Alpha-Win Company Research Report

YRGLM Inc. (3690 TSE Mothers)

【Previous name: LOCKON CO., LTD.】 **Issued**: 12/13/2019

● Summary

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http://www.awincap.com/

Business Description

・YRGLM Inc. (hereinafter referred to as the "Company") is a marketing-technology company that plans, develops, and sells software related to Internet marketing. It was founded in 2001 by president Iwata during his college years. Its main product is its originally developed Internet advertising effect measurement system; it is a leading company in a niche field. The product is provided via the cloud to middle-sized and large companies. The Company's main business is based on a subscription-based business model, meaning that although costs precede and temporarily cause an overall loss upon the acquisition of new customers, after a certain period of time, the initial costs are recovered and profit begins to steadily accumulate over time. By changing its business model, selecting and focusing on a business portfolio, and effectively using its accumulated information assets, the Company is beginning to enter a profitability-improvement phase. The Company became listed on TSE Mothers in September 2014. On August 1, 2019, the Company changed its name from LOCKON CO., LTD., to YRGLM Inc.

Current Financial Performance

・After becoming listed on Mothers, the Company had increased sales and stayed in the black. However, from FY 2017 (the fiscal year ending in Sept. 2017), although sales continued to grow, profit declined consecutively due to upfront investment for business expansion and expenses related to business restructuring. In FY 2018, sales grew but a net loss was posted and dividend payment was stopped. In FY 2019 (last fiscal year), sales increased by 22.1% to Y2,204 million and an operating profit of Y84 million was achieved, improving from the previous operating loss. However, due to trademark-litigation-related expenses posted as an extraordinary loss, the fiscal year resulted in a net loss of Y34 million. Compared to the forecast, which the Company discloses as a range, sales were below the lower end of the range but operating profit exceeded the higher end of the range (the same with Alpha-Win's forecast). In sum, the results were positive, with the settlement of a lawsuit that had been of concern and quarterly operating profit being maintained and becoming solid since the second quarter (Jan-Mar 2019).

Competitiveness

・The Company's strengths are the management skill of the president who has a deep knowledge of leading technologies in this field, products with proven and strong functions, and possession of and potential to utilize the big data that have been accumulated over the years. The Company's two main products both have the largest share in the domestic market. In the growing industry, the Company aims to further strengthen its products and secure an extraordinarily large market share for its flagship products through a strategy that includes active M&As, business acquisitions, and business alliances.

Business Strategy

・Under the Marketing Robot Strategy, which aims to automate and improve the efficiency of Internet marketing, the Company plans to expand its business domain as a whole from advertising effect measurement to analysis and utilization, as well as overseas development. It plans to achieve Y3 billion in sales in FY 2020. Toward this end, the Company plans to accelerate its growth by actively pursuing M&As, developing business in related fields, and forming alliances with other companies. Recently, the Company decided to purchase the ADPLAN business from OPT, through which the Company's market share is expected to expand.

Financial Forecast for This Fiscal Year and Over the Medium Term

・As with the previous fiscal year, the Company has not disclosed the financial forecast (sales, profit, and dividend) for this fiscal year or FY 2020, explaining that reasonable financial predictions are difficult due to the presence of various uncertain factors. It plans to announce a forecast as soon as reasonable calculations become possible. Alpha-Win Research Dept. revised the previous forecast in considering the rise in the unit price of AD EBiS and the effect of the business acquisition. Sales were kept at Y2,750 million (+24.8% YoY), while

operating profit was raised to Y200 million (+138.1% YoY) and net profit was revised up to Y165 million (improvement from loss to profit). We expect the Company to disclose its forecast (most likely as a range of values) after this first quarter's results or the interim results come out, around February or May. In the current fiscal year, increased sales of the main product AD EBiS and continued cost improvement are expected to contribute to a double-digit sales growth, a significant rise in the profits, and an achievement of a net profit (improving from the previous net loss). With the great growth potential of the Internet-marketing-related fields, an annual sales growth rate of 15-20% is expected over the medium to long term. Going forward, we believe that the Company will continue its "proactive" upfront investment as it expands business and actively selects and focuses on its business portfolio for future growth. Therefore, although it would depend on the cost control, with the profit margins improving, we believe that the Company will be able to maintain a net profit and a profit growth of 20-30% per year, a pace that is faster than the sales growth rate.

Stock Price and Characteristics

・AdTech-related, domestic-demand-oriented growth stock. Reflecting the share buyback and recovery in performance, the stock price rose from February 2019 to the summer of the same year, outperforming the index. However, in a fallback from this rise, the stock price has been going through short ups and downs in the past six months. The Company's stock value does not seem cheap when valuation indicators are compared with TOPIX and similar companies. However, since the Company's results have bottomed out, improving from operating loss to profit, there is increasing anticipation for a v-shaped recovery in profit. Going forward, factors that may affect the stock price include the change in monthly sales, quarterly transition in profit and loss (change in the amount of profit), announcements of M&As or alliances or new functions, contents of the next medium-term business plan when it is announced, and forecasts on profit levels over the medium term. In particular, the unit price and the number of active accounts of the core AD EBiS business are key indicators (KPI) directly linked to financial performance and should be closely followed.

Shareholder Return

・In the previous fiscal year and the fiscal year before the previous, the Company posted net losses and no dividend was paid. Although the Company announced that this year's dividend is undetermined, the possibility of a payment is low and the resuming of dividend payment is likely to be carried over into the fiscal year after the next or later. The Company currently believes that, because it is in a growth phase, it should raise shareholder value by recovering its financial performance through investments for growth rather than letting its cash flow out.

【3690 YRGLM Inc. Sector: Information & Communication】 Figure A

FY		Sales (million Y)	YOY (%)	O.P. (million Y)	YOY (%)	R.P. (million Y)	YOY (%)	N.P. (million Y)	YOY (%)	EPS (Y)	BPS (Y)	Dividend (Y)
2017		1,719	6.6	92	-62.6	106	-57.5	72	-56.8	11.56	195.60	5.0
2018		1,804	5.0	-98	-	-115	-	-88	-	-14.02	184.97	0.0
2019		2,204	22.1	84	To profit	79	To profit	-34	-	-5.54	168.68	0.0
2020	CE	Not disclosed (although sales of Y3 billion targeted in medium-term plan)										
2020	E	2,750	24.8	200	135.5	200	153.2	165	To profit	26.23	194.88	0.0
2021	E	3,150	14.5	300	50.0	300	50.0	230	39.4	36.56	231.44	0.0
2022	E	3,600	14.3	380	26.7	380	26.7	250	8.7	39.74	271.18	5.0

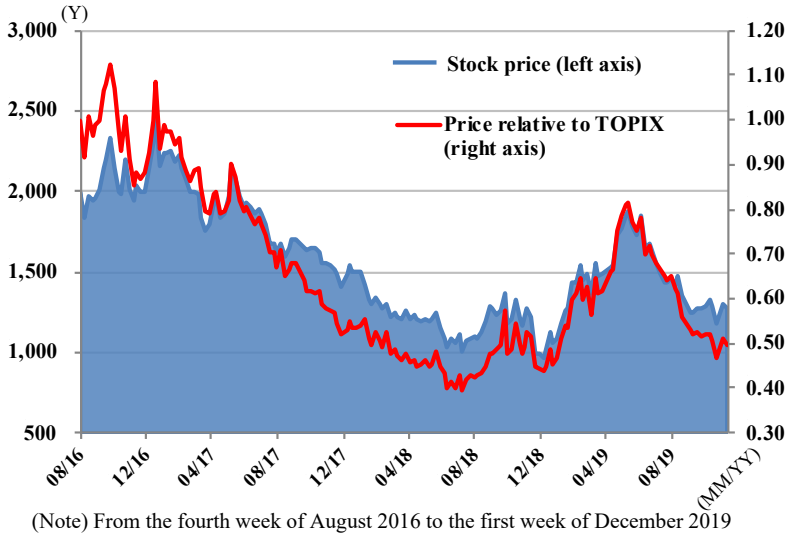
(Note) CE = the Company's estimate (forecast); E = estimate (forecast) by Alpha-Win Research Dept. All fiscal years discussed in this document are September-ending. For example, FY 2020 ends in Sept. 2020.

【Stock Price and Valuation Indicators: 3690 YRGLM Inc.】 Figure B

Item	12/6/2019	Item	P/E	P/B	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	1,271	Last FY (actual)	-	7.5	0.0%	0.0%
Shares Outstanding (thou.)	6,372	This FY (est.)	48.5	6.5	0.0%	0.0%
Market Capitalization (million Y)	8,099	Next FY (est.)	34.8	5.5	0.0%	0.0%
Dilutive Shares (thou.)	0	Equity Ratio at Last FY-End		51.4%	Last FY's ROE	-3.1%

(Note) Forecasts/estimates were made by Alpha-Win Research Dept.

【 Stock Chart (end-of-week prices): 3690 YRGLM Inc.】 Figure C



(Note) From the fourth week of August 2016 to the first week of December 2019

【Performance】

Period	Return	vs. TOPIX
1 month	-1.8%	-2.6%
3 months	-4.1%	-11.1%
6 months	-26.7%	-33.7%
12 months	29.0%	12.5%

(Note) Prepared by Alpha-Win Research Dept. The most recent stock price and TOPIX values are closing prices on 12/6/2019. In the performance calculations for each period, the stock price and TOPIX at the end of each respective month were compared with their most recent values.

Contents

Note: Upon translating to English, when the page numbers differed from the original Japanese version, they were adjusted to those of the English version of the Report.

1. Company Overview

- **Marketing-technology company. Developing the Marketing Robot business to automate and improve the efficiency of marketing instead of humans. Currently, the Internet advertising effect measurement system, which is a part of this business, is its main product.**

- **As its main service, the Company provides Internet-marketing-related platform as a SaaS (cloud).**

(1) Internet advertising effect measurement system: A tool to comprehensively measure the effect of and evaluate various Internet ads and SEO strategies

(2) SaaS (software as a service): A service where software is used via the Internet (almost synonymous with the cloud). Does not need purchasing of packaged products. Only the necessary functions, contents, and quantity of service are used via the Internet and paid for.

- **Changed the company name and symbol. The new name is YRGLM Inc.**

◆ Leading Company in a Niche Market

YRGLM Inc. (hereinafter referred to as the "Company") is an emerging marketing-technology company that plans, develops, and sells software related to Internet advertising and e-commerce. Susumu Iwata, the Company's president, started a web design business in Osaka as a college student and, upon business expansion, established the Company in 2001.

The Company has grown through the full-scale development of the Marketing Robot (registered trademark of the Company) business, developing proprietary software that automatizes and improves the efficiency of marketing instead of humans. It is a giant leading company in the niche market encompassing this business.

To date, it has grown its business in two areas – the marketing platform and the EC platform. Its flagship product is AD EBiS, an Internet advertising effect measurement system[1] that is provided as a SaaS[2] (cloud) to companies (B2B).

The Company became listed on TSE Mothers in September 2014. Currently, it has two head offices, one in Osaka and one in Tokyo. In addition, for the purpose of promoting various workstyles not constrained by work locations, the Company established the KYOTO Base (Kyoto City) in August 2019 as another place to work. It plans to use the site for recruitment of talents and R&D as well.

On August 1, 2019, the Company changed its name from "LOCKON" (CO., LTD.) to "YRGLM Inc." Five years since becoming listed on the market, the Company will reach a milestone next year (2020) – the 20th anniversary of its founding which can be seen as its second start-up phase. At this timing, the Company decided to reconfirm its goal and value creation and aim for a further leap; it embedded this determination in its new name.

The Company created the word "YRGLM" to mean "an ideal world that has never been seen before" and made it its new name. "In order to present the image of an ideal future that does not exist in this world yet, we used 'a meaningless string of letters' that does not have any origin in existing words. It is a sole and unique name that we chose to reflect our goal to become a sole and unique company [excerpt from the Company's website]."

In addition, using "five rubber bands," the Company created a symbol to represent an organization aiming to realize the ideal world YRGLM. The rubber band symbolizes infinite possibilities since it has various meanings depending on the person who uses it. The overlapping shape represents the strong harmony among employees. Furthermore, the symbol expresses the respect for the individuality of each person and diversity and represents a strong and flexible organization that can elastically change.

The Company's new vision is to "become a company that supports corporate marketing activities around the world through data and technology to create happiness for sellers and buyers."

◆ **Its main products are its originally developed AD EBiS and EC-CUBE.**

The Company is specialized in providing the Marketing Robot and carries out the following two businesses (main product names listed after the colon).
(1) Marketing platform: AD EBiS and AdRepo (automatic report generation tool for programmatic advertising[3])
(2) EC platform: EC-CUBE

(3) Programmatic advertising: An advertising method where optimization of ads is conducted automatically or supported immediately. After submitting an ad, optimization is conducted, leading to better results.

The corporate group consists of a total of five companies: the Company, two consolidated subsidiaries, one nonconsolidated subsidiary, and one affiliate accounted for by the equity method. Below are the details:

Consolidated Subsidiaries
・LOCKON Vietnam Co., Ltd. (Vietnam Socialist Republic. An offshore development site. Conducts software development outsourced by the Company. 100% owned by the Company.)
・EC-CUBE Co., Ltd. (Established in Osaka City Kita Ward in October 2018. The Company has a 100% stake. Succeeded the EC-CUBE business from the parent company's EC platform business in January 2019.)

Nonconsolidated Subsidiary
・LOCKON Marketing of U.S.A (Established for information-gathering purposes – a dormant company)

Affiliate Accounted for by the Equity Method
・SAI Co., Ltd. (LOCKON CO., LTD. acquired 20% of the shares in September 2015 and transferred its EC outsourced development business)
・As for Radical Opti Co., Ltd., the Company acquired 20% of the shares in May 2017 and then, like SAI, transferred its EC outsourced development business. However, a part of the shares was sold during last fiscal year, so this company is no longer an equity-method affiliate.

◆ **Consolidated-to-parent-company ratios had been about 1 for both sales and profit. Last FY, the ratios improved thanks to the subsidiaries.**

The parent company's sales and profit used to make up an extremely large portion of the total for the entire corporate group, with the consolidated-to-parent-company ratios staying at around 1. Total recurring profit/loss of the consolidated subsidiaries had also been almost zero (Figure 1). In the previous fiscal year, though, sales of the consolidated subsidiaries (consolidated minus parent) were Y193 million and recurring profit was Y60 million – a significant improvement (in the fiscal year before the previous, sales were Y0 million and there was a recurring loss of Y5 million). The EC-CUBE business contributed to this improvement, as it had been carved out from the parent to a subsidiary and its performance had improved.

【 Figure 1 】Comparison of Consolidated-to-Parent-Company Recurring Profit by Fiscal Year
(unit: million yen, %)

		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
A	Consolidated R.P.	234	352	250	106	-115	79
B	Parent company R.P.	245	359	252	107	-110	20
A-B=C	Consolidated R.P. - parent company R.P.	-12	-7	-2	-1	-5	60
C/B	Subsidiaries, etc.'s R.P. / parent company R.P.	-4.7%	-1.9%	-0.7%	-0.5%	-	304.9%
A/B	Consolidated R.P. / parent company R.P.	0.95	0.98	0.99	1.00	-	4.05

(Ref) Prepared by Alpha-Win Research Dept. from the Company's securities report, financial results summary, financial results briefing materials, website, etc.
(Note) Hereinafter, unless otherwise noted, reference may be omitted if it is the same as the above. Also, since we generally round off the decimal places for the numbers used in this Report, the numbers may differ from those officially disclosed by the Company. Results are consolidated starting in FY 2014 (the same applies to the rest of this document).

