

Alpha-Win Company Research Report

YRGLM Inc. (3690 TSE Growth)

Issued: 6/6/2022

● Summary

Alpha-Win Capital Inc. Research Dept.
<http://www.awincap.com/>

Business Description

- YRGLM Inc. (hereinafter referred to as the “Company”) plans, develops, and sells software related to Internet marketing. President Iwata started the business during his college years and then founded the Company in 2001.
- Its main product is its originally-developed Internet advertising effect measurement system (AD EBiS), which has an incredibly high market share (No.1 in the market). It is a leading company in a niche field. Its services are provided in cloud format to mid-tier and large companies.
- The Company's strengths are its employees with high technological capabilities and expertise in DX (enabling highly accurate data measurement), its big data that it has been accumulating as the frontrunner in the field, and its network of more than 500 partner companies.
- Its main business is based on a continuous and stable subscription model. Under this model, sales and profit can be increased continuously through the increase in AD EBiS's unit price and number of customers, which are its KPIs.
- It had been working on a business model shift and the selection/focus of business portfolio, but this business restructuring has been completed and its earning power has started to improve. As a result, in recent years, it has been growing sales at a double-digit rate and stably posting profit.

First-Half Results and Financial Forecast for This Fiscal Year

- Consolidated financial results for the first half of this fiscal year (first half or Q2 YTD of FY 2022: note that the Company's fiscal year is September-ending, i.e., FY 2022 ends in September 2022) were as follows: sales increased by 7.8% YoY to Y1,581 million, operating profit decreased by 1.3% YoY to Y176 million, and net profit also decreased by 10.5% to Y104 million. Sales increased but profits declined. Although the forecast for the first half is not announced, both sales and profits seem to have been below the Company's internal plan.
- This was because (1) in the Marketing PF segment, the unit price of its core business AD EBiS had increased for the 16th consecutive quarter, but the amount and rate of increase had slowed down and the acquisition of new customers was less than expected and (2) in the EC PF segment, the shopping settlement fee of EC-CUBE, which has a high profit margin, ended up smaller than expected due to intensifying competition, and costs had also increased due to strengthened investment.
- The net profits have helped accumulate capital, causing the equity ratio to rise to 54.0% as of the end of March 2022. The Company is essentially debtless and financially sound.
- Based on the results of the first half, the Company revised down its full-year financial forecast from the forecast made at the beginning of the fiscal year. Sales were revised from Y3,600 million (+21.7% YoY) ⇒ Y3,400 million (+15.0% YoY), operating profit was revised from Y470 million (+28.6% YoY) ⇒ Y340 million (-7.0% YoY), and net profit was revised from Y320 million (+33.5% YoY) ⇒ Y210 million (-12.4% YoY). Contrary to the initial expectation of profit growth, profits have now been revised to decrease. Since the Company is aiming for a DOE of 2.5% for this fiscal year, it also reduced the annual dividend per share from 7.5 yen ⇒ 7.0 yen. However, this still means a 1.8 yen increase in dividend compared to the previous fiscal year.
- Alpha-Win Research Department had predicted that, compared to the Company's initial plan, sales would be Y100 million smaller at Y3,500 million and operating profit would be the same at Y470 million. However, the Company's revised plan is now lower than these, most likely because the number of accounts of AD EBiS and the sales from the shopping settlement fee of EC-CUBE had decreased more than expected. Also, although we had judged that the profit plan should be achievable through cost control, the Company is now increasing investments for future growth. Considering the new company plan and the current situation, we too decided to revise our forecast downward to about the same level as the Company's forecast (new forecasts: sales of Y3,365 million / -35 million yen compared to the company plan, operating profit of Y350 million / +10 million yen, and dividend of 7.0 yen / +0 yen).
- Progress in the first half in terms of the full-year company plan (after revision) was 46.5% for sales (49.6% in the first half of the previous fiscal year) and 51.8% for operating profit (similarly, previously 48.8%).

- Calculating from these figures, the Company seems to be planning a sales growth and profit decline in the second half as follows: sales of Y1,819 million (+22.0% YoY), operating profit of Y164 million (-12.4% YoY), and net profit of Y106 million (-14.1% YoY). In the second half, it plans to provide the largest major update ever for its main product, AD EBiS, in order to increase the number of accounts and increase sales. In addition, for EC-CUBE, it plans to increase sales through synergy and growth of new business from the acquisition of BOKUBLOCK. However, costs are expected to increase due to upfront investments, causing a decrease in profit.

Business Strategy and Medium-Term Financial Forecast

- In addition to working on increasing the sales of its core product, it has been working on the MXP (Marketing Transformation Platform) strategy in which continuous growth will be achieved by developing related or new businesses in which synergy can be expected and contributing to its customers' DX through its PF business. It also plans to accelerate business growth by actively conducting M&As and building alliances with other companies.
- It has continued to work on the goals that it has set out in its medium-term business plan, which are sales of Y5 billion, operating margin of 15%, and DOE of 3% or greater by FY 2023. Depending on whether the Company will conduct M&As and succeed in PMI, its financial results may change significantly.
- The Company has been focusing its business resources on areas related to Internet marketing, which have a large growth potential over the medium to long term. Consequently, its sales are expected to grow annually at a double-digit rate. Once the forward-looking, upfront investment for business reinforcement is completed, we believe that the Company will be able to return to a double-digit annual profit growth starting next fiscal year by increasing sales and improving profit margins through the expansion of the existing and the new businesses of both segments. Regarding the forecasts for the next fiscal year and the fiscal year after the next, we have reviewed our previous forecasts and made revisions somewhat cautiously.

Stock Price

- Stock price had bottomed out with the recovery of financial results, and had been fluctuating within a boxed range of Y1,000 to Y2,000 over the past five years. However, due to global stock price corrections, the downward revision of financial results for the current fiscal year, and the announcement of downward revision of dividend, its stock price is currently fluctuating in the 700-yen range.
- Its valuation already generally reflects the fact that it is a domestic-demand-oriented growth stock related to ad-tech and subscriptions. Based on the revised forecasts for the current fiscal year, its key valuation measures seem to be within a mostly reasonable range. Its stock price has fallen sharply, though, close to a level at which investment can be considered based on the PEG ratio which takes into account the medium-term growth potential.
- Going forward, the following factors will likely affect the stock price: KPIs (especially AD EBiS's number of accounts and unit price), monthly sales trend (YoY change for both PF segments), quarterly trends in profit/loss (especially the sales growth rate and the impact of the acquired companies on profit), profit forecasts for this and the next fiscal year, the level of profit returned to shareholders, and announcement of M&As and alliances.

Return of Profit to Shareholders

- Its dividend policy for this fiscal year is to maintain a consolidated dividend on equity (DOE) of 2.5%, but it plans to raise this to 3% or greater in FY 2023. Future dividend hikes are likely, and the future level of dividend and stock splits are also key points.

