1996, as Telecom-net Co., Ltd., based in Tokorozawa-city, Saitama-prefecture. In those days, the Company was basically involved with sales of business phones, MFPs (multifunctional printers), etc., i.e., all those merchandises currently belonging to Business Solutions (BS) by business segment.

The Company has been identified as Startia, Inc. since April 2004 and the Company's shares were listed on Mothers of Tokyo Stock Exchange in December 2005. To date, the Company has been seeing steady growth of business phones, MFPs (multifunctional printers), etc., while having obtained new earnings sources, i.e., network devices and self-developed packaged software.

Top management for the Company is Hideyuki Hongo (born in 1966), who is the current president & CEO and the founder of the Company. At the same time, he is the top shareholder of the Company, holding 43.7% of shares outstanding as of the end of September 2015. He used to believe that hiring of promising new graduates as many as possible is the key for long-term earnings growth for the Company, but he has recently changed his mind.

The Company hired new graduates of 70 as of April 2015 in terms of the number, which equated to 12.6% of consolidated headcounts of 554 as of the end of FY03/2015. Meanwhile, the Company used to go for hiring new graduates of 86 for April 2016, but currently going for 48.

Company History

Date	Events
February 1996	Being established as Telecom-net Co., Ltd. with capital ¥3.0m
October 1996	Company name, changed to ND Telecom Co., Ltd.
September 1997	Submitted written notice for general Type II telecommunications business and accepted [A-09-2462]
January 2000	Started up hosting services "Digit@Link Rental Server"
May 2002	Opened Shinjuku branch
November 2002	Opened Osaka branch
April 2004	Company name, changed to Startia, Inc.
December 2005	Being listed on Mothers of the Tokyo Stock Exchange
July 2006	Opened Fukuoka branch
April 2007	Osaka branch, becoming the second headquarter office
July 2007	Started to offer services of rental networking equipment, i.e., "Managed Gate"
October 2007	Acquired MFP customers and counter business from Arest Inc.
April 2009	Established Startia Lab, Inc. as consolidated subsidiary
June 2009	MAC Office, Inc., becoming equity-method affiliate by underwriting third-party allotment
July 2009	Facilities Division, succeeded by MAC Office, Inc.
October 2011	Opened Nagoya branch
October 2011	STARTIASOFT INC., based in China, established as equity-method affiliate
December 2011	Startia, Inc. and Startia Lab, Inc., authorized by ISMA (Information Security Management System)
January 2012	Urban Plan Co., Ltd., becoming equity-method affiliate by underwriting third-party allotment.
October 2012	Opened Yokohama branch
January 2013	Established STARTIA SHANGHAI INC. (based in China) as consolidated subsidiary
April 2013	Opened East Tokyo branch
June 2013	Signed up contract with Horma Service Co., Ltd. (based in Taiwan) for business & capital alliance, making it equity-method affiliate
February 2014	Being listed stock market, changed to TSE1

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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