- **As of the end of September, the debt was about the same as the cash and deposits, meaning that the Company is essentially mostly debt-less.**

After becoming listed, the Company had been debt-free, but in FY 2018, the Company raised about Y800 million in long- and short-term loans as an investment for the future. The Company commented that this investment is for the development of the marketing platform and AI-related fields and for future M&As.

Since the Company's long- and short-term debt totaled Y740 million while its cash and deposits were about Y770 million as of the end of September 2019, the Company is essentially mostly debt-free. In addition, while its total assets and market capitalization are relatively small – about Y2.1 billion and Y8.4 billion, respectively, as of the end of September (the closing price was Y1,325 on September 30, 2019) – there is no problem with its financial condition, with an equity ratio of 51% and a current ratio of 139%.

Intangible fixed assets, including goodwill (due to the acquisition of the AdRepo business) and software, are Y590 million and deferred tax assets are Y90 million, totaling Y680 million. This is smaller than the Company's net assets, which total Y1.06 billion, so there seems to be no problem for the time being.

- **The Company's business philosophy**

◆ Business Philosophy

Under its mission, "Impact On the World," the Company aspires for companies that provide unique values to develop together with the society. This philosophy encompasses the Company's idea that "We should continue to impact to each thing that we are involved in, because the accumulation of small impacts that move people's heart will eventually create a large momentum that will move the entire world."

Also, the Company's vision (future ideal) is to "become a company that supports corporate marketing activities around the world through data and technology to create happiness for sellers and buyers."

As for its values (including action policy), the Company has decided on the three policies of "Pursue until the very last moment," "Reach beyond the barriers of business domains," and "Believe that we can truly do it."

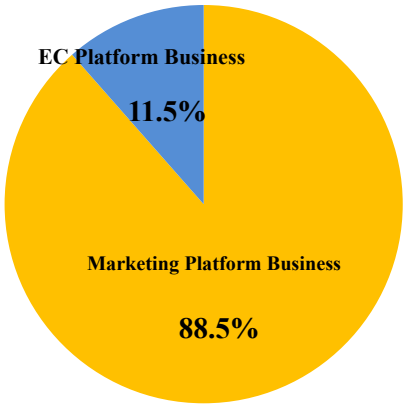
2. Business Description and Business Model

- **A B2B business, providing originally developed software via the cloud as its main business. Developing businesses based on two platforms. Focused on the marketing platform business.**

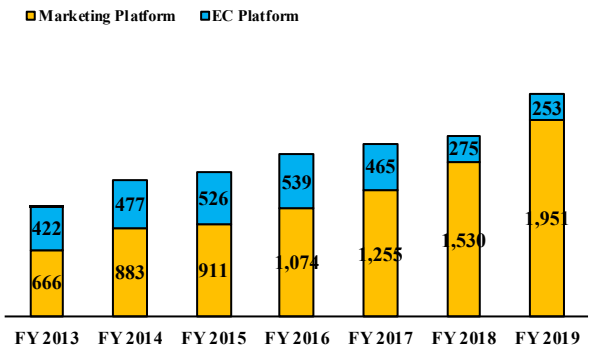
◆ Providing Proprietary Marketing Robot via the Cloud

Based on the concept that a "marketing robot" that solves problems automatically and efficiently instead of humans is also necessary in the area of Internet marketing due to the aging and declining population, the Company provides the originally developed Marketing Robot software via the cloud mainly to companies. The Company's business consists of two business segments: (1) the marketing platform business and (2) the EC platform business. The former accounted for 88.5% of the total sales in the previous fiscal year and is the driver of sales growth (shown by fiscal year on Figures 2 and 3). Change in operating profit by business segment is shown below on Figure 4. Except during the business restructuring phase of FY 2017 and FY 2018, operating profit has kept being posted in both platform businesses on a full-year basis.

【 Figure 2 】FY 2019 Full-Year Sales Breakdown by Business Segment

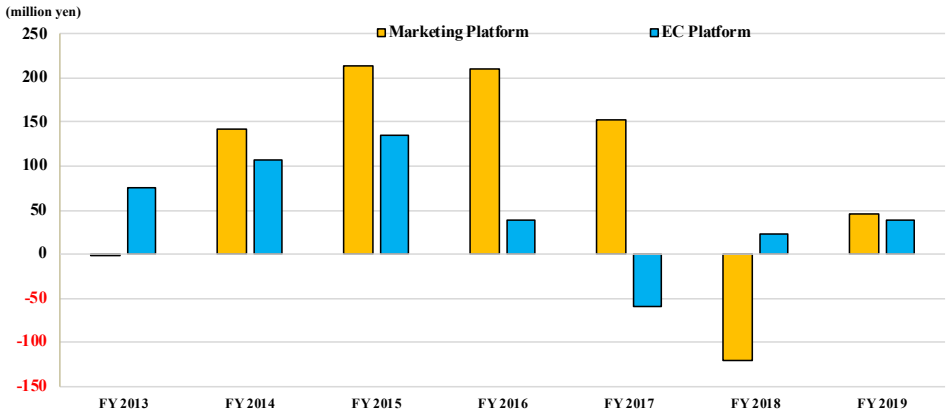


【 Figure 3 】Change in Full-Year Sales by Business Segment (unit: million yen)



(Ref) Figures 2-4 were prepared by Alpha-Win Research Dept. from the Company's securities report, financial results summary, and financial results briefing materials.

【 Figure 4 】Change in Full-Year Operating Profit by Business Segment



◆**Restructuring and Strengthening of Business Portfolio**

- **Making progress with the restructuring of business portfolio. Concentrating business resources on AD EBiS of the marketing platform business.**

Since FY 2016, the Company has been actively restructuring and strengthening its business portfolio, focusing on its core business (shifting to AD EBiS in the marketing platform business) and separating its non-core business (EC platform business) (Figure 5). In the marketing platform business, the Internet advertising effect measurement system AD EBiS accounts for a little less than 80% of the total sales (last fiscal year's results). Going forward, the Company plans to concentrate business resources on this product and related products to develop this business as an even greater driver of growth. The Company plans to consequently acquire an extremely large share in the market.

【 Figure 5 】Business Restructuring and Segments (business segments that will be kept are highlighted)

Business Segment	Main Product/Service	Business Subcategory	Change	Note
(1) Marketing Platform	1. AD EBiS			Parent company
	2. THREe		Withdrawal planned (March 2020)	
	3. DMP		Transferred from SOLUTION; planned for shrinkage and withdrawal	
	4. AdRepo		Acquired (August 2018)	
	5. ADPLAN		To be acquired (January 2020)	
(2) EC Platform	1. EC-CUBE		Transferred to EC-CUBE Co., Ltd., on 1/1/2019	Consolidated
	2. SOLUTION → terminated	*EC Outsourced Dev.*	*Transferred to SAI Co., Ltd. (equity method) and Radical Opti Co., Ltd. (no longer equity method as of last FY)*	*Equity method*
		(DMP)	*Transferred to SOLUTION*	

(Ref) Prepared by Alpha-Win Research Dept. from the Company's securities report, financial results summary, financial results briefing materials, and interview.

Specifically, in recent years, the Company has been conducting the following strengthening and restructuring of business.

(4) Cross-Device Function: A function to visualize user behavior across devices, applications, and browsers

(i) Strengthened the products of the marketing platform business. Offering products with enhanced capabilities by adding various optional functions to the AD EBiS such as the artificial intelligence functions Cross-Device Function[4] (patent-pending; provided starting in August 2018) and Customer Journey Analysis Function (visualizes and evaluates the user behavior history; patent obtained).

(ii) Formed 31 new alliances with other companies against the target of 30, which had been a high-priority target of the Company's development strategy (FY 2018). As a result, with the utilization of external resources, the Company was able to obtain most of what is needed for the three components – measurement, analysis, and utilization – crucial to the Marketing Robot.

(iii) Acquired EVERRISE CO., LTD.'s automatic report creation tool AdRepo business in August 2018 and incorporated it into the marketing platform business.

(iv) Restructured the EC platform business, transferring the EC outsourced development business (actual sales were Y246 million in FY 2016) to its two equity-method subsidiaries and withdrawing from the outsourcing business. Note that one of those subsidiaries, Radical Opti Co., Ltd., is no longer an equity-method subsidiary as of last fiscal year.

(5) DMP: A method by which a corporate client analyzes its website

(v) Also in EC platform business, the Company transferred its EC-CUBE division to EC-CUBE Co., Ltd., its new consolidated subsidiary, on January 1, 2019, by a company split-up. Began providing the new version, EC-CUBE 4 (October 2018).

(vi) Similarly, the DMP[5]-related business of the EC platform business (last fiscal year's sales were Y51 million) was transferred to the

Company's marketing platform business in the previous fiscal year since it is closely related to AD EBiS.

(vii) Reinforced human resources to prepare for growth. From FY 2014 to FY 2019, the number of employees was increased from 68 → 71 → 98 → 122 → 144 → 151 (the number of employees at the end of each fiscal year) through new-graduate and mid-career recruitment. However, last fiscal year, the net increase in the number of employees slowed down as the Company faced difficulties in recruiting talented individuals amidst a tight labor market. Going forward, it plans to continue to hire new employees at a stable pace in order to accelerate its growth. While the Company used to focus on hiring sales representatives for strengthened sales and engineers for software development, in recent years, it has shifted toward roles in the area of customer success in an aim to enhance customer value. This fiscal year, the Company plans to increase its staff through the recruitment of 11 new graduates as well as through mid-career recruitment, aiming for about 160 employees by the end of the fiscal year.

(viii) Decided to withdraw from the THREe business (an operating platform for paid-listing ads[6]) (withdrawal planned at the end of March 2020).

(6) Paid-listing ads: Also referred to as search advertising. A method of displaying ads related to keywords searched or browsed by Internet users. Effectively displays ads in the users' areas of interest. A highly effective method for corporate advertising.

As a result of the above actions, since the second quarter (Q2) of FY 2019, the Company (parent company) has been concentrating on the marketing platform business. However, since EC-CUBE was transferred to a consolidated subsidiary, on a consolidated basis, the Company's business is classified into the same two segments as before.

◆ Details on the Business Contents

(1) Marketing Platform Business

The transition in the sales and profit of the marketing platform business by fiscal year is shown below.

【 Figure 6 】Change in the Sales of the Marketing Platform Business and Its Operating Profit

Sales (million yen)	*FY 2012 parent*	*FY 2013 parent*	FY 2014 consolidated	FY 2015 consolidated	FY 2016 consolidated	FY 2017 consolidated	FY 2018 consolidated	FY 2019 consolidated	% of total
Marketing Platform	*545*	*666*	883	911	1,074	1,255	1,530	1,951	88.5%
1. AD EBiS	*499*	*567*	722	822	1,012	1,200	1,402	1,747	79.3%
2. THREe	*46*	*81*	161	89	62	54	43	28	1.3%
3. (DMP)							84	51	2.3%
4. AdRepo								124	5.6%
5. ADPLAN								(to be acquired)	
Segment's O.P.	*-61*	*-1*	142	214	210	153	-121	46	
Segment's O.P. Margin	*-11.2%*	*-0.1%*	16.1%	23.5%	19.5%	12.2%	-7.9%	2.4%	

(Ref) Prepared by Alpha-Win Research Dept. from the Company's securities report, financial results summary, financial results briefing materials, and interview. Includes estimates.

- **AD EBiS is the Company's main product as well as growth driver that accounts for approximately 79% of the Company's total sales (FY 2019).**

The marketing platform business currently consists of four businesses: (1) AD EBiS (Internet advertising effect measurement system), (2) THREe (in-house operation platform for paid-listing ads), (3) DMP, and (4) AdRepo. By combining THREe, which enables automatic optimization and automatic ad submission, and AD EBiS, which measures and analyzes the effectiveness of Internet advertising, the Company provides a one-stop platform for the three elements of marketing automation – from effect measurement to optimization to purchase/ad-submission. If

business acquisition is conducted as planned, then (5) ADPLAN business will join this segment starting this fiscal year (see page 32 for details).

Increasingly diversified and dispersed consumer behavior of today's Internet society has led to a more sophisticated and complicated marketing and advertising, making technology-based operation more important. The Company's characteristic or strength is its ability to offer, at a reasonable price, software that can accurately evaluate and utilize the effect of Internet ads through various functions (ad measurement, analysis, evaluation, etc.) and analysis methods, for which it can also provide excellent support.

(i) AD EBiS

- **AD EBiS is an Internet advertising effect measurement system.**

- **Provides service as a SaaS, based on the subscription-based business model.**

(7) Impressions: The number of times an ad was displayed.
(8) Clicks: The number of times an ad was clicked.
(9) Conversions: The number of times that users, who visited the site and clicked on an ad, took actions that the advertiser considers as achievement, such as product purchase, information request, and inquiry.
(10) Subscription-based business model: A business model where users pay for the provided service according to the duration of use.

- **Number-one share in the domestic market for four consecutive years**

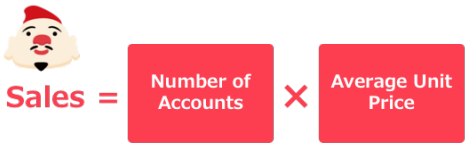
AD EBiS is the Company's originally developed core product and is an Internet advertising effect measurement system that allows the collective management, effect measurement, analysis, and visualization of the effect of Web ads, etc., to help assess the cost effectiveness of ads. It comprehensively provides a one-stop marketing environment for maximizing sales or acquiring prospective customers through proactive marketing by "using" marketing data accumulated by the "effect measurement" function. AD EBiS makes possible the visualization of marketing strategy (evaluation, improvement, etc.), letting advertisers measure and understand the series of behavior from the number of impressions[7] of the ads displayed on PCs, smartphones, etc., and the contacts, interests, and reactions toward the advertiser's ads to the number and history of clicks[8] for the paid-listing ads and the final purchase made at the advertiser's website (the number of conversions[9]).

The service is provided as a SaaS under a subscription-based business model[10] (described in detail on page 15).

Since its release in 2004, AD EBiS has been installed by more than 10,000 users (as of August 21, 2019) and has had the largest share in the domestic market for Internet advertising effect measurement systems for four years in a row. Moreover, according to the Company's financial results briefing materials, the share seems to be increasing year by year from 36.0% in FY 2015 to 40.0% in FY 2016, 42.9% in FY 2017, and 44.2% in FY 2018 (forecasted value).

It is a B2B business with its major customers being WOWOW, Lion, MIKI HOUSE, Aiful, Noevir, Zwei, Z-kai, Yazuya, Setagaya Shizenshokuhin, etc.

AD EBiS allows users to add a variety of optional functions (Cross-Device Function, access history analysis function, etc.) to the basic function as necessary. In the past, its pricing plan was a pay-as-you-go based on multiple parameters. However, starting in June 2018, the Company simplified the plan and set up a pricing table with a flat rate for different upper limits to the monthly number of clicks and PVs (page views), much like a mobile phone pricing plan. New contracts have already been transferred to the new pricing system. In the new pricing system, the implementation-support program and telephone support are packaged together with the basic functions. Three main plans of S, M, and



L (monthly basic charge: 100, 200, and 300 thousand yen, respectively) are offered. Options (various external linkage functions such as reporting, etc.) can be added to any one of these plans.