[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)
2019	A	2,204	22.1	84	To profit	79	To profit	-34	Improved loss	-5.5	168.7	0.0
2020	A	2,618	18.8	276	226.1	261	230.5	183	To profit	29.1	202.2	4.0
2021	A	2,957	12.9	365	32.0	364	39.5	239	30.7	38.0	257.5	5.2
2022	Initial CE	3,600	21.7	470	28.6	460	26.3	320	33.5	50.0		7.5
2022	Revised CE	3,400	15.0	340	-7.0	340	-6.7	210	-12.4	33.5		7.0
2022	E	3,365	13.8	350	-4.1	350	-3.8	218	-8.8	34.8	289.3	7.0
2023	Mid-Term Plan CE	5,000	47.1	750	120.6	OPM=15%						DOE≥3%
2023	E	4,320	28.4	500	42.9	500	42.9	320	46.8	51.1	333.4	9.3
2024	E	4,740	9.7	580	16.0	580	16.0	380	18.8	60.7	384.8	10.8
2021	Q1	721	23.3	94	281.6	95	279.8	61	222.7	9.8	207.7	0.0
2022	Q1	776	7.6	87	-7.1	87	-8.2	58	-5.1	9.3	249.1	0.0
2021	Q2	745	14.6	84	80.5	82	80.2	55	107.6	8.8		0.0
2022	Q2	805	8.1	89	5.3	89	8.2	46	-16.5	7.4		0.0
2021	H1	1,466	18.7	178	150.3	177	151.0	116	155.6	18.5	237.6	0.0
2022	H1	1,581	7.8	176	-1.3	176	-0.6	104	-10.5	16.7	260.3	0.0
2021	H2	1,491	7.8	187	-9.2	187	-1.9	123	-10.8	19.4		0.0
2022	H2 CE	1,819	22.0	164	-12.4	164	-12.4	106	-14.1	16.8		0.0

(Note) A: actual results.
CE: the Company's estimate (forecast).
E: estimate (forecast) by Alpha-Win Research Dept.

Note that the Company's fiscal year is September-ending. For example, FY 2022 ends in Sept. 2022.

Q1: Oct-Dec.
Q2: Jan-Mar.
H1: Oct-Mar.
H2: Apr-Sept.

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

Item	Stock Price on 6/3	Item	P/E	P/B	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	736	Last FY (actual)	19.4	2.9	0.7%	13.7%
Shares Outstanding (thou.)	6,372	This FY (est.)	21.1	2.5	1.0%	20.1%
Market Capitalization (million Y)	4,690	Next FY (est.)	14.4	2.2	1.3%	18.2%
Dilutive Shares (thou.)	0.0	Equity Ratio at End of This First Half	54.0%	Last FY's ROE	16.5%	

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

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



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(Note 1) Values used in this report have generally been rounded to the nearest unit and may therefore differ from the Company's official disclosed values, etc. *PF stands for "platform."

(Note 2) Upon translating to English, when the page numbers differed from the original Japanese version, they were adjusted to those of the English version of this Report. Note that the Company's fiscal year is September-ending (i.e. FY 2022 ends in September 2022).

1. Company Overview

◆ A Leading Company in a Niche Market

- ◆ **Marketing DX support company. Top share in the Japanese software market for Internet ad effect measurement and open-source EC site construction.**

(1) Internet advertising effect measurement tool: Software for comprehensively measuring and evaluating the effect of various Internet ads and SEO strategies.

(2) Open source: The source code, which is basically the blueprint of software, is made available free of charge, allowing anyone to revise and redistribute it.

- ◆ **Ambitiously developing new businesses through in-house development and M&As.**
- ◆ **Founded by its president Susumu Iwata. Listed on the TSE Mothers (currently the TSE Growth Market).**
- ◆ **Changed the company name and logo in 2019. The new name is YRGLM Inc.**
- ◆ **The Company's group is composed of seven companies including the Company.**
- ◆ **Financial performance of the consolidated companies (excluding the parent) also recovered and has been solid. The financial recovery of the carved-out EC-CUBE, as well as the acquired subsidiaries, contributed to sales.**

Company Overview

YRGLM Inc. (hereinafter referred to as “the Company”) is a marketing DX support company that plans, develops, and sells software related to Internet advertising and e-commerce.

Under its vision to “become a company that supports corporate marketing activities around the world through data and technology to bring happiness to both the sellers and the buyers,” the Company has grown rapidly through its originally developed software. It has the top market share with AD EBiS, its Internet ad effect measurement tool¹, and EC-CUBE, its open-source² software series for building EC sites.

In addition to developing new businesses through in-house development, the Company has also been ambitious in expanding into related businesses through M&As.

History

Susumu Iwata, the Company’s president, started a web design business in Osaka as a college student. Following business expansion, he established the Company in 2001. The Company became listed on TSE Mothers (currently the TSE Growth Market) in September 2014. Currently, it has two headquarters, one in Osaka and one in Tokyo.

Change in the Company Name

In August 2019, the Company changed its name from “LOCKON CO., LTD.” to “YRGLM Inc.”

Consolidated Companies and Trends in Consolidated Financial Results

The YRGLM Group consists of a total of seven companies: the Company, its five consolidated subsidiaries (EC-CUBE Co., Ltd., YRGLM VIETNAM Co., Ltd., and the three acquired companies Spoo! Inc., TOPICA Inc., and Far End Technologies Corporation), and one equity method affiliate (SAI Co., Ltd.). Note that HOWDY Co., Ltd. (a dormant subsidiary of TOPICA) and CloudFine Co., Ltd. (a wholly owned subsidiary of Far End Technologies Corporation which plans and sells giveaways for companies) are not included in the consolidated results due to their insignificance.

During FY 2019 (note that the Company’s fiscal year is September-ending), the EC-CUBE business was separated from the Company (parent company) in a carve-out (became a consolidated subsidiary after the carve-out), which changed the balance between the parent company’s results and consolidated results. Due to the profitability and solid financial performance of EC-CUBE Co., Ltd. as well as the positive impact of the acquisition of several companies on sales, sales growth and profit have generally been maintained for the consolidated companies excluding the parent (consolidated minus parent company) since FY 2019 (Figure 1 on page 6). Note that the actual numerical results of the parent company have not been disclosed for the first half.

【Figure 1】 Comparison of Consolidated vs. Parent Company Sales and Recurring Profit by Fiscal Year (Units: million yen and %)

	Unit: million yen, %	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
A	Consolidated sales	1,360	1,437	1,613	1,719	1,804	2,204	2,618	2,957
B	Parent company sales	1,360	1,437	1,613	1,719	1,804	2,010	2,317	2,532
A-B=C	Consolidated sales - parent company sales	0	0	0	0	0	194	301	425
A/B	Consolidated sales / parent company sales	1.00	1.00	1.00	1.00	1.00	1.10	1.13	1.17
A	Consolidated R.P.	233.6	352.0	250.3	106.3	-115	79	261	364
B	Parent company R.P.	245.2	359.0	252.1	106.8	-110	19	165	278
A-B=C	Consolidated R.P. - parent company R.P.	-12	-7	-2	-1	-5	60	96	86
A/B	Consolidated R.P. / parent company R.P.	0.95	0.98	0.99	1.00	-	4.16	1.58	1.31

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

(Note) Consolidated results starting in FY 2014 (applies to the rest of this report). First-half results for each company are not disclosed.

- ◆ **As of the end of March 2022, it was essentially debtless, with cash & deposits exceeding its amount of debt. Equity ratio is greater than 50%, indicating financial soundness.**

Financial Standing (see page 16 for details)

Although the Company has continued to conduct M&As, thanks to the posting of profit and the completion of the large investment phase, its free cash flow (FCF) turned positive for some period and its capital as well as cash and deposits has been accumulating. As of the end of March 2022, its long/short-term debt totaled about Y940 million, while its cash and deposits were about Y1,210 million. Therefore, the Company is essentially debtless.

Its total assets are about Y3 billion and its market capitalization is about Y6.5 billion (based on the closing price of Y1,019 on March 31, 2022), both relatively small. However, its equity ratio is 54.0% and current ratio is 194.1%, indicating financial soundness.

- ◆ **Intangible fixed assets including goodwill have been smaller than the net assets.**

The Company has intangible fixed assets of Y930 million, which includes Y480 million in goodwill (from past acquisitions of companies, businesses, etc.) and Y430 million in software and software in progress. Adding the deferred tax assets of Y110 million, they total Y1,040 million. However, this does not pose an issue since this total is smaller than the Company's net assets of Y1,650 million.

- ◆ **Estimated to have an unrealized gain of a little greater than Y1.3 billion owing to its subsidiary's shares.**

Also, the Company owns about 90% of the shares of its subsidiary EC-CUBE Co., Ltd. Based on the amount for which the subsidiary's shares were sold to Orient Corporation (sold about 10% of the shares for Y155 million in November 2020; Y152 million in gain on sales), the Company is estimated to have shares worth Y1.4 billion in market value and an unrealized gain of Y1.37 billion.

- ◆ **Has earned a high reputation. Chosen as a Great Places to Work-Certified Company.**

(3) 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.

Awards and Reputation

The Company has been chosen as a Great Places to Work-Certified Company in Japan's Great Places to Work 2022 selected by the Great Place to Work® Institute³ Japan. It has also been chosen as a Best Company from the same organization for ten times and has also won various other awards from other external organizations as well. This high reputation is valuable since it helps attract talents, which are crucial to the Company's type of business.

Also, its originally developed Internet ad effect measurement tool AD EBiS has won the Leader Award in the "Access Analysis and Attribution" division of the "ITreview Grid Award 2022 Spring" on the IT product review platform ITreview managed by ITcloud Corp (headquartered in Minato-ku, Tokyo; Genta Kurono as president) for the fifth time in a row (according to the Company's website).

2. Business Description and Business Model

◆ Business Portfolio

◆ Worked on restructuring its business portfolio. Withdrew from non-core businesses and concentrated business resources on AD EBiS of the Marketing PF segment. In recent years, it had acquired and strengthened businesses in related areas.

Restructuring and Strengthening of Business Portfolio

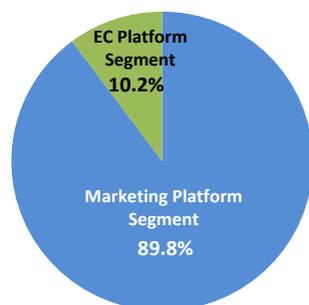
Since FY 2016, the Company had been actively restructuring and strengthening its business portfolio. It had been increasing its focus on the core businesses (shifting to AD EBiS of the Marketing Platform segment) and separating its non-core businesses (EC Platform segment) (Figure 2). This business restructuring has already reached the end of a phase, and the Company is currently in the stage of expanding its business for the next level of growth.

[Figure 2] Business Restructuring and Segments (businesses that it withdrew from or significantly scaled down are shown in highlight)

Segment Name	Business Categories	Main Services	Changes	Notes
I. Marketing Platform	(1) Advertising effect measurement	①AD EBIS	ADPLAN business (acquired in Jan 2020; integrated) was closed in March 2021	Parent company
		②THREe	Withdrew (end of March 2020)	
	(2) Advertising agency DX	①AdRepo	Business acquisition (August 2018)	
		②Ad-Knowledge	Started service in July 2020	
	(3) New services	①AD HOOP (former "Advertising agency referral service")	Started service in May 2020; changed name to AD HOOP in Jan 2021	
		②eZCX	Official version released in July 2021	
		③Spoo	Acquired as a wholly owned subsidiary (Dec 2020)	
*Other	Former "Professional Service" (DMP business)	④TOPICA	Acquired as subsidiary with about a 60% stake (July 2021)	Consolidated
		⑤Far End Technologies	Acquired as a wholly owned subsidiary (Jan 2022)	
	(1) EC-CUBE	Former "SOLUTION"; transferred from SOLUTION and scaled down	(Former "SOLUTION"; transferred from SOLUTION and scaled down)	Parent company
		(2) Professional services	EC-CUBE (ec-cube.co)	
II. EC Platform	(2) Professional services	①BOKUBLOCK	Acquired as a wholly owned subsidiary (end of May 2022)	Consolidated
		(3) SOLUTION → withdrew	①EC contract dev. + consulting, etc.	Transferred to SAI Co., Ltd. (equity method; kept) and Radical Opti Co., Ltd. (removed from equity method after transfer)
			(Of which, DMP business)	Transferred to Marketing Platform's *Other

(Ref) Figure 2-5 were prepared by Alpha-Win Research Dept. based on sources including the Company's financial results summary and financial results briefing materials. Words in red indicate changes during the current fiscal year.

[Figure 3] Sales Breakdown by Business Segment (first half of FY 2022)

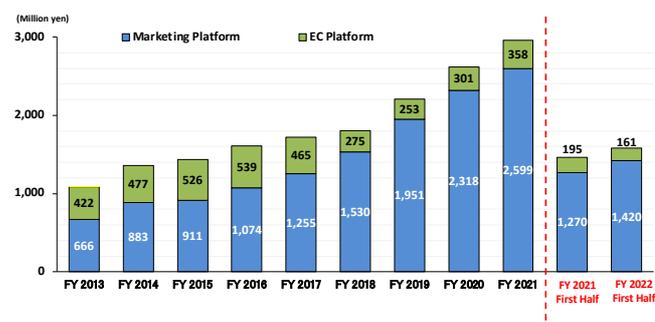


Business Composition

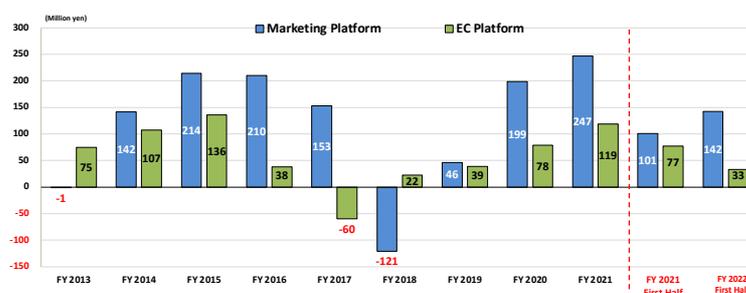
Currently, the Company's business is composed of two segments: I. Marketing PF (short for "platform") and II. EC PF.