As a reference, sales of AD EBiS are determined by average unit price × number of active users. Both figures are important indexes (KPIs) not only for this business but also for the Company as a whole.

- **AD EBiS's number of accounts and average unit price are the KPIs.**
- **With the transition to the packaged plan with new pricings, the unit price rose significantly.**

The monthly average unit price (average unit price as of the end of the final month of each quarter) rose in FY 2019. In the order of last fiscal year's Q1 (Oct-Dec 2018) ⇒ Q4 (Jul-Sept 2019), the price changed from Y86,621 (+2.0% QoQ) → Y98,042 (+13.2% QoQ) → Y102,262 (+4.3% QoQ) → Y107,143 (+4.8% QoQ) (Figure 7). Last fiscal year, the simple average of the prices at the end of each quarter was Y98,517, which is significantly greater than the Y78,938 of the year before the previous by Y19,580 or 24.8%, thanks to the new pricing system. Also, since October 2018, the average unit price of new contracts for AD EBiS has been exceeding Y100,000. The rising trend in average unit price is continuing in Q1 of this fiscal year.

- **A net decrease in AD EBiS's number of active accounts. Cancellation rates need to be improved.**

Meanwhile, the number of active accounts had been increasing until the end of Q1 FY 2019 (end of Dec 2018) based on end-of-the-quarter figures, but it has been declining since then for three quarters in a row. Contrary to the trend for unit price, the number of active accounts decreased as follows, in the order of last fiscal year's Q1 (Oct-Dec 2018) ⇒ Q4 (Jul-Sept 2019): 1,569 (+3.4% QoQ; so far the peak value) → 1,516 (-3.4% QoQ) → 1,433 (-5.5% QoQ) → 1,425 (-0.6% QoQ) (Figure 8). In the previous fiscal year, the simple average of the end-the-quarter numbers was 1,486, only a slight increase from the 1,476 of the year before the previous by 10 accounts or +0.6%, due to the new pricing system. This decreasing trend has been continuing into this fiscal year; we need to evaluate when this decreasing trend will stop.

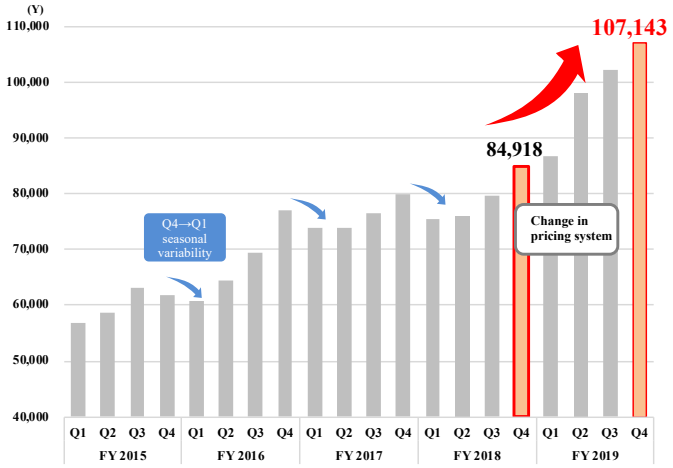
The rise in unit price and decline in the number of accounts are due to the increase in cancellations by low-priced contracts and contracts made via agencies since March 2019 when the existing customers' contracts were transferred to the new pricing system.

- **20% sales growth rate maintained.**

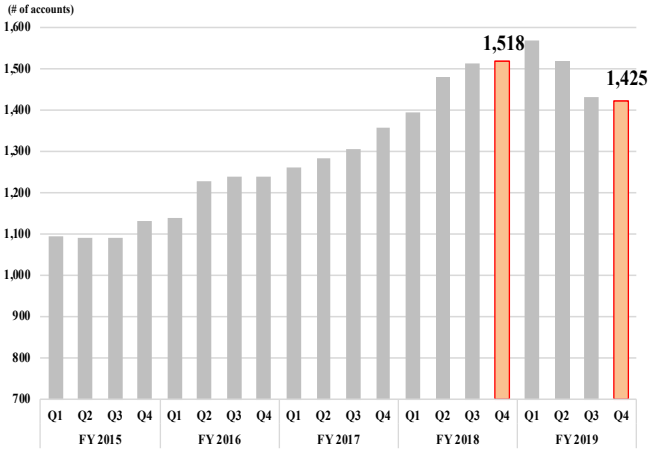
Annual sales of the AD EBiS have been continuing to grow at a rate of about 20% YoY, since the rise in the unit price has been more than enough to complement the slow growth in the number of accounts.

However, going forward, as the number of high-priced new customers increases and new functions and services (including the increase in revenue from providing option services through external partners) are added, the unit price and the number of active accounts are expected to show a trend of net increase.

【 Figure 7 】Change in the Average Unit Price of AD EBiS



【 Figure 8 】Change in the Number of Active Accounts of AD EBiS



(Ref) Figures 7-8 were prepared by Alpha-Win Research Dept. from the Company's securities report and financial results briefing materials.

- **THREe's sales are very small. The Company has decided to withdraw from this business in order to concentrate business resources on AD EBiS.**

(11) Human-like Portfolio: A bidding function that algorithmizes the bidding strategy of the operator. If budget and efficiency target are set, it will automatically perform optimal bidding as if operated by a person.

(ii) THREe

THREe is also an originally developed product – an operation platform for paid-listing ads. Of the many forms of Internet advertising, programmatic advertising is especially rapidly growing and is becoming more complicated and advanced. Consequently, manual operation is becoming difficult (about 70% of Internet ads are programmatic ads). Using THREe, it is possible to analyze big data accumulated through AD EBiS or other various media and automatically optimize and submit ads. By enabling fully automatic operation (Human-like Portfolio[11]), including the optimal adjustment of bid unit price and addition of keywords, it can shorten the amount of time needed for operation and management and realize optimization. It has been used by more than 5,000 users. THREe is also provided as a SaaS.

However, THREe accounted for merely 1% (approx.) of the total sales in FY 2019. The Company had planned to shrink this business to concentrate business resources on AD EBiS, but it has now decided to shut down the service at the end of March 2020.

- **Moved the DMP business from the EC platform business. Plans for future withdrawal.**

(iii) DMP Business

The DMP business was transferred from the SOLUTION division of the EC platform business to a division of the marketing platform business in the fiscal year before the previous since it is closely related to AD EBiS. DMP is an abbreviation for "Data Management Platform." The private DMP provided by the Company is a method by which a corporate client can analyze its website. For instance, a client can investigate and verify the behavior history and stay time of users who visit its website. The Company has several major clients for this business including Lion. Last fiscal year, this business was only about 2% of the total sales. As with THREe, the Company intends to incrementally scale down this business and eventually withdraw from it.

(iv) AdRepo Business

- **Actively engaged in the development of the AdRepo business, hoping to create synergy with AD EBiS**

In August 2018, the Company acquired the AdRepo business, an automatic report-generation tool for programmatic advertising, and has been fully developing this business since the beginning of last fiscal year. Annual sales for last fiscal year were Y124 million. By acquiring new customers and creating synergy with AD EBiS, the Company plans to develop this business as its growth business (we estimate that sales for this fiscal year will be about Y140 million and the growth rate will be about 10%). Its domestic market share is third place, following ATOM (TechLoCo Co., Inc.: not listed) and glu (ATALA LLC: not listed, a partner of the Company).

AdRepo is a tool to fully automate the generation of reports and is a cloud service developed to reduce the workload of advertising agencies in creating reports for programmatic ads. By collaborating with key advertising platforms such as Google AdWords, Yahoo! Promotional Ads, Facebook Ads, and FreakOut, it can automate data aggregation and report generation for programmatic ads. In addition, by strengthening its coordination with AD EBiS, AdRepo enables the integrated management of all data from data measurement to reporting and the automation of digital marketing work.

- **The EC platform business now consists of EC-CUBE alone.**

(2) EC Platform Business

Until FY 2018, the EC platform business had been composed of the following two divisions: (i) EC-CUBE and (ii) SOLUTION (Figure 9).

【Figure 9】Change in the Sales of the EC Platform Business and Its Operating Profit

Sales (million yen)	*FY 2012 parent*	*FY 2013 parent*	FY 2014 consolidated	FY 2015 consolidated	FY 2016 consolidated	FY 2017 consolidated	FY 2018 consolidated	FY 2019 consolidated	% of total
EC Platform	*323*	*422*	477	526	539	465	275	274	12.4%
1. EC-CUBE	*150*	*207*	245	230	219	208	254	274	12.4%
2. SOLUTION	*174*	*214*	232	296	319	257	20	0	0.0%
(DMP)						104			0.0%
Segment's O.P.	*98*	*75*	107	136	38	-60	22	39	
Segment's O.P. Margin	*30.5%*	*17.8%*	22.5%	25.8%	7.1%	-12.9%	8.2%	14.2%	

(Ref) Prepared by Alpha-Win Research Dept. from the Company's securities report, financial results summary, financial results briefing materials, and interview. Includes estimates.

(i) EC-CUBE

EC-CUBE is an open source software[12] platform whereby users can create and operate EC (e-commerce) websites on their own. The Company provides EC-CUBE as free packaged software for web design to companies who wish to begin selling and providing products and services on the web. It is characterized by both the user-friendliness as an ASP[13] and the convenience as a software enabling development – companies can directly and freely customize the program source. It has the largest share in the domestic market. EC-CUBE has features such as low cost, high customization (it can be changed according to the needs of users), and user-friendly interface, and has become a standard platform.

(12) Open source software: The source code, which is equivalent to the blueprint of software, is made available free of charge, letting anyone improve and redistribute it.

(13) ASP: A service that rents applications to customers through the Internet.

(14) Freemium Model: "Freemium" is a coined word that combines "free" and "premium." Refers to a business model that generates revenue by offering basic services free of charge while charging fees for more sophisticated or specially-added related services.

In EC-CUBE, in return for offering the software for free, the Company has set up a Freemium Model[14] where revenue is earned from peripheral services. Through this system, the Company makes profit from royalties from official partners in the Internet business (account settlement agent business, hosting businesses, etc.), function-addition fee from plug-ins (program to add functions to software), sales revenue from commercial license, etc. Other sales related to sales promotion and events are also included in the net sales.

- **The EC-CUBE business has been transferred to a consolidated subsidiary.**

However, as part of the restructuring of the business domain of the Company's group, the EC-CUBE business was transferred to the 100% consolidated subsidiary, EC-CUBE Co., Ltd., on January 1, 2019. Because it is a fully consolidated subsidiary, there will be no effect on the consolidated financial results. The Company plans for the subsidiary to further expand and develop the business as a separate corporate entity, for instance, through partnerships with other companies. The development of the new version, EC-CUBE4, has been completed, and it has been provided since October 2018. With the release of the cloud version, the increase in account settlement agent fees, etc., performance has been improving steadily.

(ii) Former SOLUTION business

- **The SOLUTION business was transferred to affiliates accounted for by the equity method.**

Although the SOLUTION business had been composed of several businesses, with the restructuring of business, its main EC outsourced development business had been transferred to affiliated companies of which the Company owns 20% of shares each (reflected under non-operating profit/loss as profit or loss accounted for by the equity method). Since last fiscal year, this business no longer exists in the segments (consolidated sales categories).

◆ Subscription-Based Business Model

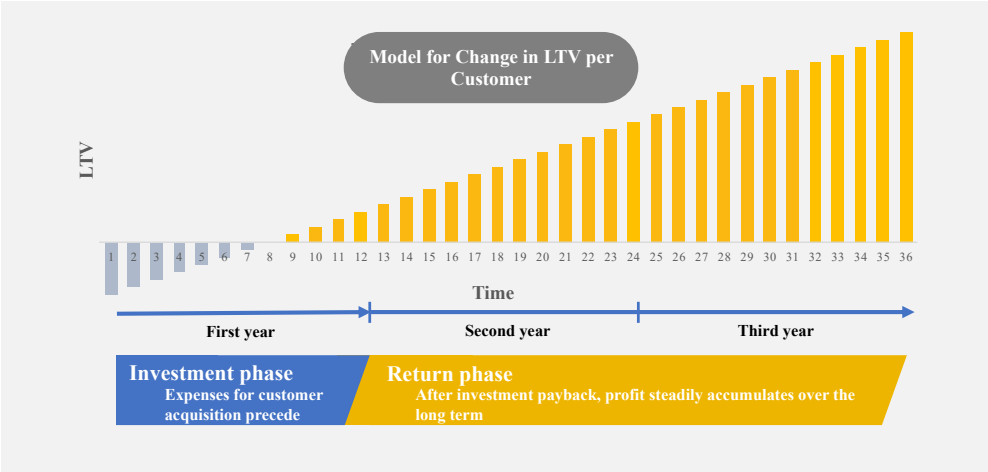
- **The Company's main business is based on a subscription-based business model. It lets the Company acquire profit continuously and stably by charging fees for every certain period of use.**

The marketing platform business, which accounts for approximately 90% of the Company's sales, is mostly based on the SaaS (cloud), flat-rate billing model. It is a subscription-based business where users pay a predetermined fee for the service contents or the use of system services such as AD EBiS during a certain contract period, such that the Company can continue to earn revenue until contract cancellation. Although expenses including marketing and sales expenses for customer acquisition and R&D expenses will precede at the beginning of a new contract, over a period of about three years (the period from the start to the end of a transaction with a customer), revenue can be accumulated continuously to increase the life time value (LTV: how much cumulative profit is generated within a customer's lifetime). Therefore, it is a business model that enables stable growth.

Figure 10 on page 16 shows a model for the change in the Company's cumulative profit and loss over the average contract period of three years under the subscription-based business model. In the month that a new contract is made, all of the expenses are recorded, so that an overall loss is recorded for that month. However, since the Company then earns an almost fixed amount of sales revenue every month starting in the month of contract, the cumulative break-even point (zero) is reached after eight months. From the ninth month, the cumulative profit and loss (LTV) turns

into a surplus and accumulates until the 36th month when cancellation is expected. In other words, it is a model with a time lag; when the number of contracts is increasing at an accelerating speed, there would seem to be little contribution to profit in the first year but profit will then accumulate on a continual and stable basis from the second year until the end of the contract. The Company considers the upper limit of the initial cost to be about 30% of the LTV (the final cumulative profit; the rightmost end of the graph in Figure 10) and controls the initial cost related to new contract acquisitions accordingly.

【 Figure 10 】Model for the Change in LTV per Customer (cumulative profit and loss)



(Ref) Prepared by Alpha-Win Research Dept. from the Company's financial results briefing materials

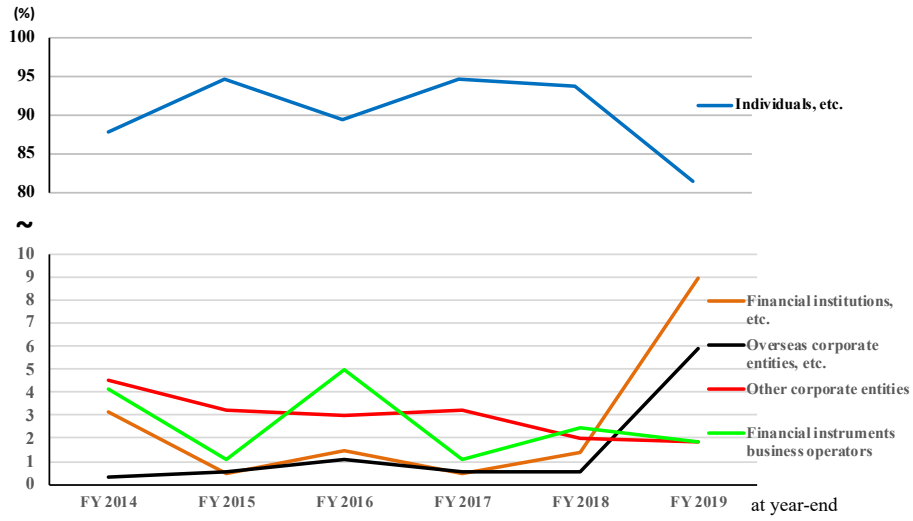
3. Shareholder Composition

- **The shareholding ratio of individuals is extremely high at about 82%.**

◆ Change in Composition by Shareholder Type

Regarding shareholder composition by shareholder type as of the end of September 2019 (Figure 11), compared to the year before, the proportion of "individuals, etc." has decreased from about 94% to about 82% of the total while "financial institutions, etc." has increased from about 1% to about 9% and "overseas corporate entities, etc." has increased from 0.6% to 5.9%.

【 Figure 11 】Change in Shareholder Composition by Shareholder Type (unit = %)



(Ref) Prepared by Alpha-Win Research Dept. based on the Company's securities report, etc.

- **There have been no large changes to the top major shareholders. Persons affiliated with the Company, including active and former executive officers and the employee stock ownership plan, own approx. 60% of the shares.**

◆ Major Shareholder Composition

The major shareholders as of the end of September 2019 are shown on Figure 12. The following is supplementary information. When data over past periods are compared, we can see that the profiles of the major shareholders have not significantly changed.

- The largest shareholder owning greater than 40% of the shares is Susumu Iwata, the current president, founder, and owner.
- The second and third largest shareholders are both former executive officers of the Company (they have been gradually selling their shares). The shares of the former and present executive officers of the Company, plus the employee stock ownership plan at eighth place, amount to greater than 60% of the total shares.
- The fourth, fifth, and sixth largest shareholders are custodians including trust banks, so the final investors' names and purposes of investment are unknown. They have been buying more shares and climbing up the ranking of shareholders. Also, we have noticed that the "MHAM Emerging Growth Stock Open" portfolio (also called "J-Frontier") managed by Asset Management One included 189.5 thousand shares of the Company as of February 25, 2019 (equivalent to about 3% of YRGLM Inc.'s outstanding shares; average price of the shares in the

portfolio = Y1,277). Since then, J-Frontier has purchased more shares, submitting the Report of Possession of Large Volume (the "5%-rule" report) on July 31, 2019, with 328,400 shares (5.15% of outstanding shares). Although we could not clearly identify this investment as a major shareholder, it is highly likely that this investment is being conducted under the names of the trust banks.

- The tenth largest shareholder is Hakuhodo DT Media Partners Inc., the Company's distributor.
- The purposes and other details of UEDA YAGI TANSHI Co., Ltd., and Rakuten Securities, Inc., are unknown.
- Currently, there seems to be no obvious activist-like activity among the investors.

At the end of September 2018, the number of treasury shares owned by the Company was 983 shares. The Company then bought back some of its shares in February and March of 2019 (a total of about Y100 million with an average stock price of Y1,363), increasing its treasury shares. As of the end of September 2019, the Company owned 81,423 treasury shares (equivalent to 1.28% of outstanding shares). The Company intends to use the treasury shares for M&A and alliance strategies as well as stock-based compensation for its executives and employees in the future.

【 Figure 12 】Major Shareholders' Status

Unit for number of shares in the table: thou. shares %

	End of Sept. 2015	End of Sept. 2016	End of Sept. 2017	End of Sept. 2018	End of Sept. 2019	←Shareholding %	←Ranking
Susumu Iwata (president and CEO)	2,851	2,817	2,817	2,819	2,822	44.8	1
Hiroichi Fukuda (former executive vice president)	1,071	1,021	1,021	961	801	12.7	2
Kanako Mataza (former director and senior executive officer)	415	415	352	354	353	5.6	3
Japan Trustee Services Bank, Ltd.	—	59	—	60	333	5.2	4
GOLDMAN SACHS INTERNATIONAL	—	—	—	—	284	4.5	5
Trust & Custody Services Bank, Ltd.	—	—	60	29	123	1.9	6
UEDA YAGI TANSHI Co., Ltd.,	—	—	—	—	113	1.8	7
YRGLM Employee Stock Ownership Plan	76	39	48	69	68	1.0	8
Rakuten Securities, Inc.	—	—	—	72	64	1.0	9
Hakuhodo DY Media Partners Inc.	60	60	60	60	60	0.9	10
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	—	—	60	—	—		
Tomonori Yamada (indiv.)	—	—	28	—	—		
Katsuyuki Ito (indiv.)	—	—	—	52	—		
Akiko Takashima (indiv.)	—	—	—	29	—		
Kenichiro Wade (former outside director)	39	29	29	—	—		
Yoshio Takayama (indiv.)	—	—	28	—	—		
Kayoko Nagano (indiv.)	—	—	24	—	—		
SEPTENI CO., LTD	62	62	—	—	—		
Matsui Securities Co., Ltd.	—	36	—	—	—		
Japan Securities Finance Co., LTD	30	35	—	—	—		
Yoichi Nishikawa (indiv.)	34	—	—	—	—		
Akio Shiojiri (former director; audit committee member)	26	—	—	—	—		
Number of treasury shares)	0	0	45	983	81,423		
Ratio of treasury shares over all issued shares)			0.0007%	0.0155%	1.2777%		

(Ref) Prepared by Alpha-Win Research Dept. from the securities report, etc.

4. ESG

There have been no large changes to the ESG policies.

◆ Environment

The Company's business is not the kind that harms the environment. It aims to conserve energy by saving electricity, etc.

◆ Society

- **Actively engaged in CSR. Supporting future entrepreneurs, next-generation human resources development, and women working in the technology industry.**

The Company is actively engaged in CSR (corporate social responsibility: responsibility of a company to voluntarily contribute to society through business activities from an ethical point of view) and has been undertaking social initiatives based on the following view: "We believe that, regardless of the size of the company, it is the minimal responsibility as a corporate citizen to undertake social initiatives to the extent that is reasonably possible for each company. We believe that such activities will promote a company's growth. By putting this corporate philosophy into action, we will aim to heighten the value that we provide to our stakeholders including our customers, shareholders, employees, and the local community."

・"Osaka to the World" – regional development activities: *Osaka Startups* – providing a support program for startup companies and for those aiming to start a company in Osaka.
・"Promotion of Women's Active Participation in Society" activities: *Girls in Tech Japan* – supporting the improvement of the status of women working in the technology industry based on the philosophy of Girls in Tech (GIT: a nonprofit organization launched in 2007 in San Francisco, USA).
・"Next-Generation Human Resources Development" activities: providing opportunities for students to learn the programming skills necessary for leading-edge technologies through actual job experience in order to foster a young generation of talents.

In addition, the Company holds a general employee meeting twice a year as well as holding monthly company parties where all employees gather on the last Friday of each month. It also has clubs. Through these activities, the Company provides opportunities for employees to exchange information and strengthen their relationships.

The Company also puts efforts into enhancing unique employee benefit programs, such as the "Mountain-Retreat" Leave System where every employee must take nine consecutive days of leave every year, the Training Leave Program which allows employees to take leave for up to two years for self-development, and the LOCK-Off which is a facility (a house) for employees to communicate with each other and learn freely. Because of these efforts, the Company has been awarded with the following awards:

(15) Great Place To Work® Institute: An organization that conducts surveys and presents "Great Places to Work" in about 50 countries around the world every year.

・Great Place to Work®[15] Best Workplaces Ranking: Best Companies Award (awarded for seven years in a row; a total of eight awards). Since the Company has grown in size, the award category has changed from

"small-sized companies (25-99 employees)" to "medium-sized companies (100-999 employees)," but it again received an award this year.

- Selected by the Ministry of Economy, Trade, and Industry as a Driving Company for the Regional Future for Fiscal Year 2017
- The 2nd GOOD ACTION contest sponsored by Rikunabi NEXT: Best Action Award
- The 8th Deloitte Technology Fast 500 Asia Pacific Award
- The 7th Japan Technology Fast 50 Award

◆ Governance

The Company has adopted a company system with an audit and supervisory committee and delegates decisions on executions of important business matters to directors to enable quick decision-making. In addition, by incorporating an executive officer system (six officers – a new officer joined since last fiscal year), the Company aims to improve management efficiency and speed by separating business execution and supervision.

Of the five directors, three are outside directors who are also audit and supervisory committee members (from Kobe Steel, Ltd. and MUFJ Bank, Ltd.; certified public accountants). There is no woman among the directors or executive officers.

In addition, as a transfer-limited and stock-based compensation, the Company has a program where shares are allotted to directors (including directors who are audit and supervisory committee members), executive officers, employees, etc., as an incentive.

Also, the Company has not adopted any anti-takeover measures.

5. History of Growth

◆ Company History

- **Founded by president Iwata in 2001**

President Susumu Iwata traveled around the world as a backpacker during his college days. After returning home, he started a restaurant but withdrew and then started a travel-related business. Through this business, he acquired the skills and know-how for Internet and web design. He then individually started a web design business. This business grew and, in June 2001, when Mr. Iwata was 21 years old, he founded the Company. After foundation, upon recognizing the business potential, interactivity, and real-time nature of the Internet, as well as the importance of data mining, he began to make a transition to a web integration business.

- **Developed and launched unique products that can be differentiated from other companies**
- **Became listed on Mothers in September 2014**

In September 2004, the Company released the EBis (predecessor of AD EBiS), an originally developed Internet advertising effect measurement system based on the concept of "From 'a Website to Show' to 'a Website to Use.'" Then, in September 2006, it released Japan's first open platform software EC-CUBE, and then released the paid-listing ad management service THREe in October 2012. Amidst the rapid increase of Internet ads and the related market needs for advertising effect measurement and EC, the Company pioneered in the creation of unique products, steadily expanding its business by cultivating a new market. It became listed on the TSE Mothers market in September 2014.

◆ Transition in Past Financial Results

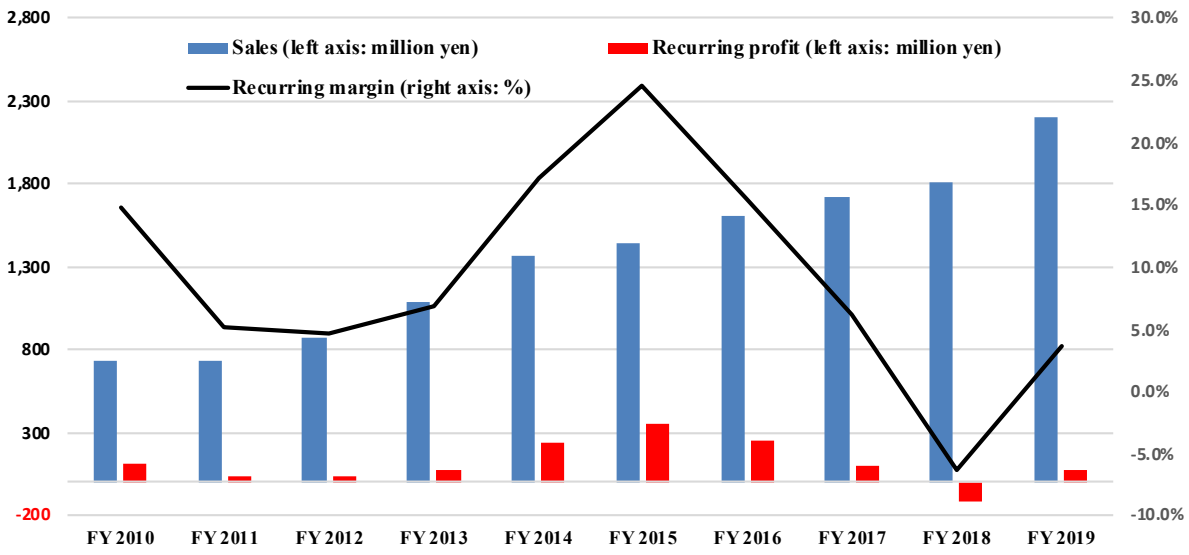
- **In FY 2015, record-high profit was recorded. All-time highs are being consecutively achieved every year for sales.**

From FY 2010 to FY 2013, during which account settlement was nonconsolidated, the Company increased sales for fourth consecutive fiscal years. From FY 2014, when consolidated account settlement began, record-high sales were achieved for five consecutive fiscal years up to FY 2019 (from what is available in the disclosure material, we can see that sales have been hitting record highs for at least nine consecutive fiscal years). During this period, sales increased by about three times from about Y730 million to about Y2.2 billion. This success was brought by the rapid expansion of the marketing platform's AD EBiS business and the steady growth of the EC platform's EC-CUBE and SOLUTION businesses.

- **Since FY 2016, the Company has been prioritizing business restructuring and upfront investments, focusing on future business growth rather than profit. A net loss was recorded in FY 2018.**
- **In the previous fiscal year (FY 2019), large sales growth led to an improvement from operating loss to profit and recurring loss to profit.**

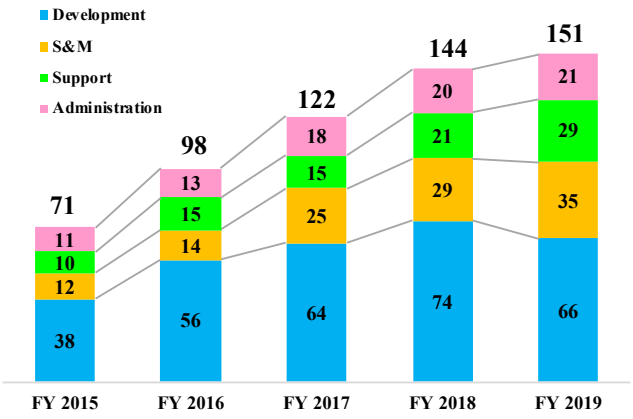
Meanwhile, regarding profit, the Company had sustained profitability both on a nonconsolidated and consolidated basis until FY 2017. In FY 2015, a record-high operating profit of Y350 million and a record-high net profit of Y231 million were achieved. However, since FY 2016, the Company's focus on business restructuring and upfront investment has increased the expenses, leading to a consecutive decline in profit despite increasing sales. In the fiscal year before the previous or FY 2018, the Company recorded a net loss (of Y88 million) for the first time since becoming listed on the market (see Figures 13 and 14) due to upfront investments mainly in hiring more employees for development and sales. In FY 2019 (last fiscal year), the rise in the average unit price of the core product AD EBiS helped increase sales by 22% YoY, resulting in an improvement from operating loss to profit and recurring loss to profit for the full year. Details on the FY 2019 results will be described later.

【 Figure 13 】Transition in Past Financial Results (unit: million yen, %)



(Ref) Prepared by Alpha-Win Research Dept. from the Company's securities report and financial results summary
(Note) Consolidated results starting in FY 2014; nonconsolidated prior to this point.