The Marketing PF segment accounts for about 90% of the total sales (Figure 3) and has been the driver of the Company's overall sales growth over many years (change in sales by PF segment: Figure 4).

[Figure 4] Transition in Sales by Business Segment (Unit: million yen)



[Figure 5] Transition in Operating Profit by Business Segment

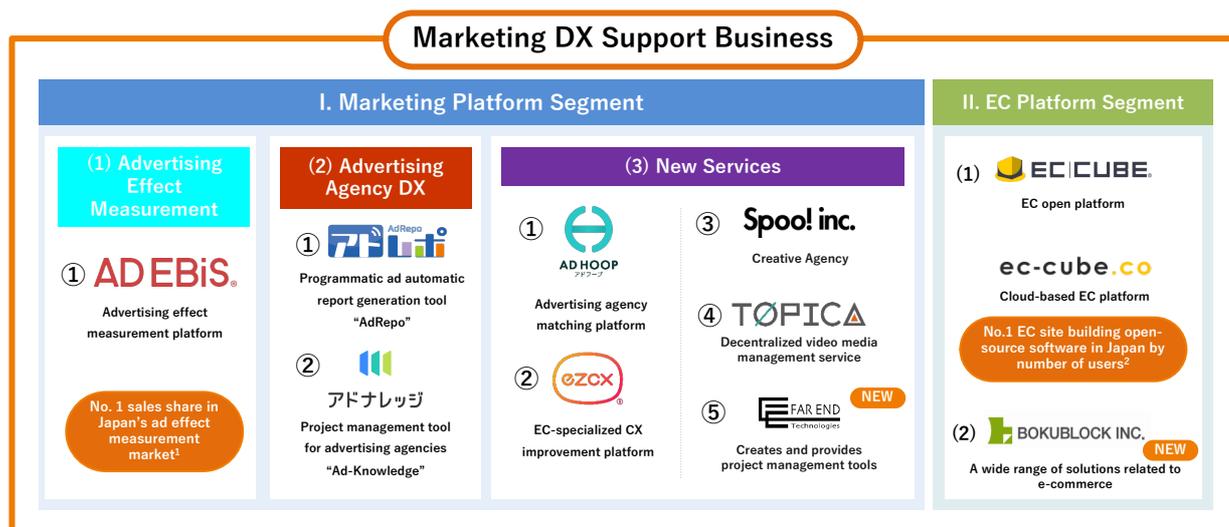


- ◆ Excluding the period of business restructuring, both PF segments have been posting operating profits.

Each PF segment's change in operating profit over the years is as shown in Figure 5 on page 7. Excluding FY 2017 and FY 2018, during which business restructuring was conducted, operating profit (segment's profit) has been posted for both PF segments during each full fiscal year.

The Company's current business portfolio is shown in Figure 6 (the numbers in front of businesses in Figure 6 match the numbers in this section's description of businesses).

【Figure 6】 Business Composition (as of end the of May 2022)



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

*1: According to the Japan Marketing Research Organization's summary of its June 2021 survey on competition in designated areas

*2: According to Information-technology Promotion Agency, Japan's "3rd Open-Source Software Utilization Business Survey"

◆ Business Details I. Marketing PF Segment

The change in the sales and profit of the Marketing PF segment over the years is shown in Figure 7.

【Figure 7】 Change in the Sales and Operating Profit of the Marketing Platform Segment

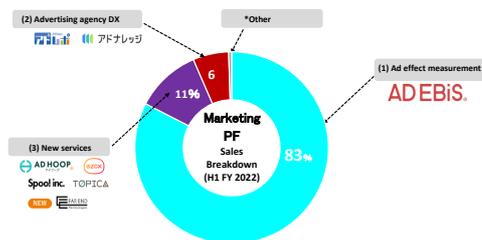
Sales (million yen)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	H1 FY 2022
	parent	parent	consolidated	consolidated	consolidated	consolidated	consolidated	consolidated	consolidated	consolidated	consolidated
I. Marketing Platform	545	666	883	911	1,074	1,255	1,530	1,951	2,318	2,599	1,420
(1) Advertising Effect Measurement	545	648	883	911	1,074	1,254	1,445	1,775	2,135	2,313	1,176
(1) ① AD EBIS + former ADPLAN (business acquired in Jan 2020)	499	567	722	822	1,012	1,200	1,402	1,747	2,127	2,313	1,176
① AD EBIS's sales growth rate (YoY: %)		13.7%	27.3%	13.9%	23.1%	18.6%	16.8%	24.6%	21.8%	8.8%	1.6%
② THRE (withdrew)	46	81	161	89	62	54	43	28	8	0	0
(2) Advertising Agency DX								124	152	182	85
(2) ① AdRepo							(Business acquired in Oct 2018 →)	124	149		82
② Ad-Knowledge									3		3
(3) New Services									3	104	153
(3) ① AD HOOP, ② EZCX, ③ Spool, ④ TOPICA, ⑤ Far End									3	104	153
*Other: Professional Service (DMP)								84	51	27	
Segment's Operating Profit	-61	-1	142	214	210	153	-121	46	199	247	143
Segment's Operating Margin (%)	-11.2%	-0.1%	16.1%	23.5%	19.5%	12.2%	-7.9%	2.4%	8.6%	9.5%	10.1%

(Ref) Prepared by Alpha-Win Research Dept. based on financial results briefing materials and interview. Includes estimates. H1 = first half.

- ◆ The Marketing PF segment is composed of three business categories.

I. The Marketing PF segment currently consists of the three main business categories described below, from (1) to (3). During the first half of this fiscal year, the sales breakdown was as shown in Figure 7 and Figure 8 on page 9. AD EBIS accounted for 83% of the Marketing PF segment's sales (72% of the Company's entire sales).

【Figure 8】 Breakdown of Sales of the Marketing PF Segment by Category



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials. H1 = first half.

- ◆ **Its core business, AD EBiS, is an originally developed, Internet ad effect measurement system. It has the top share in the market and accounts for about 70% of the Company's entire sales. Highly stable business based on subscriptions.**

(4) Subscription model: fees are paid periodically for the right to use the service for a certain period.

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

- ◆ **The business for advertising agencies consists of 2 businesses: AdRepo, which fully automates the creation of reports for programmatic advertising, and Ad-Knowledge, a cloud-based project management system specialized for advertising agencies.**
- ◆ **The new services consist of the businesses acquired through the M&As of 3 companies and its originally developed products AD HOOP and eZCX. Will rapidly expand this business category as its future growth driver.**

Below are the current business categories of the PFs and their main products (service or product name is in bold).

(1) Marketing Effect Measurement

① AD EBiS

- Internet ad effect measurement system
- AD EBiS is the Company's originally-developed core product (incredibly strong position in the Japanese market with top share of 86.3%, according to the Japan Marketing Research Organization's summary of its June 2021 survey on competition in designated areas)
- Enables the collective management, measurement, analysis, and visualization of the effect of Web ads, etc., and helps understand the cost effectiveness of ads.
- Subscription-based business model⁴
- Business based on flat-rate, periodic payments. Its sales are determined by average unit price × number of active accounts. Both numbers are key performance indicators (KPIs) for AD EBiS as well as for the entire company.

(2) Advertising Agency DX

The business targeting advertising agencies consists of the two businesses described below (AD HOOP has been moved to the new businesses category). This first half's sales were Y85 million in total, which is 6% of the entire Marketing PF segment's sales. Although the sales of each of the two businesses are not disclosed, most of the sales come from AdRepo.

① AdRepo

- Fully automatic report-generation tool for programmatic advertising⁵
- Cloud service that has been developed to reduce the workload of advertising agencies in creating such reports
- Acquired from another company in August 2018. The Company plans to continue to focus on expanding this business.

② Ad-Knowledge

- A newly developed, cloud-based project management system specialized for advertising agencies
- Supports advertising agencies that work with programmatic advertising in improving operation and efficiency
- Service started in July 2020. Provided as a subscription service (SaaS). Its growth currently seems somewhat slow.

(3) New Services

① AD HOOP

- Marketing-specialized matching platform that introduces the optimum solution partner to corporate advertisers to solve their problems and meet their needs. Released in May 2020. Moved from the advertising agency DX category due to its expansion of business area.
- Business has been steadily expanding. Since April, a matching service between EC site production companies and EC companies has also begun.

② eZCX

- EC-specialized CX improvement platform

- Improves CX (customer experience) on websites. Leads to greater efficiency in acquiring new customers.
 - Based on the concept of “anyone can easily use”
 - Using the user behavior data that the Company has accumulated through its AD EBiS business, the service analyzes the users’ thoughts to provide the most suitable experience at the most appropriate timing.
 - Released in May 2021, but growth has been slow.
- ◆ **Has been acquiring companies in businesses related to Internet marketing as consolidated subsidiaries, at a pace of about 1-2 companies per year.**
- ◆ **All three acquired companies have been steadily expanding their businesses.**
- ③ Spoo (Spoo! inc.): consolidated subsidiary
 - Web media and design company. Founded in March 2000 and was acquired in December 2020. Steady development. Employee recruitment has been a challenge.
 - The Company plans to leverage Spoo’s creativity and human resources to integrate the Company’s data and technology. It will thus create new values, expand into more areas of business, and strengthen its competitive edge.
 - ④ TOPICA: consolidated subsidiary
 - Founded in May 2016. Acquired in July 2021 with a stake of about 60%.
 - Developing a marketing support business that utilizes SNS and videos. Provides a series of services ranging from the planning and production of video contents to SNS account management services.
 - With the acquisition, the Company will expand its business domain into the rapidly growing social media marketing market and cross-sell TOPICA’s services to its current client companies (around 1,300 companies). In addition to this, it plans to integrate its data and technologies with TOPICA’s SNS marketing to create and provide new services. This business has been solidly expanding.
 - ⑤ Far End Technologies Corporation (hereinafter, “Far End”): consolidated subsidiary
 - Established in September 2008. Provides Internet services (SaaS) and IT security support services.
 - Acquired in January 2022 as a wholly owned subsidiary
 - Its main business involves the development of the globally well-known, open-source project management software **Redmine** and providing the paid, cloud version of the software, **My Redmine**.
 - In recent years, due to increasing remote work in response to the COVID-19 crisis, there has been greater demand for project progress management. The number of accounts has been increasing steadily and a large growth can be expected.
 - By leveraging and integrating YRLGM and Far End’s technologies and expertise, the Company plans to expand business domains, increase its competitive edge, and provide new value to customers.

For details on each business of I. Marketing PF segment’s (1)-① through (3)-④, please see pages 13-19 of our report published on December 13, 2021. Regarding (3)-⑤ Far End Technologies, please see pages 7-8 of the report published on February 14, 2022.

◆ In the first half, the EC PF segment only consisted of EC-CUBE. With the acquisition of BOKUBLOCK, the Company will reenter the professional services market.

◆ Business Details: II. EC PF Segment

Currently (in the first half), the EC PF segment only consists of EC-CUBE (Figure 9). The Company, though, has acquired BOKUBLOCK INC. and will make a reentry into the professional services⁶ market. The subsidiary will become consolidated as part of the EC PF starting in June 2022.

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

Sales (million yen)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	H1 FY 2022
	parent	parent	consolidated								
II. EC Platform	323	422	477	526	539	465	275	253	301	358	161
(1) EC-CUBE	150	207	245	230	219	208	254	253	301	358	161
EC-CUBE sales growth rate (YoY: %)		38.1%	18.3%	-6.1%	-4.8%	-5.2%	22.2%	-0.4%	19.0%	18.9%	-17.6%
① Shopping settlement fee											290
② Subscription											12
③ Other											54
(2) SOLUTION (transferred / withdrew)	174	214	232	296	319	257	20	0	0	0	0
④ EC contract development, EC site consulting, etc. (of which is DMP (transferred))	174	214	232	296	319	257	20	0	0	0	0
Segment's operating profit	98	75	107	136	38	-60	22	39	78	119	34
Segment's operating margin	30.5%	17.8%	22.5%	25.8%	7.1%	-12.9%	8.2%	15.4%	26.1%	33.1%	20.9%

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

① EC-CUBE

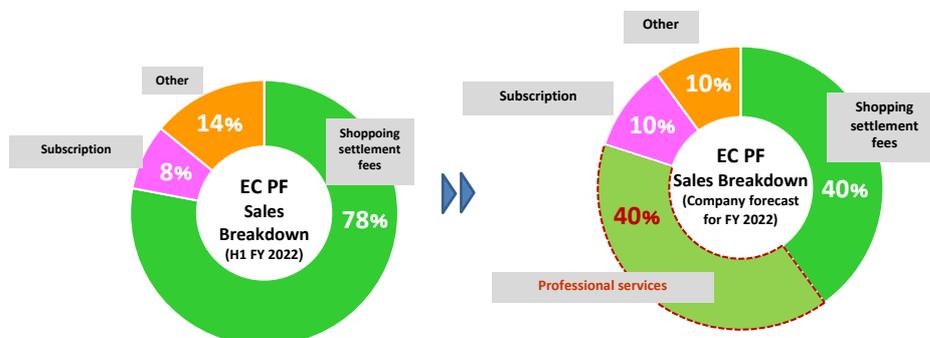
Service Overview

- EC-CUBE is a software platform whereby companies can build and manage EC (e-commerce) sites on their own.
- The Company provides EC-CUBE as web design software for companies that will begin selling and providing products or services online. It is provided as either as the open-source, packaged download version EC-CUBE or the cloud version **ec-cube.co**.
- Characterized by low cost, high customization, and user-friendly interface, it has the top share in the Japanese market and is the standard platform.

Business Model and Sales Breakdown

- EC-CUBE is based on a Freemium Model⁷ in which software is offered for free but in return revenue is earned from accessory services.
- Revenue comes from shopping settlement fees from official partners using the software for their Internet businesses (78% of total sales of this PF in the first half of this fiscal year), **ec-cube.co**'s monthly subscription income (similarly, 8% of total), and other revenue (function addition fees for plugins, or programs to add functions to software; similarly, 14% of total) (Figure 10).
- Starting in the second half, the Company plans focus on expanding the professional services.