【 Figure 14 】 Change in the Number of Employees (unit: persons)



(Ref) Prepared by Alpha-Win Research Dept. from the Company's financial results briefing materials

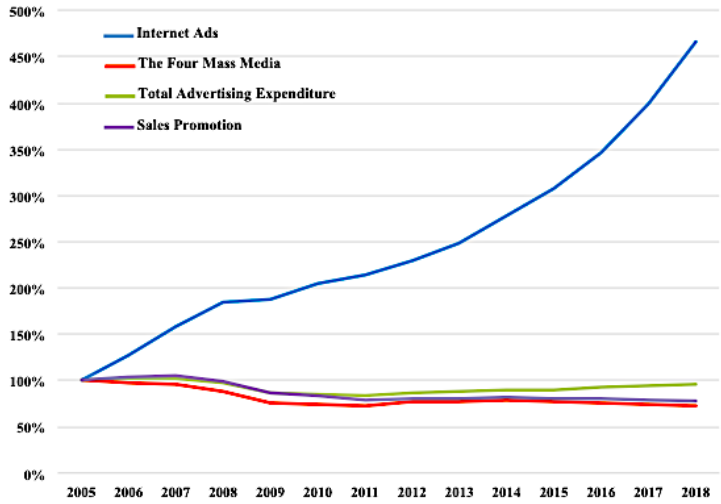
6. Business Environment

◆ Trends in Japan's Advertising Industry

- **The Internet advertising expenditure increased by about 4.6x from 2005 to 2018. The average annual growth rate (simple average) is high at about 12.8%.**

Total advertising expenditure in Japan in 2018 (calendar year; the same applies to this entire chapter) was about Y6.5 trillion. The market has been flat over the long term. However, since 2012, market growth has been observed for seven years in a row, indicating that the market as a whole is on a slight upward trend (the annual growth rate, based on a simple average, is 1.9%). This growth was brought by the growth of the Japanese economy supported by factors such as strong earnings of companies and improvement in employment conditions. Internet advertising expenditure is also driving the growth of the overall advertising expenditure. Of the total advertising expenditure, Internet advertising expenditure (total of medium cost and production cost) was about Y1.76 trillion (+16.5% YoY, growing at a double-digit rate for five consecutive years), which is about 26.9% of the total (ref: Dentsu Inc.'s "2018 Advertising Expenditures in Japan"). Its share in the market is steadily increasing by 1-3% every year, growing to a level close to the share of 29% for television advertising, the largest among the four types of mass-media advertising (newspaper, magazine, radio, and television). Internet advertising expenditure has grown by about 4.6 times from 2004 (point of comparison, set at 100) to 2018, rapidly increasing at an average annual growth rate of about 12.8% (Figure 15).

【 Figure 15 】Change in Advertising Expenditure by Medium
(index value: year 2005 set at 100)



(Ref) Prepared by Alpha-Win Research Dept. from Dentsu Inc.'s "2018 Advertising Expenditures in Japan" (published every February)

- **Internet advertising is expected to continue its double-digit growth in the future.**

In fact, Internet advertising expenditure is expected to continue to grow at a double-digit rate. According to the data on the number of Internet users and population penetration rate disclosed by the Ministry of Internal Affairs and Communications, 83.5% of Japan's population already uses the Internet and the Internet has become a necessity of life. In the near future, Internet ads are highly likely to become the most influential advertising medium. Since more people are expected to use the Internet

as technology becomes more advanced in the future, demand for Internet advertising is expected to grow.

In particular, of the Internet advertising expenditure, programmatic advertising expenditure which is highly relevant to the Company's business amounted to about Y1.2 trillion (+22.5% compared to the previous year; approximately 70% of the total Internet advertising expenditure) and is growing at a higher rate than the average rate for Internet advertising. Since programmatic advertising makes possible the control of budget, delivery period, and delivery method and allows users to obtain data in real time, for the time being, the growth of this market is expected to help keep the business environment favorable for the Company in developing its business based on Internet advertising effect measurement and utilization.

◆ Competitors

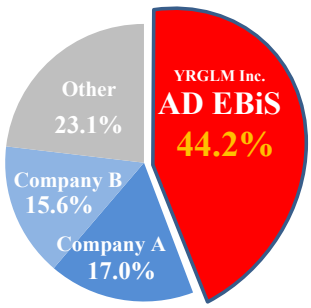
There seems to be no Japanese listed company that could be directly compared with the Company. Regarding advertising effect measurement and analysis tools, the competing products are Google Analytics[16] and Adobe Analytics[17] widely used by domestic SMEs (small- and medium-sized enterprises), ADPLAN (implemented by a cumulative total of over 1,500 companies; the Company plans to acquire this business) offered by the listed company OPT Holding Group (TSE First Section 2389; hereinafter "OPT HD"), and Web Antenna (implemented by more than 600 companies, including major companies as well as venture companies) provided by the unlisted company beBit, Inc. However, the other companies are not specialized in the field, and their products' functions, measurement targets, analysis contents, and support system are limited. In comparison, the Company's products are superior in terms of specifications and the development and support system, which explains why the Company has a large share and is number one in the market (Figure 16). Also, the Company's target customer zone is the middle zone, encompassing mid-tier companies as well as listed companies, which is different from the high-end zone targeted by the paid versions of Google Analytics and Adobe Analytics (with price settings that are estimated to be about ten times greater the Company's).

(16) Google Analytics: A website access analysis tool provided by Google targeting SME users. Analysis is only conducted within Google's website, and mostly the free version is popular. The high-spec paid version seems to be in the high-price zone.

(17) Adobe Analytics: An access analysis tool that is installed in many large websites. It can analyze complicated and large data, is highly customizable, and has multiple and high-quality functions, but the price is high.

【 Figure 16】Each Vendor's Share of Advertising Effect Measurement Market by Sales Volume (forecast for 2018)

- **AD EBiS – No. 1 in domestic share for four consecutive years. Its share is on an increasing trend.**



(Ref) The Company's financial results briefing materials

- **Global-scale tightening of personal information protection regulations**

(18) ITP (Intelligent Tracking Prevention): A function that restricts the use of cookies after a certain period of time for advertisements known as targeting ads that use browser cookies.

- **With the revision to the Personal Information Protection Law, Japan too will move toward tighter privacy protection. The consent of individuals is expected to become obligatory when using cookies.**

(19) IP address: An identification number assigned to each computer or communication device connected to a network such as the Internet. It is used to specify the data destination. identify the data source, etc.

(20) Cookie: A code created on the web browser side when browsing a website. It is temporarily stored and used mainly for website user identification. The website's visit history and content browsing status can be identified. It is widely used in Internet marketing services such as personalized advertisement display and web-based services.

- **With its specialization and technology, the tightening of privacy protection regulations is a business chance for the Company.**

◆ Effect of Strengthened Privacy Protection on Advertising Effect Measurement

Background: In response to the strengthening of the General Data Protection Regulation (GDPR) in the European Union (EU), regulations regarding the handling of data on personal information are being strengthened and tightened in Japan as well as globally from the viewpoint of privacy protection.

Specifically, for instance, Apple added the Intelligent Tracking Prevention[18] (hereinafter referred to as "ITP"), a tracking prevention function, to its Safari browser; several browser companies are increasingly moving toward limiting tracking using cookies by means such as the ITP, since data such as IP addresses[19] and cookies[20] have also become regarded as personal information when collecting user behavior data on the web (currently, browsers such as Google Chrome and Internet Explorer have not been changed or impacted).

In Japan as well, the government's Personal Information Protection Commission reviewed the Personal Information Protection Law and announced the outline of the draft amendment of the Personal Information Protection Law on November 29, 2019. According to this, when providing information such as the browsing history of an Internet site to another company (providing to a third party), the user's consent is required if the individual can be identified in connection with the personal information held by the provider.

Under the present circumstances, some advertisers and companies use an individual's information on gender, age group, orientation, interest, etc., predicted from his/her browsing history, to distribute advertisements that match those data even when there is no consent from the individual. The government aims to strengthen the protection of individual rights as large-scale utilization of data becomes widespread especially among giant IT companies – for example, Recruit Navi has been analyzing the offer-decline-rate of job-hunting students and providing such information to recruiting companies.

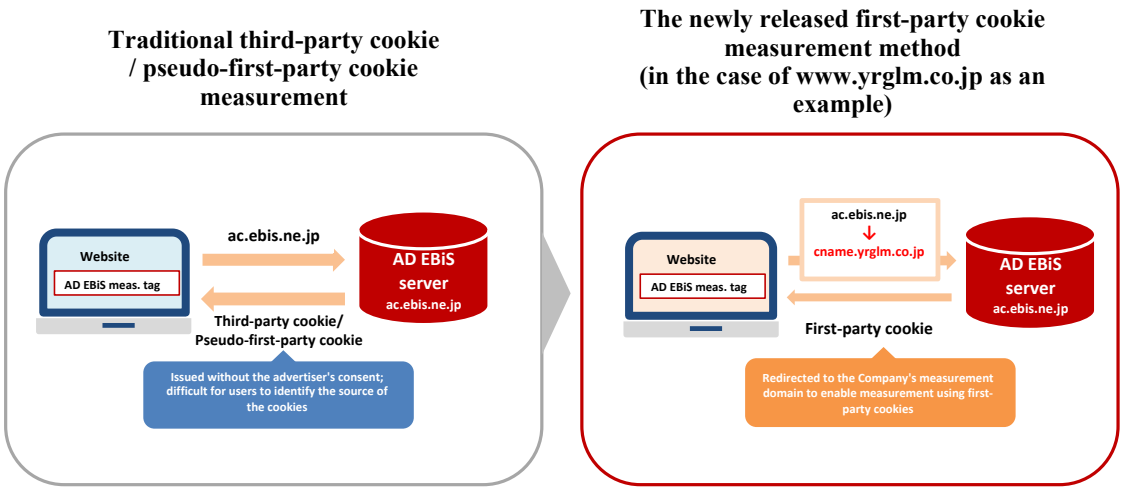
Due to the new regulations, advertising-related companies that conduct cross-site tracking to collect and track information across multiple domains will be negatively impacted. For instance, they may not be able to distribute retargeting ads (ads to visitors of the website) or may have troubles with advertising effect measurement.

As a countermeasure, the Company has released *CNAME Tracking* (provided via the cloud), a new measurement method that can measure the effectiveness of advertising with high accuracy while protecting user privacy. It is a tool that acquires and retains information only for domains that have been approved by the advertiser, enabling accurate measurement while protecting privacy (Figure 17).

In the future, protection regulations are expected to be further strengthened, increasing the demand for highly accurate advertising effect measurement that makes consideration for user privacy. At the same time, increasingly sophisticated technologies are also expected to become

required. Since the Company has a specialized and industry-leading technology development capability and support system, it can differentiate itself from other companies that have difficulty in catching up in technology (many of the competitors are predicted to encounter troubles catching up). Therefore, the tighter regulations will raise the Company's competitive advantage and would be more of a business chance.

【 Figure 17 】Different Measurement Methods Using Cookies



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials

(21) First-party cookie / Third-party cookie: Classification of cookies issued by the cookie issuer. Cookies issued by the domain (website) visited by the user (domain-specific) are first-party, and cookies given by other third parties (domain-crossing) are third-party. First-party cookies have the advantages of being able to perform tracking and effect measurements with high accuracy and being less likely to be blocked by the user, but they put a load on the website. On the other hand, third-party cookies can be issued across multiple websites (domains) but raise concerns over privacy protection and are easily blocked by users, making accurate measurement of Internet ads difficult.

Supplemental Information

Traditional systems utilizing third-party cookies[21] that allow measurement across multiple websites and identification of users can compromise user privacy. On the other hand, first-party cookies[21] can be measured only in the domain approved by the advertiser, such that the user's behavior history is not passed to a third-party vendor without his/her consent. Therefore, compared to third-party cookies, first-party cookies are permitted in more browsers and can be stored for a longer period than third-party cookies.

With the Company's newly developed measurement method, customers can change the setting to enable *CNAME Tracking*, switching to first-party cookie measurement in the customer's domain to make both privacy protection and accurate measurement possible. Since this method uses information that have been provided with the user's consent, it is unlikely to be directly affected by the tighter regulations.
(Excerpts from the Company's website and news release with revisions and additions.)

7. Last Fiscal Year's Results and This Year's Forecast

◆ Financial Results for FY 2019 (last fiscal year: FY 09/2019)

- **Had posted a loss due to upfront investment for future growth but achieved an operating profit in the previous fiscal year. Record-high sales have been consecutively achieved.**

In the consolidated results for FY 2019 (October 2018 - September 2019), sales were Y2,204 million (a new record high), having grown by 22.1% YoY. Since the Company is based on a business model with a high marginal profit ratio, the gross margin improved significantly from 65.9% in the fiscal year before the previous to 70.8% in the previous fiscal year. SG&A expenses grew by only 14.5%, which is lower than the sales growth rate. The SG&A expenses ratio improved from 71.4% to 66.9% in the same order and the operating margin also improved by 9.4 points from -5.5% to +3.9%. An operating profit of Y85 million was obtained, improving from the previous loss (a loss of Y98 million in the fiscal year before the previous) and similarly a recurring profit of Y79 million was achieved (a loss of Y115 million in the fiscal year before the previous).

- **However, a net loss was posted due to extraordinary loss.**

However, the Company posted a net loss due to a total of Y79 million in extraordinary loss, which included a litigation-related loss of Y60 million, loss on retirement of fixed assets, and impairment loss.

- **The main AD EBIS business's unit price rose and contributed to the sales growth.**

- **Sales were below the forecast but profit was revised up.**

When the Company announced its first quarter results on February 6, 2019, it also announced last fiscal year's forecast for sales and operating profit as a range of values (recurring profit and net profit were not announced). Compared to this forecast, sales were smaller than the forecast (forecasted range: 2,250-2,350 million yen) by -46 to -146 million yen, falling below the lower end of the target range. Meanwhile, operating profit ended up exceeding the forecast (0-50 million yen) by 35 to 85 million yen, going above the upper end of the target range. Dividend, whose payment had been undetermined, was not paid again (Figure 18). Compared to our forecast, sales were below our expectation that was similar to the lower end of the Company's target range (Y2,260 million). Meanwhile, operating profit was slightly more than the Y60 million that we had expected, above the upper end of the Company's target range.

【 Figure 18 】Comparison of and Change in the Past Five Year's Financial Forecast Versus Actual Results

		Sales	O.P.	R.P.	N.P.
FY	Forecast release date	(Amount or %)			
FY 2015	11/10/2014 (CE)	1,545	350	350	203
	Actual result (million yen)	1,437	350	352	230
Diff. from CE	Difference (%)	-7.0	0.0	0.6	13.3
	Difference (million yen)	-108	0	2	27
FY 2016	5/12/2016 (CE)	1,600	200	201	130
	Actual result (million yen)	1,612	247	250	168
Diff. from CE	Difference (%)	0.75	23.5	24.4	29.2
	Difference (million yen)	12	47	49	38
FY 2017	5/9/2017 (CE)	1,650 to 1,700	10 to 100	-	-
	Actual result (million yen)	1,719	92	106	72
Diff. from CE	Difference (%)	1.1 to 4.2	-8.0 to 820.0	-	-
	Difference (million yen)	19 to 69	-8 to 82	-	-
FY 2018	2/6/2018 (CE)	1,800	-150	-	-
	Actual result (million yen)	1,804	-98	-115	-88
Diff. from CE	Difference (%)	0.2			
	Difference (million yen)	4	52		
FY 2019	5/8/2019 (CE)	2,250 to 2,350	0 to 50	-	-
	Actual result (million yen)	2,204	85	79	-35
Diff. from CE	Difference (%)	-6.2 to -2.0	∞ to 70.0		
	Difference (million yen)	-146 to -46	35 to 85		
FY 2019	5/8/2019 (E)	2,260	60	45	-25
	Actual result (million yen)	2,204	85	79	-35
Diff. from E	Difference (%)	-2.5	41.7	75.6	-
	Difference (million yen)	-56	20	34	-10

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. CE = the Company's forecast/estimate. E = Alpha-Win Research Dept.'s forecast/estimate.