【Figure 10】 Breakdown of Sales of the EC PF Segment by Business Category (Unit: % or million yen)



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials. H1 = first half.

(6) Professional services: A general term for services other than cloud tools, such as consulting, account management, and contract development.

◆ The EC-CUBE business provides software for companies to build and manage EC sites on their own.

◆ In addition to the download version, the cloud version has been released.

◆ Gained top share in the Japanese market.

(7) 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.

◆ Planning to expand the professional services

3. Shareholder Composition

◆ Major Shareholder Composition

The major shareholders as of the end of March 2022 are shown in Figure 11. The following is supplementary information. Other than the individual shareholder at eighth place (a major shareholder of several listed companies), the major shareholders have not changed.

- ◆ No significant change to the major shareholders. Parties affiliated with the Company (former and present executive officers plus the employee stock ownership plan) possess about 60% of all shares in total.
- ◆ Invested by several Japanese stock investment trusts.
- ◆ Treasury shares have increased to 1.75% of all outstanding shares due to share buybacks.

- The top three shareholders are Susumu Iwata, the Company's president, followed by the Company's executive officers (including former executive officers). Together, they possess more than half of the outstanding shares.

- The banks and securities companies are most likely investing as custodians of the below investment trusts, etc., or in relation to their customers.

- Regarding shares owned by Japanese investment trusts, the "Japan Emerging Equity Open" managed by Nikko Asset Management owned 81.5 thousand shares as of December 20, 2021 (decreased from 103.5 thousand shares about an year ago). "MHAM Emerging Growth Stock Open" (also called "J-Frontier") managed by Asset Management One owned 100 thousand shares as of February 24, 2021, but then sold all shares. "The 2020 Vision" managed by Commons Asset Management owned 49.9 thousand shares as of December 18, 2020, and has bought additional shares to a total of 161 thousand shares as of December 20, 2021.

- As of the end of March 2022, the Company owned 111,580 treasury shares (about 1.75% of all outstanding shares), having conducted share buybacks in November and December 2021. In the past, the Company used a portion of the treasury shares as transfer-limited, stock-based compensation, and it will likely use treasury shares in the future for stock cancellation, M&A and alliance strategies, and stock-based compensation for its executives and employees.

【Figure 11】 Current Major Shareholders (Unit for number of shares: thousand shares) (Unit for ratios: %)

	End of Sept. 2015	End of Sept. 2016	End of Sept. 2017	End of Sept. 2018	End of Sept. 2019	End of Sept. 2020	End of Sept. 2021	End of Mar. 2022	←Shareholding %	←Ranking
Susumu Iwata (president and CEO)	2,851	2,817	2,817	2,819	2,822	2,825	2,827	2,829	45.22	1
Hiroichi Fukuda (former executive vice president)	1,071	1,021	1,021	961	801	781	817	779	12.46	2
Kanako Mataka (former director and senior executive officer)	415	415	352	354	353	352	329	329	5.26	3
Custody Bank of Japan (trust account)	—	—	—	—	—	221	128	100	1.60	4
Custody Bank of Japan (securities investment trust account)	—	—	—	—	—	169	82	70	1.11	5
Rakuten Securities, Inc.	—	—	—	72	64	—	—	69	1.09	6
YRGLM Employee Stock Ownership Plan	76	39	48	69	68	71	66	65	1.04	7
Yukio Tanaka (individual investor)	—	—	—	—	—	—	—	61	0.97	8
Hakuhodo DY Media Partners Inc.	60	60	60	60	60	60	60	60	0.95	9
SBI SECURITIES Co., Ltd.	—	—	—	—	—	—	—	38	0.60	10
Yoshihisa Yamashita (indiv.)	—	—	—	—	—	—	—	54	—	—
J.P. MORGAN SECURITIES PLC	—	—	—	—	—	—	—	35	—	—
Tomonori Yamada (indiv.)	—	—	28	—	—	—	—	33	—	—
UEDA YAGI TANSHI Co., Ltd.	—	—	—	—	—	—	—	86	—	—
au Kabucom Securities	—	—	—	—	—	—	—	62	—	—
Mitsubishi UFJ Morgan Stanley Securities	—	—	—	—	—	—	—	58	—	—
Japan Trustee Services Bank (former name)	—	59	—	60	333	—	—	—	—	—
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	—	—	60	—	—	—	—	—	—	—
Trust & Custody Services Bank (former name)	—	—	60	—	29	123	—	—	—	—
GOLDMAN SACHS INTERNATIONAL	—	—	—	—	284	—	—	—	—	—
UEDA YAGI TANSHI Co., Ltd.	—	—	—	—	113	—	—	—	—	—
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 Shinjiri (former director; audit committee member)	26	—	—	—	—	—	—	—	—	—
(Treasury shares: thousand shares)	0	0	0.045	0.983	81.423	64.493	57.825	111.580	—	—
(Proportion of treasury shares: %)	—	—	0.00%	0.02%	1.28%	1.01%	0.91%	1.75%	—	—

(Ref) Prepared by Alpha-Win Research Dept. based on materials including the securities report. Words in red indicate YRGLM's former and current members, employee stock ownership plan, and other groups or individuals affiliated with the Company.

4. History of Growth

- ◆ Developed and released unique products that differentiate the Company from other companies. Has grown rapidly by predicting and meeting the needs of society ahead of others.
- ◆ Continuing to post record-high sales for 11 fiscal years in a row
- ◆ In FY 2015, record-high profits were recorded.
- ◆ Starting in FY 2016, the Company conducted business restructuring and upfront investments, prioritizing acceleration of future business growth over current profit. Net losses were recorded in FY 2018 and FY 2019.
- ◆ In FY 2020, operating profit grew by 3x compared to the previous FY, and a net profit was posted in a V-shaped recovery.
- ◆ Posted record-high sales and profits in FY 2021

◆ Past Transition in Financial Results

From FY 2009 to FY 2013, during which account settlement was nonconsolidated, the Company increased sales for four consecutive fiscal years. Even as consolidated account settlement began in FY 2014, the Company has continued to achieve record-high sales consecutively for seven fiscal years through FY 2021 (according to the available disclosure materials, sales have been hitting record highs for at least 11 consecutive fiscal years).

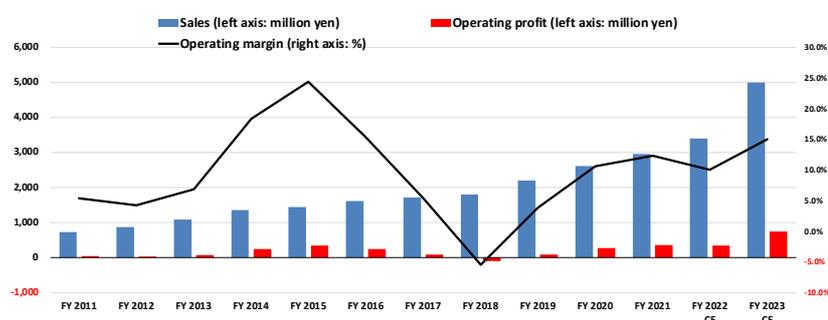
During the 12 years from FY 2009 to FY 2021, sales grew by 5.2x from ¥570 million to ¥2,960 million. This was due to the rapid growth of the Marketing PF's AD EBiS as well as the steady growth of the EC PF's EC-CUBE.