The main factors that caused the difference between the Company's forecast or our forecast with the actual sales and operating profit are described below:

- **Sales were below target due to the temporary decline in sales force and cancellation by some of the customers due to higher prices.**

Difference in sales

・ Acquisition of new contracts had been sluggish compared to the plan: Temporary decline in sales force due to a staff shortage caused by delayed recruitment in response to the resignation of mid-career sales representatives (since mid-career recruitment was slow, hired new graduates were trained to fit to the Company's strategy, but their contribution to the results were delayed).

・Contract cancellation by existing customers: The increase in prices accompanying the change in the pricing system led to a decrease mainly in the customers acquired via agencies, such that the improvement in the cancellation rate was slow.

・ DMP business's sales decline: Although the decline was in line with the Company's original plan to shrink this business, a portion of its customers cancelled contracts as they had found an alternative service.

- **Profit was revised up thanks to cost control.**

Difference in profit and cost

・ Efficient management of advertising expenses: Reduced cost by increasing small events (held by the Company) rather than large events.

・ Partial review of the recruitment plan: Could not hire the expected number of new employees, resulting in reduced personnel costs, etc.

・ Improvement of cost structure following the increased sales of the marketing platform business → Profit improvement due to the sales growth more-than-expectedly exceeded the increase in cost.

- **Rise in AD EBiS's average unit price was the main factor contributing to increased sales and profit.**

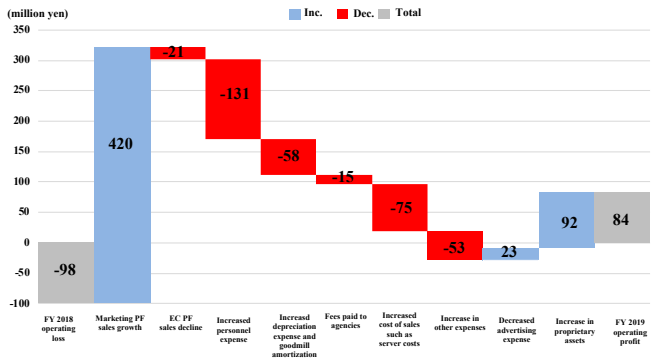
Last fiscal year, overall sales increased by Y399 million YoY. By segment, the marketing platform business contributed largely to sales by Y421 million. It also contributed to operating profit by Y167 million, from a loss of Y121 million in the fiscal year before the previous to a profit of Y46 million in the previous fiscal year (Figure 19). These improvements were due to the fact that, although AD EBiS's number of active accounts only slightly increased, its average unit price rose significantly due to the new pricing system. The full contribution of the acquired AdRepo also boosted the segment's results. On the other hand, in the EC platform business, sales fell by 7.7% YoY (-21 million yen) due to restructuring such as business transfers. However, operating profit rose from Y22 million in the fiscal year before the previous to Y39 million in the previous fiscal year, due to the withdrawal from unprofitable businesses and the contribution by the subsidiary's EC-CUBE.

【 Figure 19 】Last Fiscal Year's Financial Results

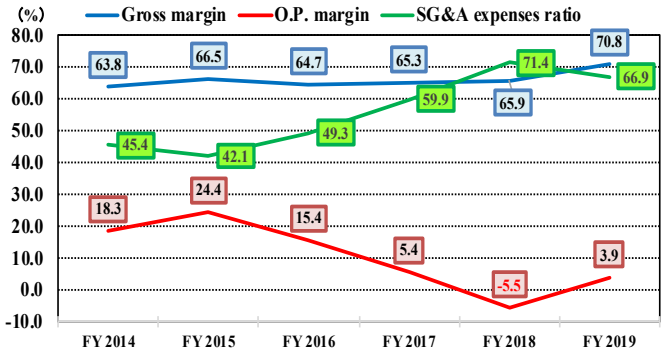
(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials and securities report

(Unit: million yen, %)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
	Amount/%	Amount/%	Amount/%	Amount/%	Amount/%	Amount/%	% Change / Diff.
Total Sales	1,360	1,437	1,613	1,719	1,805	2,204	22.1%
Marketing Platform	883	911	1,074	1,255	1,530	1,951	27.5%
EC Platform	477	526	539	465	274	253	-7.7%
Gross Profit	867	956	1,044	1,123	1,190	1,561	31.1%
Gross Margin	63.8%	66.5%	64.7%	65.3%	65.9%	70.8%	*4.9%*
SG&A Expenses	618	606	796	1,030	1,289	1,476	14.5%
SG&A Expenses Ratio	45.4%	42.1%	49.3%	59.9%	71.4%	66.9%	*-4.4%*
Operating Profit (segment)	249	350	248	93	-98	85	-
Marketing Platform	142	214	210	153	-121	46	To profit
EC Platform	107	136	38	-60	22	39	73.3%
Operating Margin	18.3%	24.4%	15.4%	5.4%	-5.5%	3.9%	*9.3%*
Marketing Platform	16.1%	23.5%	19.5%	12.2%	-7.9%	2.4%	*10.3%*
EC Platform	22.5%	25.8%	7.1%	-12.9%	8.2%	15.4%	*7.2%*
Recurring Profit	234	352	250	106	-115	79	To profit
Net profit	138	231	169	73	-89	-35	Smaller loss

【 Figure 20 】Reasons for Change in O.P. in FY 2019
(unit: million yen)



【 Figure 21 】Transition in Margins and Ratios
(unit: %)



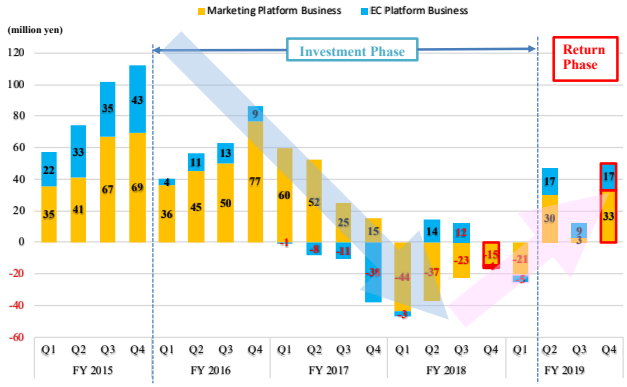
(Ref) Figures 20 and 22 are from the financial results briefing materials. Figure 21 was prepared by Alpha-Win Research Dept. from the Company's securities report.

- **Thanks to sales growth and cost reduction, the margins are on a clearly improving trend.**

Overall, the effect of sales growth was large, helping to significantly improve the gross margin, SG&A expenses ratio, and operating margin (Figures 20 and 21). Personnel expense (including expenses related to hiring more employees) increased by Y131 million, cost of sales (including server costs) increased by Y75 million, and goodwill amortization and depreciation expenses increased by Y58 million, but these were absorbed by the sales growth.

SG&A expenses (ratio over sales; YoY change) were Y796 million (49.3%; +31.3%) in FY 2016 → Y1,030 million (59.9%; +29.5%) in FY 2017 → Y1,298 million (71.4%; +25.1%) in FY 2018, rising sharply. However, in the previous fiscal year, SG&A expenses were Y1,476 million (66.9%; +14.5%), having increased at a rate that is slower than the sales growth rate (+22.1% YoY) for the first time in four fiscal years thanks to cost control, etc.

【 Figure 22 】Quarterly Transition in Operating Profit



(Ref) Prepared by Alpha-Win Research Dept. from the Company's securities report

- **Improved from operating loss to profit for the first time in seven quarters. Since then, both platforms have been maintaining a profit for three consecutive quarters.**

The quarterly transition in operating profit/loss from Q4 FY 2017 (July-September 2017) to Q4 FY 2019 (July-September 2019) is as follows: -23 → -48 → -23 → -12 → -16 → -26 → +47 → +12 → +50 (unit: million yen). We can see that after having improved its results from loss to profit for the first time in seven quarters, the Company has been

- **Thanks to business restructuring and transition to a flat-rate billing model, business became more stable with reduced seasonal variability.**

maintaining a profit for three consecutive quarters since then (Figure 22). This improvement was brought by increased sales due to AD EBiS, withdrawal from unprofitable businesses, acquisition of promising businesses, and business model transition from a pay-as-you-go to a flat-rate billing system which helped eliminate seasonal variability and stabilize sales growth. Additionally, the improvement in SG&A expenses ratio and gross margin since Q2 or Q3 of FY 2018, respectively, due to cost control contributed to profit.

- **Free cash flow is still negative.**

On a semi-annual basis, free cash flow (FCF) continues to be negative (Figure 23). For now, improvement to positive FCF would be the next challenge. For the Company, about 300-500 million yen in cash would be enough as a normal working capital. Even if funding becomes required for M&As, etc., the Company intends to deal with bank loans rather than equity finance for the time being.

【 Figure 23 】Semi-Annual Transition in Cash Flow

Unit: million yen	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Operating CF ①	15	148	48	93	121	23	7	9	7	201
Investing CF ②	-5	-27	-80	-69	-88	-106	-94	-118	-94	-432
Financing CF	-3	0	-16	3	-31	-0	169	542	169	-269
FCF (①+②)	9	121	-32	24	33	-83	-88	-110	-88	-231
Cash and Deposits (on B/S)	666	787	738	762	764	681	760	1,194	924	774

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary and securities report

◆ The Company's Forecast for FY 2020 (this fiscal year: FY 09/2020)

- **This fiscal year's financial forecast is not disclosed. Medium-term sales target is Y3 billion.**

As with the previous fiscal year, the Company did not disclose the interim and full-year forecasts and dividend plan at the beginning of the fiscal year, explaining that "At present, there are many uncertain factors that will have an impact on the financial results for the fiscal year ending September 2020. Therefore, making a reasonable estimate of performance for the second quarter (cumulative) as well as for the full year is difficult at the moment. The consolidated financial forecast will be announced as soon as reasonable calculations become possible." However, since the current fiscal year is the final year of the current medium-term business plan, sales target for the year has been set at Y3 billion, a goal which has not been changed up to this point. Although the medium-term business plan does not describe profit targets, it does set a medium- to long-term target for the operating margin of the main marketing platform business at 10-20%. Based on this information (and at a sales ratio of approximately 90% over the total sales), the segment's operating profit would be about Y270 million to Y540 million.

The Company has generally announced sales and operating profit forecast (as a range) at same time as the announcement of the first quarter results in February or the interim results in May (Figure 18 shown previously on page 27). Similar announcements are expected this fiscal year – we believe that specific forecast figures will be announced when Q1 results are announced on February 7, 2020 (planned) or at the announcement of Q2 results in May, at the latest.

- **Positive trend is currently maintained for monthly sales.**

Figure 24 shows the transition in monthly sales for the current fiscal year as announced by the Company. Total sales in October, the first month of the first half of this fiscal year, showed a 13.2% growth YoY and total sales in November grew by 12.8% YoY; although performance is positive, the growth rate is slowing down. In particular, the marketing platform's sales are still maintaining a double-digit growth rate but appear to have slowed down from a period of 20-30% growth rate (YoY). However, that period was largely affected by how the sales of the acquired AdRepo business became included in the Company's sales since last fiscal year's October. Taking this fact into consideration, the growth rate can be seen as having consistently been at around 20%. We should continue to watch the YoY growth rate of monthly sales in December and onward.

(22) UI: Abbreviation for user interface. The part directly touched by the user. UX: Abbreviation for user experience. Experience gained by users upon using products or services.

Meanwhile, sales of the EC platform had been on a downward trend due to business transfer, etc., but after the negative effect ceased on a YoY basis, sales returned to an increasing trend starting in July 2019.

The Company aims to create customer success by providing more value to its existing customers and is planning to strengthen its business around two areas – customer success and development. For the former, the Company plans to reduce contract cancellation rate and reinforce hiring and training for its customer success division. As for the latter, the Company has stated that it will develop upsell products (more expensive products and services) for its existing customers, improve UI/UX[22], and develop a three-layer model for the Marketing Robot (measurement, analysis, and utilization).

【 Figure 24 】Recent Monthly Transition in Sales (flash report)
(upper row: sales: unit = thousand yen, decimal places cut off)
(lower row: YoY change: unit = %)

10/2018 to 11/2019 Monthly Sales	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	This FY (YTD)
Marketing Platform	149,201	150,478	160,409	158,319	165,994	171,330	168,971	165,515	162,982	163,876	165,521	168,509	167,418	173,197	340,615
	126.9	130.9	133.7	132.9	132.9	129.0	133.0	133.0	120.3	124.6	122.2	114.6	112.2	115.1	113.7
EC Platform	21,839	18,683	18,936	25,060	19,460	21,990	23,467	17,363	17,883	30,223	19,341	19,019	26,164	17,602	43,766
	78.3	67.6	76.5	96.8	82.9	117.2	100.8	90.3	87.6	115.9	104.7	102.3	119.8	94.2	108.0
Entire Company	171,041	169,161	179,345	183,379	185,455	193,321	192,439	182,878	180,866	194,099	184,863	187,529	193,583	190,799	384,382
	117.6	118.6	124.0	126.4	125.0	127.5	128.0	127.3	116.1	123.2	120.1	113.2	113.2	112.8	113.0

(Ref) Prepared by Alpha-Win Research Dept. from the news release on the Company's website.
(Note) The values shown are preliminary data before auditing by an auditor and may be revised in the future.

◆ Topic: Transfer of the ADPLAN Business

The Company has decided to conclude an agreement to acquire the *ADPLAN* business from OPT (OPT Holding Group; securities code 2389; a wholly owned subsidiary listed on the First Section of the Tokyo Stock Exchange), a competitor in the field of advertising effect measurement tools.

◆ Announced the acquisition of ADPLAN from OPT, its rival in the field of advertising effect measurement tools. Aims for an extremely high share with customer transfer.

・ADPLAN is a web advertising "measurement" tool that OPT began offering in 2000. With a total of more than 1,500 companies having installed the tool, it has a markedly strong record in Japan. ADPLAN has established a firm position in the advertising effect measurement market, only second to the Company's AD EBiS. After business acquisition, the two companies' total share is estimated to be extremely high at about 60%.

・Purpose: Acquire customers of ADPLAN to raise the share in the advertising effect measurement market and enhance the Company's competitiveness in the market for business expansion.

・Purchase price: not determined yet (planned to be paid by cash)

・Schedule going forward (plan):
Date of concluding the business transfer contract: late Dec. 2019
Planned date of business transfer: Jan. 2020

◆ Although still in the process of evaluation, the impact on financial performance is expected to be about Y300 million for full FY sales.

・Impact on financial performance: The business's sales in FY 2018 were Y286 million (its profit is undisclosed but it is estimated to be a profitable business). The Company is still in the process of evaluating the business's impact on consolidated results, but assuming that nine months' worth of sales will be posted after acquisition, the contribution to sales growth during this fiscal year is estimated to be just over Y200 million. The purchase price is estimated to be several hundred million yen based on the sales. Goodwill may also be posted in the future.

OPT and YRGLM also plan to start a strategic partnership in the data marketing business and may also form other joint developments and alliances in other areas in the future. By selling the ADPLAN business, which would require development efforts and cost to respond to the tighter privacy protection, OPT plans to shift its business resources to the data marketing business which deals with data accumulation, analysis, and utilization after measurement.

After the transfer of the business, the ADPLAN service will be continued by YRGLM. After 2020, YRGLM plans to gradually shift the service toward its advertising effect measurement tool AD EBiS. Going forward, we should follow how the existing or potential customers of ADPLAN will become absorbed by the Company (such as the contract continuation rate, product switching, and unit price increase).

8. Growth Strategy

- **Under the Marketing Robot growth strategy, the Company aims for sales of Y3 billion in FY 2020 (medium-term plan). Towards this end, the Company is steadily expanding its business.**
- **Actively cooperating with other companies**
- **Focused on making progress with the development of the Marketing Robot and enhancing the marketing & sales division**

(23) BI (Business Intelligence): A method whereby business data accumulated by business intelligence companies and others in information systems are analyzed and processed by users as needed and utilized for business and management. Or, software and information systems to practice this method.

(24) API (Application Programming Interface): A protocol that defines procedures, data formats, etc., for accessing and using functions of computer programs and data to be managed from other external programs.

◆ The Company's Medium-Term Business Plan and Strategy

There have been no changes to the medium- to long-term business plan and business has been growing steadily as measures have been solidly implemented in line with the Company's plan. The Company is developing its business along president Iwata's long-term business plan as described by his words, "By creating a completely new product that can be differentiated from other companies in the field of Internet marketing, we hope to acquire an extremely large market share in Japan and then develop our business globally to become a company with a strong presence."

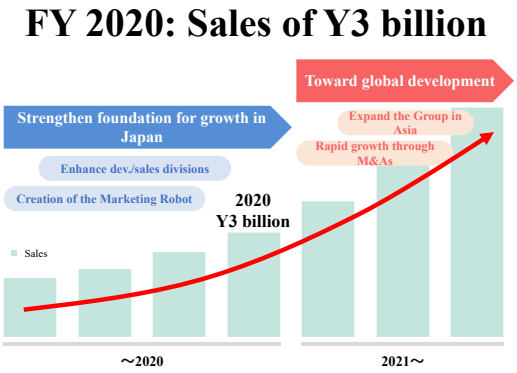
Specifically, the Company has been aiming for sales of Y3 billion in FY 2020 or this fiscal year (+36.1% compared to FY 2019) under its Marketing Robot growth strategy (Figure 25). Specific figures for the profit targets, though, have not been disclosed. To accelerate business development, the Company has already created new alliances with 31 other companies (met the initial target of 30 companies) (Figure 26). Reinforcement of alliance will increase AD EBiS 's product strength by enhancing its optional functions, leading to an increase in the number of contracts, an increase in unit price, and the prevention of contract cancellation. Furthermore, the Company is working on the following measures in order to achieve its goal.

(1) Focus on the development of the Marketing Robot and accomplish its creation
- Conduct big data analysis utilizing AI and actively cooperate with other companies to develop and sell new functions
- Move engineers to the core business (AD EBiS) and cut off the other businesses
- Increase development staff (esp. in AI, BI[23], and API[24] sections)

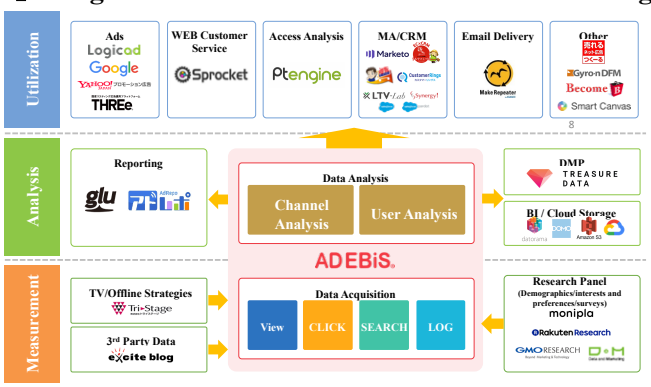
(2) Strengthen the marketing & sales division
- Enhancement of the marketing system
- Increase the number of experts and sales representatives

(Hire 20-30 more people every year by new-graduate and mid-career recruitment → not achieved)

【 Figure 25 】Medium- to Long-Term Targets



【 Figure 26 】Progress with the 30 Alliances for the Marketing Robot



(Ref) Figure 25 and 26 were prepared from the financial results briefing materials

- **Over the medium term, the Company will strengthen its domestic business foundation. Over the long term, it will aim for global expansion.**

Furthermore, as its long-term strategy (from FY 2021 to FY 2023), the Company plans to increase development and sales sites, mostly in Asia. Also, the Company intends to accelerate its growth not only by organic growth, but also by M&As, alliances, etc. However, specific targets such as those concerning the breakdown of sales and the actual means for achieving targets have not been announced. Since the Company has been raising funds ahead of plan, it may continue to actively conduct M&As or acquire businesses from other companies.

As a side note, the next medium-term business plan has not been created yet but may possibly be announced early next fiscal year.

- **Will focus on its core business (marketing platform business)**

Regarding the cost structure of the core marketing platform business, the structure is controlled in four parts and medium- to long-term target ratios have been set for each (Figure 27).

- **Cost structure of the marketing platform business is improving.**

For the marketing platform business, the Company had achieved high operating margins of around 16-24% from FY 2014 to FY 2016. Then, in FY 2017, because the Company increased the amount of investment related to marketing & sales and the development of software functions, the operating margin began to decrease. However, in FY 2018, the operating margin began to bottom out. In FY 2019, excluding the customer service expense and other indirect expenses, the ratios of expenses over sales for marketing & sales and development have already reached the target ranges set out in the medium- to long-term plan. Ratios of the customer service expense and other indirect expenses over sales are also expected to decrease along with the completion of focused investment and the increase in sales and will likely reach the target range during the next fiscal year or later.

- **Aiming for an O.P. margin of 10-20% over the medium to long term**

Over the medium to long term, the Company plans to increase sales and significantly lower the expenses for this business to stabilize the operating margin of this business at around 10-20%. Since this level of operating magin has been achieved in the past, it seems to be an achievable goal. The lower end of the target range – an operating margin of 10% – may become achieved during the current or next fiscal year depending on the cost control.

【 Figure 27 】Cost Structure of the Marketing Platform (MPF) Business (actual and medium/long-term targets)

MPF Business's Expense-to-Sales Ratio	FY 2016	FY 2017	FY 2018	FY 2019	Medium- to Long-Term Targets
Marketing and Sales	24%	29%	32%	26%	30%
Development	21%	24%	36%	29%*2	25-30%
Customer Sucecss (old name: "support")	11%	11%	11% Inc. Investment	17%	10-15%
Other Indirect Exp.	24%	25%	28%*1	26%	15-20%
Operating Profit	20%	12%	-8%	2%	10-20%

*1: Due to increased allocation of common expenses to the segment following the sales decline of the EC platform caused by business restructuring
*2: Due to transfer of operation staff from development to CS

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials

◆ Alpha-Win Research Dept.'s Financial Results Forecast for FY 2020 (this fiscal year)

◆We predict sales growth, significant profit growth, and net profit (improvement from previous net loss) during this fiscal year. Whether the Company will achieve its sales target of Y3 billion in FY 2020 would depend on the situation with the M&As and peripheral businesses.

Based on the results of the previous fiscal year and interview with the Company, we revised our original full-year forecast for the current and next fiscal year. In addition, we newly created a forecast for FY 2022 or the fiscal year after the next. With major structural reforms of the businesses already mostly completed, going forward, we expect that the Company will actively engage in upfront investments in the main and peripheral businesses for future growth.

Forecast for FY 2020, in the order of previous forecast → current forecast, is as follows: sales of Y2,750 million (+24.8% YoY) → same; operating profit of Y120 million (+42.9% YoY) → revised up to Y200 million (+135.5% YoY). The likelihood of the Company achieving the medium-term target of Y3 billion in sales during the current fiscal year seems to have become greater thanks to the acquisition of ADPLAN, although the result would be affected by M&As and the development of peripheral businesses. Also, although we had previously predicted that a net profit of Y92 million will be achieved in an improvement from the previous loss, we revised this prediction upward to Y165 million (reflects carried-forward tax loss) because, during this fiscal year, we expect that the absence of most of the one-off costs incurred during the previous fiscal year will lead to a reduced rate of increase in SG&A expenses, the gross margin will be maintained at a high level, and there will be no non-operating loss or extraordinary loss (Figure 28).

【 Figure 28 】Alpha-Win Research Dept.'s Forecast for This Fiscal Year and Over the Medium Term

(million yen)	FY 2018 (A)	FY 2019 (CE)	FY 2019 (E)	FY 2019 (A)	FY 2020 (CE)	FY 2020 (E)	FY 2021 (E)	FY 2022 (E)
Sales	1,805	2,250-2,350	2,260	2,204	3,000	2,750	3,150	3,600
Marketing PF	1,530		2,020	1,951		2,470	2,875	3,290
EC PF	274		250	253		280	275	310
Gross Profit	1,190		1,560	1,561		1,900	2,250	2,560
Gross Margin	65.9%		69.0%	70.8%		69.1%	71.4%	71.1%
SG&A Expenses	1,289		1,500	1,476		1,700	1,950	2,180
% over sales	71.4%		66.4%	66.9%		61.8%	61.9%	60.6%
Operating Profit	-98	0~50	60	85		200	300	380
% over sales	-5.5%		2.7%	3.9%		7.3%	9.5%	10.6%
Recurring Profit	-115	Not disclosed	45	79		200	300	380
% over sales	-6.4%		2.0%	3.6%		7.3%	9.5%	10.6%
Net Profit	-89	Not disclosed	-25	-35		165	230	250
% over sales	-4.9%		-1.1%	-1.6%		6.0%	7.3%	6.9%
KPI	Annual Average (A)		Annual Average (E)	Annual Average (A)		Annual Average (E)	Annual Average (E)	Annual Average (E)
AD EBiS: # of active accounts	1,476		1,546	1,486		1,550	1,650	1,750
% change for the above			4.7%	0.7%		4.3%	6.5%	6.1%
AD EBiS: average unit price	78,938		98,666	98,517		115,000	130,500	145,000
% change for the above			25.0%	24.8%		16.7%	13.5%	11.1%
Sales (YoY growth rate)	5.0%		25.2%	22.1%		24.8%	14.5%	14.3%
Marketing PF	21.9%		32.0%	27.5%		26.6%	16.4%	14.4%
EC PF	-41.1%		-8.8%	-7.6%		10.6%	-1.8%	12.7%
Gross Margin (diff. from last FY)	-0.3%		3.1%	4.9%		-1.7%	2.3%	-0.3%
SG&A Expense (growth rate)	25.1%		16.4%	14.5%		15.2%	14.7%	11.8%
Operating Profit (growth rate)	To loss		To profit	To profit		135.5%	50.0%	26.7%
Recurring Profit (growth rate)	To loss		To profit	To profit		153.1%	50.0%	26.7%
Net Profit (growth rate)	To loss		To profit	Smaller loss		To profit	39.4%	8.7%

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. (Note) CE is the Company's forecast/estimate. AD EBiS's average unit price and number of active accounts used in our forecast/estimate (E) are average values for the fiscal year and differ from the values presented by the Company in its disclosure (averages of the values at the end of the last month of each quarter). The actual result (A) is the simple average of figures at the end of each quarter.

◆Profit expected to be maintained during all quarters this fiscal year

Also, since Q2 of the previous fiscal year, the Company has already been achieving operating profit for three quarters in a row. Evaluating this current situation, we predict that an operating profit will again be posted during all quarters of this fiscal year if the Company conducts appropriate cost control with regards to hiring, development investment, advertisement, etc. However, since the Company experiences a seasonal

variability in cost every year due to various internal events and recruitment activities, operating profit in Q1 and Q3 may be slightly weaker than in Q2 and Q4.

The assumptions or estimates used in our full-year forecast for this fiscal year are as follows:

- **Expecting continuous rise in the unit price of AD EBiS. On the other hand, the number of active accounts had temporarily slowed down – its rate of increase/decrease is a key point in predicting future performance.**

Sales

・AD EBiS's number of accounts are assumed to increase by 4% YoY, taking into account the switching from ADPLAN, and its unit price is expected to increase by about 17% due to enhanced functions and change in the pricing system.
・For DMP, the current monthly sales are expected to be maintained as its scale will be largely reduced following the sales decline. For THREe, we assumed that results for the six months before the planned date of service termination date will be posted.
・AdRepo's sales are expected to increase by about 10% YoY.
・For ADPLAN, contribution by the nine months after acquisition has been estimated as a proportion of last fiscal year's results (a little over Y200 million).
・As a result, the marketing PF (platform) business's sales are expected to increase by about 27% to Y2,470 million.
・Meanwhile, for the EC PF, EC-CUBE's sales are expected to slightly increase to Y280 million.

Profits

・The gross margin is assumed to stay mostly the same.
・Rate of increase in SG&A expenses is expected to be about 15%, based on assumptions that the net increase in the number of employees will be 10-15, development costs and office rent will rise, costs will increase from business acquisition, etc. Compared to last fiscal year when there were one-time expenses from the change in the company name and litigation (several dozen million yen), expenses for this fiscal year is expected to largely decrease, leading to a decline in the SG&A expenses ratio from 66.9% to about 62%.
・Operating margin is expected to improve by 3.4 points from last fiscal year's 3.9% to 7.3%.
・No non-operating loss/profit or extraordinary loss/profit is expected. Carried-forward tax loss is assumed to be about Y100 million.
・The uncertain factors are sales and various costs related to company or business acquisitions (for example, goodwill amortization and various fees related to ADPLAN). The occurrence of these factors and the method of their posting may cause loss/profit to change.

◆ Alpha-Win Research Dept.'s Financial Results Forecast for the Medium Term

Although we have not made major changes to our basic views regarding our previously-prepared medium-term business forecast for the years starting next fiscal year, we have revised the full-year forecast for the next fiscal year and newly created a forecast for the year after that (FY 2022).

- **We updated our forecast. We kept the sales forecast the same but revised the profits upward. Both during next fiscal year and the year after that, we expect that operating profit will grow at a double-digit rate.**

Forecast for the next fiscal year (FY 2021), in the order of previous forecast → current forecast (unit: million yen), is as follows: sales of 3,150 → same (+14.5% YoY); operating profit of 250 → 300 (+50.0% YoY); and net profit of 155 → 230 (+39.4% YoY). Only the profits were revised upward, mostly because the unit price of AD EBiS had risen to a higher-than-expected level. We also took into account the expected contribution to results by the rise in the number of active accounts as users switch from the to-be-acquired ADPLAN and the profit improvement of the acquired AdRepo business.