Regarding profit, the Company had stayed profitable both on a nonconsolidated and consolidated basis up through FY 2017. In FY 2015, a record-high operating profit of ¥350 million and record-high net profit of ¥231 million were achieved. However, starting in FY 2016, the Company began to actively restructure its business and conduct upfront investments, which caused costs to increase and profit to consecutively decline despite increasing sales (Figure 12).

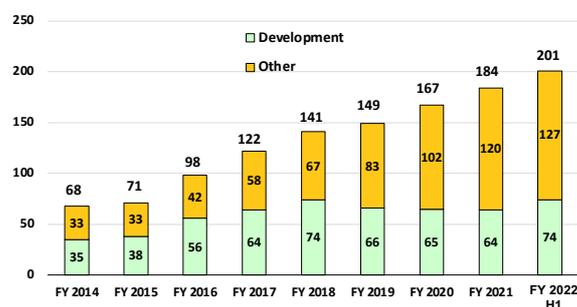
In FY 2018, the Company recorded a loss (net loss of ¥88 million) for the first time since becoming listed on the market, due to upfront investments mainly to hire more employees for development and sales (Figure 13). In FY 2019, the Marketing PF's sales grew by 20% thanks to its main product AD EBiS, and the Company was able to post both an operating profit and a recurring profit for the full year in a turnaround. However, due to extraordinary losses, it posted a net loss for the second consecutive fiscal year.

In the following year or FY 2020, consecutive growth of sales and improvements in cost led to a 300% growth in operating and recurring profit compared to the previous fiscal year. The Company posted a net profit for the first time in three fiscal years in a clear, V-shaped recovery. In FY 2021, sales and profits both hit their record highs.

【Figure 12】 Transition in Past Financial Results and the Company's Forecast for FY 2022 and FY 2023 (Unit: million yen, %)



【Figure 13】 Change in the Number of Employees (Unit: persons)



(Ref) Figures 12 and 13 were prepared by Alpha-Win Research Dept. based on the securities report, financial results summary, and financial results briefing materials.

(Note) Consolidated results starting in FY 2014; nonconsolidated prior to this. CE = the Company's estimate/forecast. H1 = first half.

5. Market Environment

◆ Trends of Japan’s Advertising Market

Total Advertising Expenditure

Total advertising expenditure in Japan in 2021 (calendar year; the same applies to this entire chapter) was about Y6.8 trillion, having increased by +10.4% from the previous year. The advertising market has recovered rapidly with the relaxation of the COVID-19 situation and in a rebound from the previous year.

- ◆ In 2021, Japan’s total advertising expenditure increased at a double-digit rate compared to the previous year.

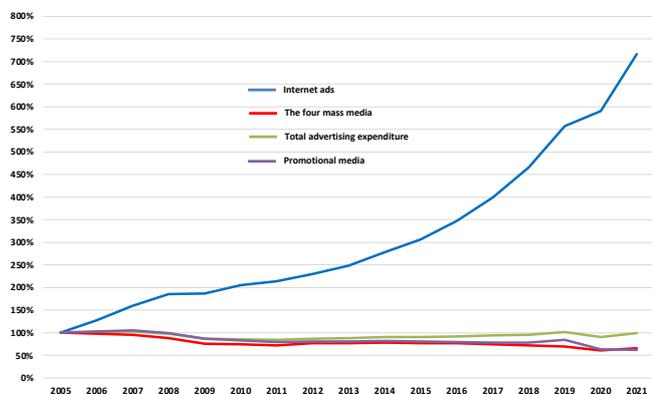
Internet Ad Market (Yearly Trend)

With the growth of overall advertising expenditure, digitalization of the society, the EC market boom, and greater demands for video ads, the Internet advertising market grew by +21.4%, a much higher rate than the overall growth. Since 2005 (point of comparison, set at 100), Internet advertising grew significantly to about 7.2x in 2021 (annual growth rate of about +13.3%, on a simple average) (Figure 14).

- ◆ Internet advertising expenditure has been continuing to grow at a high rate. It surpassed the four mass media as the largest medium for advertising.

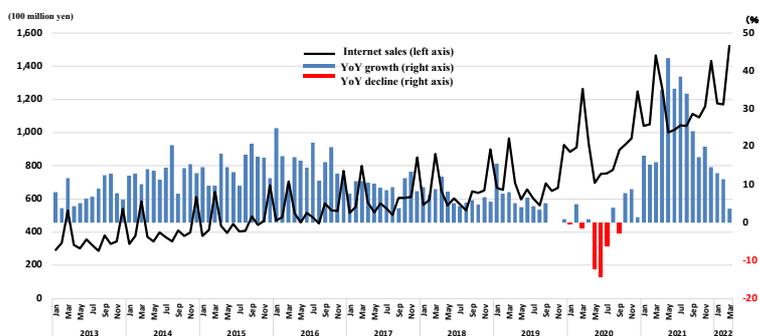
Internet advertising expenditure (sum of medium cost and production cost), which was about Y2.7 trillion, accounted for about 39.8% of the total advertising expenditure. This proportion has been steadily increasing by several percent every year. In 2021, it surpassed the four mass-media advertising (newspaper, magazine, radio, and television) for the first time to become the largest medium for advertising (source: Dentsu Inc.’s “2021 Advertising Expenditures in Japan”).

【Figure 14】 Change in Advertising Expenditure by Medium (Index: the year 2005 is set to 100)



- ◆ Despite the COVID-19 crisis, the Internet ad market was able to return to growth compared the previous year (monthly growth). Growth is solid but the momentum is declining.

【Figure 15】 Change in Monthly Sales of Internet Ads



(Ref) Figure 14: prepared by Alpha-Win Research Dept. based on Dentsu Inc.’s “2021 Advertising Expenditures in Japan”

Figure 15: prepared by Alpha-Win Research Dept. based on the “Survey of Selected Service Industries” by the Ministry of Economy, Trade, and Industry.

Internet Ad Market (Monthly Trend)

The COVID-19 crisis had caused the entire Internet advertising market to shrink on a year-on-year comparison (based on the sales of the advertising industry as announced by the Ministry of Economy, Trade, and Industry) since the beginning of 2020, but the market came back to growth in October of the same year (Figure 15). With the EC boom caused by high stay-at-home consumption and strong at-home demand, the Internet advertising market has been growing solidly. However, the momentum (sales growth rate) seems to have settled down and has been declining on a monthly basis. Over the medium to long term, the business environment is predicted to remain advantageous for the Company’s Internet ad business due to further digitalization.

6. Topics (M&As)

◆ Past M&As

M&A History

- ◆ Ambitiously conducting M&As for future growth. However, the acquired companies currently seem to only be contributing limitedly to profit.