In the fiscal year after the next (FY 2022), we predict that sales will increase to Y3,600 million (+14.3% YoY), operating profit will be Y380 million (+26.7% YoY), and net profit will rise to Y250 million (+8.7% YoY) due to the rise in AD EBiS's unit price in response to the addition of functions, increased number of accounts for AD EBiS through customer development, and driving force of the marketing platform created by M&As.

- **Sales expected to grow by about 15-20% per year over the medium term**

- **Business model with a high marginal profit ratio. Over the medium to long term, the profit growth rate (on a normalized basis) is expected to be about 20-30% per year, faster than the sales growth rate.**

Over the medium to long term, as the advertising effect measurement market expands, we expect AD EBiS's unit price to continue to increase and its number of active accounts to grow. Therefore, the marketing platform business has a large growth potential and is expected to become the growth driver, leading to an annual sales growth rate of around 15 to 20% over the medium to long term.

In terms of profit and loss, we expect that net profit will become firm thanks to past investments and business restructuring. We also expect that the Company will experience a clear, V-shaped recovery in profit since its business has a high marginal profit ratio (about 70%). We are expecting an annual profit growth rate (on a normalized basis) of 20% to nearly 30%, faster than the sales growth rate.

Although the business structure reform is complete, the Company is still in the growth stage and is actively pursuing greater competitiveness, higher market share, and expansion into peripheral fields. Since it has an ambitious attitude with regards to M&As, business alliances, and business acquisitions, whether the Company will take those actions and the contribution of those actions to profit are expected to affect the medium-to long-term sales and profits. In addition, since performance will be influenced by the Company's cost control and amount of effort put into achieving the bottom line of its targets, we made a somewhat conservative forecast.

So far, the Company has been steadily expanding its business in line with its plan. In fact, we believe that dividend payment may be resumed within the next two to three years, record-high profit may be achieved over the medium term (about three to five years), and the shareholder benefit plan may also be resumed.

Over the long term, whether the Company can make an overall business transition from its specialization in the Internet advertising measurement system to the Marketing Robot is a crucial point in assessing the Company's business going forward.

9. Analyst's View

◆ SWOT Analysis

- **The Company's strengths are the president's management skills, product strength, and the potential to utilize accumulated big data.**
- **Is in a position to be able to enjoy the benefits of future market expansion. Plans to expand into new business areas and overseas through M&As and business acquisitions.**

The Company's SWOT analysis result is shown on Figure 29. The Company's main strengths are (1) its president's management skill and expertise with leading technologies in the Internet marketing field, (2) its main products and support system with proven and strong functions, (3) its possession of big data accumulated over many years since the start of its service and potential for utilization of such data, (4) its main business's focused investment and number-one technological skill (development speed and responsiveness to changes that only a major specialized company can realize) and position in the industry, and (5) business expansion strategy that includes active M&As, business acquisitions, and alliances with other companies. In particular, the fact that president Iwata himself possesses a deep knowledge of Internet-related techniques – he has been building skills related to the field since the foundation of the Company – is considered to be an advantage over other companies. In addition, the Marketing Robot market has a high growth potential, and since the Company is in an advantageous position in the market, it would be able to benefit from the growth. The Company also seems to have the potential to accelerate its growth through overseas development as well as through the expansion of the scope of the Marketing Robot business from the measurement of ads to analysis and utilization.

Meanwhile, the risks include new regulations in the use of personal information (related to marketing effect measurements) due to strengthened privacy protection, shortage of staff and capital, and the emergence of an alternative technology from the development of advanced AI technology.

【 Figure 29 】SWOT Analysis

Strength	・Big data accumulated since foundation; potential for use ・Well-known, strong customer base, experience, product strength (No. 1 in the Internet ad effect system tool market with an extremely high share) ・The main marketing platform business is subscription-based so that stable revenue can be expected ・Management skill of the president who has a deep knowledge of leading technologies in the business ・Enhanced working environment; talents with specialized, leading-edge technology; accumulation of know-how (development as a major, specialized company; advantageous in responding to demand)
Weakness	・Specialized in a niche market; small in scale ・Business management is dependent on the president ・Employee shortage (engineers and sales reps) ・Funding power (equity financing risk associated with continued upfront investment and future business expansion)
Opportunity	・Potential for growth of Internet advertising marketing market and accelerated growth of existing products ・Business expansion through M&As and business acquisitions; utilization of resources of external partners; collaboration ・Overseas development ・Development of new products and services
Threat	・Release of competing or alternative products/services, emergence of rivals, declining competitiveness of existing products ・Tighter regulations related to stronger privacy protection in the use of personal information ・Defects in prducts/services, delays in developing or providing services with new function ・Large system troubles such as computer system stoppage

(Ref) Prepared by Alpha-Win Research Dept.

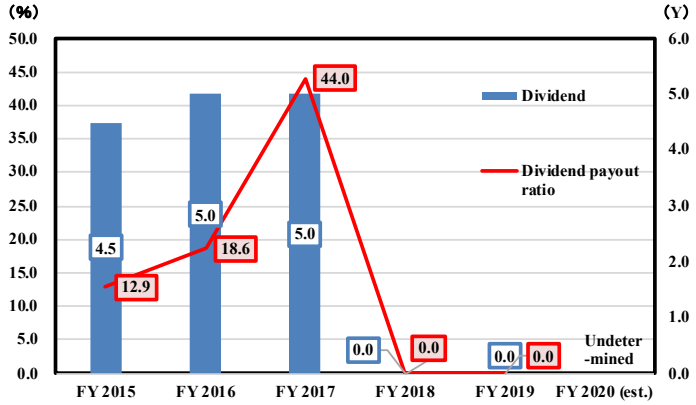
◆ Shareholder Return

- **We expect that there will again be no dividend during this fiscal year and that dividend payment will be resumed in the fiscal year after the next.**

In the second fiscal year after becoming listed (FY 2015), the Company's dividend was Y4.5 per share. Dividend was then increased by Y0.5 in FY 2016 to Y5.0 per share per year. In FY 2017, dividend was paid for the third year in a row, again at Y5.0 yen per share (Figure 30). However, in FY 2018 and FY 2019, no dividend was paid since a net loss was posted in both years, and the Company abolished the shareholder benefit plan as

well. Since the Company is currently in its growth phase, rather than letting its cash flow out through dividends and benefit plans, the Company hopes to increase shareholder value by focusing on investments for future growth to recover its financial performance. Dividends for this fiscal year are undetermined and, in the short term, dividend payment and shareholder benefit plan are unlikely to be resumed. Alpha-Win Research Department believes that dividend payment may possibly be resumed in FY 2022 (the fiscal year after the next) when net profit is expected to have become solid and carried-forward tax losses will be cleared.

【 Figure 30 】Change in Dividend and Dividend Payout Ratio



(Ref) Prepared by Alpha-Win Research Dept. from the securities report and financial results summary

(25) AdTech: Abbreviation for ad technology. A generic term for information technology used in advertising business, it refers to digital technology used in Internet ads, etc.

- **After significantly outperforming the TOPIX, the stock price is going through short ups and downs.**

(26) P/S (Price to Sales Ratio): Ratio of stock price to sales. A valuation indicator where market capitalization is divided by annual sales. P/S is often used as an indicator to measure the stock value of emerging companies with a high growth potential or a net loss.

- **The Company's current valuation is not cheap. The stock price seems to be partially reflecting the anticipation for recovery in business performance.**

◆ Stock Price and Characteristic and Factors that May Affect Stock Price

The Company's stock is a small-cap, AdTech[25]-related stock listed on the TSE Mothers market with a highly volatile stock price. Figure C on page 3 of this Report shows the stock price and relative stock price against TOPIX for the past approximately three years and three months. Until one year ago, the Company's stock price had been decreasing, largely underperforming the TOPIX. Reasons for the decline in stock price may be that (1) as seen from the TSE Mothers Index, the market environment was unfavorable, with small- and medium-cap stocks in the emerging markets being generally weak and (2) in order to achieve the goals of the growth strategy concerning the Marketing Robot, the Company had been restructuring its business and conducting upfront investment to focus on its core business, resulting in the posting of a net loss, no dividend, abolition of the shareholder benefit plan, etc. However, from the summer of 2018 to about the middle of 2019, the stock price rose in response to the improvement from loss to profit and the share buyback. Since then, in a fallback from this rise and perhaps also because investors are still trying to predict future performance, the stock price has been experiencing short ups and downs.

As a reference, we compared the size, business contents, and valuation indicators of 22 companies listed on the market, including the Company, under the AdTech category or with a business partly similar to the Company's (Figure 31). In this comparison, as far as P/E, P/B, P/S[26], and dividend yield based on this fiscal year's figures are concerned, the Company's valuation is not cheap. This may be due to the fact that the

(27) PEG Ratio (Price Earnings Growth Ratio): A valuation indicator that measures the stock value while taking into consideration a company's medium-term profit growth rate. It is calculated by dividing the expected price-earnings ratio (P/E) by the expected medium-term profit growth rate (%) per share. Generally, a PEG ratio of less than 1 means the stock is undervalued, and overvalued if it is more than 2.

- **Stock price going forward will be affected by the expected level of profit during this FY and over the medium term**
- **For now, the key points of interest include the unit price and # of active accounts of AD EBiS, monthly sales, quarterly profit/loss, M&A, and when dividend is resumed.**

stock price reflects the anticipation of future recovery of business performance and growth to some extent.

Also, under the assumption that a PEG ratio[27] of up to 2 is tolerated and the medium-term growth rate for the normalized EPS will be 20%, the P/E comes out to be about 40 at maximum (60 if the growth rate is assumed to be 30%). Calculating back from the current market capitalization of about Y8.1 billion, we can deduce that the necessary net profit (after income tax, based on ordinary tax rates for corporate tax, etc.) is about Y200 million (Y130 million if P/E is 60). With the performance recovery, the likelihood of the Company exceeding this level of profit within several years have become greater – in response, the stock price may also possibly rise sharply.

Looking ahead, we should continue to pay attention to changes in monthly sales (YoY) as well as quarterly changes in net profit, the effect of M&As and business acquisitions, when dividend payment is resumed, and the overall trend of the Internet advertising market. In addition, as the most important management indicators (KPI), we should continue to watch the unit price and the number of active accounts of AD EBiS, which are key factors to the Company's sales and indicative of the Company's growth potential. It is also speculated that news releases on M&As, business alliances, new products and services, etc., will also affect the stock price. Over the medium to long term, the Company's Marketing Robot business, as well as the Internet advertising market, has much potential for growth; the Company seems to be in a good position to be able to benefit from the growth. Going forward, we hope to continue to see the Company grow as an AdTech-related and domestic-demand-related growth stock that is not directly affected by trade wars and exchange rates.

【 Figure 31 】 Comparison of Similar Companies (22 companies related to AdTech, etc.)

AdTech-Related Companies		Markets: TSE1=TSE 1st Section, TSE2=TSE 2nd Section, TM=TSE Mothers, JQS=JASDAQ		Unit: million yen			%	Ratio			%	Closing Price (12/6)
Code	Company Name	Business Area	Market	Market Cap.	Sales	O.P.	O.P. Margin	P/S	P/E	P/B	Dividend Yield	Stock Price
2159	Full Speed	Internet marketing, AdTech (Internet Ad delivery tech)	TSE2	8,128	21,400	1,350	6.3	0.38	10.70	2.18	0.00	522
2389	OPT Holding	Internet ad agency / ad measurement tool	TSE1	41,467	ND	ND	-	-	-	1.52	0.00	1,741
2461	F@N Communications	Affiliate (pay-per-performance) ad	TSE1	38,157	34,200	3,700	10.8	1.12	14.56	1.83	3.83	496
2491	ValueCommerce	Affiliate (pay-per-performance) ad	TSE1	71,286	24,500	4,350	17.8	2.91	22.87	6.35	1.35	2,068
3134	Hamee	Mobile accessories / EC cloud support	TSE1	21,037	10,949	1,092	10.0	1.92	25.97	5.05	0.50	1,307
3655	BrainPad	Internet marketing, data analysis	TSE1	40,605	6,800	1,200	17.6	5.97	42.59	13.65	0.00	5,670
3688	CARTA HD	Ad platform	TSE1	33,263	26,000	3,500	13.5	1.28	15.16	1.47	1.22	1,309
3690	YRGLM Inc.	Internet ad measurement tool	TM	8,099	2,750	200	7.3	2.95	48.46	7.53	0.00	1,271
3923	RAKUS	Cloud service, Email delivery, IT engineer dispatching	TM	184,025	ND	ND	-	-	-	38.14	0.16	2,031
4293	SEPTENI HD	Internet ad agency, smartphone marketing support	JQS	38,755	19,000	2,500	13.2	2.04	25.20	2.38	0.72	279
4395	Accrete	SMS delivery service	TM	4,423	1,600	270	16.9	2.76	24.20	4.57	0.00	801
4751	CyberAgent	Internet ad agency, smartphone, games	TSE1	486,110	465,000	30,000	6.5	1.05	53.83	6.12	0.86	3,845
4784	GMO AD Partners	Internet ad agency and related platform	JQS	6,669	35,000	560	1.6	0.19	21.89	1.31	2.29	398
6026	GMO TECH	App-installation-type charging ad, SEO	TM	2,187	2,900	30	1.0	0.75	19.17	2.53	2.61	1,987
6045	Rentracks	Pay-per-performance Internet ad service	TM	3,781	9,515	191	2.0	0.40	49.48	1.80	1.90	474
6081	Allied Architects	SNS-related marketing support	TM	5,940	4,161	-103	-2.5	1.43	Loss - NA	4.62	0.00	423
6094	FreakOut HD	Internet ad delivery (DSP)	TM	26,243	27,000	200	0.7	0.97	-	5.89	0.00	1,650
6175	Net Marketing	Pay-per-performance ad agency	TSE1	15,479	16,302	813	5.0	0.95	27.23	6.16	0.57	1,052
6533	Orchestra HD	Digital marketing for companies	TSE1	10,006	9,500	570	6.0	1.05	25.40	7.82	0.52	1,154
6550	Fringe81	Internet ad agency, media monetization support	TM	9,811	7,295	-525	-7.2	1.34	Loss - NA	8.07	0.00	995
6553	SoldOut	Web marketing support for mid-tier companies/SMEs	TSE1	20,607	20,000	850	4.3	1.03	35.53	7.29	1.02	1,970
6562	Geniee	Automatic trading of media ad space, AdTech biz	TM	10,425	15,572	23	0.1	0.67	Loss - NA	4.22	0.00	582
22 AdTech-related companies: simple average				51,242	37,972	2,539	6.5	1.56	28.89	6.39	0.80	
TOPIX (closing price on 12/6/2019): average									15.93	1.25	1.89	1,713.36
											(weighted 2.28)	

(Ref) Prepared by Alpha-Win Research Dept. from the companies' websites, securities reports, financial results summaries, and financial results briefing materials.
(Note) Generally, each company's forecasted values as of the latest financial results disclosure (latest quarterly financial results) or the most recent actual results (BPS, etc.) were used (based on disclosed data available as of December 6). For forecasts disclosed as ranges, as a general rule, the median was used for calculations. Concerning dividend, if a company has not disclosed a forecast, the previous fiscal year's actual dividend was used. For the Company, Alpha-Win Research Dept.'s forecast was used. For other companies, values not disclosed are marked by "ND" (not determined) or "-". The average was calculated using only valid figures.

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