Figure 16 summarizes the recent M&As and business acquisitions. The Company does not disclose the synergy effects of acquisition in actual numbers or the individual financial results of each acquired company. While the acquisitions are indeed contributing to the Company's sales growth, their contribution to profits have presumably been limited so far considering the amortization cost of goodwill.

- ◆ The risks are low since the acquisition prices were small and acquisitions involved related businesses that the Company already knows well about.

The costs of acquisition and financial results of some of the acquired companies (or businesses) are not disclosed. However, the risks seem low since the acquisitions are aimed at synergistic effects in businesses related to the current businesses or in knowledgeable areas, companies with large deficits have not been involved, and the price of each acquisition is estimated to have been around Y300 million at the highest (mostly less than one-tenth of the total assets).

- ◆ Acquired 6 companies (businesses) over the past 3 and a half years.

Over the past three and a half years, the Company has acquired six companies (including business acquisitions) (Figure 16). In a simple sum (including estimates by Alpha-Win Research Department), the acquisition price is estimated to have totaled around Y1 billion, the amount of goodwill at the time of acquisition totaled Y500-600 million, sales at the time of acquisition (for the latest period disclosed for each company) totaled about Y800 million, and there was a small net profit (close to zero) in total.

【Figure 16】 Past M&As (including business acquisitions, etc.)

Company name / unit = million yen or %	11 - (2) BOKUBLOCK	1 - (3) ㊟ Far End Technologies	1 - (3) ㊤ TOPICA	1 - (3) ㊢ Spoo	1 - (1) ㊠ ADPLAN business (OPT Inc.)	1 - (2) ㊡ AdRepo business (EVERRISE CO., LTD.)
Form of acquisition	Company acquisition	Company acquisition	Company acquisition	Company acquisition	Business acquisition	Business acquisition (absorption-type split)
Stockholding ratio (before/after acquisition)	0%⇒100%	0%⇒100%	0%⇒60.05%	0%⇒100%	Finished integration (words in italics below are about OPT Inc.)	Finished integration (words in italics below are about EVERRISE CO., LTD.)
Date of acquisition	May 31, 2022	February 1, 2022	July 1, 2021	December 30, 2020	January 1, 2020	October 1, 2018
Location	Chiyoda-ku, Tokyo	Matsue-shi, Shimane	Shinjuku-ku, Tokyo	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo	Minato-ku, Tokyo
Representative	Masataka Hayashi, president	Go Maeda, president	Shunsuke Fumoto, president	Hirohisa Hayashi, president	Seiju Kurimoto, president and CEO	Hironasa Kurata, president
Founded date	November 5, 2007	September 9, 2008	May 20, 2016	March 9, 2000	April 1, 2015	July 3, 2006
Capital	Y10 million	Y8 million	Y37 million	Y10 million	Y100 million	Y35 million
Description of its business	EC site design / cloud-based EC service	Internet services, IT security support services, network system design and development, software development, etc.	Video marketing business •Management of video media	Web media / production	Developing ADPLAN, a system for e-marketing effect measurement, and providing the service	Providing services for automatically creating reports for programmatic ads (AdRepo is the tool for this)
Purpose of acquisition	Strengthen EC PF; integration with EC-CUBE; reentry into professional services Divided work ⇒ Divided work + vertical integration	Strengthen services for supporting client companies in marketing DX	Expand business in the social media marketing market	Provide new value and expand business; strengthen competitive edge	Strengthen competitive edge in the market of ad effect measurement	Strengthen competitive edge in the market of ad effect measurement
Consolidated period during this fiscal year	4 months	8 months	12 months	12 months	Integrated with AD EBiS	12 months
Acquisition price	Not disclosed (estimated to be about 150-200 million yen)	Y135 million	Y220 million (market capitalization of Y350 million)	Not disclosed (estimated to be several dozen million yen)	Y315 million	Y200 million
Estimated goodwill (at the time of acquisition)	(Estimated to be about 50-70 million yen)	Approx. Y76 million		Approx. Y9 million	Approx. Y250 million	Approx. Y121 million
Financial standing and results for the most recent period (before acquisition)	Fiscal year ended September 2021	Fiscal year ended May 2021	Fiscal year ended April 2021	Fiscal year ended December 2021 (from the most recent official gazette)	Fiscal year ended December 2018 (for this business)	Fiscal year ended June 2018 (for this business)
Net assets	Y63 million	Y29 million	Y21 million			
Total assets	Y171 million	Y77 million	Y83 million	Y15 million		
Sales	Y139 million	Y117 million	Y156 million		Y286 million	Y63 million
Operating profit	-Y7 million	Y10 million	Y4 million	Y4 million	Y95 million	
Recurring profit	Y0 million	Y11 million	Y4 million			
Net profit	Y0 million	Y8 million	Y4 million	Small profit		
Dividend per share	-	-	-	-	-	-
Management indicator						
Operating margin	-5.0%	8.5%	2.6%		33.2%	
ROE = Net profit / average net assets	0.0	32.0%	21.1%			
ROA = Recurring profit / average total assets	0.0	44.0%	21.1%			
Equity ratio	36.8%	37.7%	25.3%			
Valuation of acquisition price						
P/B = Acquisition price / net assets	(Estimated to be about 3)	4.1	10.0			
P/E = Acquisition price / net profit	N.A.	15.0	52.5			
P/S = Acquisition price / sales	(Estimated to be about 1.5)	1.0	1.3		1.1	3.2
Dividend yield	-	-	-	-	-	-

(Ref) Prepared by Alpha-Win Research Dept. based on the news release, etc. **Since some of the acquisition prices and amounts of goodwill have not been disclosed, they have been estimated by Alpha-Win based on sales, net assets, total assets, level of profit, etc. The estimates have not been confirmed by the Company.**

- ◆ Goodwill is increasing but is not at a concerning level.

(8) EBITDA = Operating profit + amount of depreciation + amount of goodwill amortization

Goodwill Balance and Progress with Amortization

The year-end balance of goodwill has been on the rise due to acquisitions of companies and businesses. Since the Company uses the Japanese accounting standards and have been amortizing goodwill at a fixed amount in principle, the amortization amount of goodwill has also been on the rise. Simply dividing the remaining balance of goodwill by the annual amount of goodwill amortization shows that it would take about five more years to complete amortization (Figure 17). Also, when the annual EBITDA⁸ is divided by the amount of goodwill (balance), the ratio for the most recent period comes out to be about 1.2-1.3x (even if goodwill was amortized in a lump sum, a positive annual EBITDA can be maintained). Both factors indicate that there is no particular concern at this point.

【Figure 17】 Change in Yearly Goodwill Balance and Amortization

Annual Goodwill	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 (H1)	Notes
Amount of goodwill (on balance sheet: million yen) ①	0	0	0	0	0	109	316	450	478	≠ H1 balance
Annual amount of goodwill amortization (on CF statement: million yen) ②	0	0	0	0	0	16	55	84	49	≠ actual amount in H1
Average amortization period ③=①/②: year(s)	0	0	0	0	0	7.0	5.8	5.4	4.8	≠ calculated into full year
EBITDA ④	273	373	286	174	6	247	514	638	640	≠ Full-year company forecast
EBITDA / (amount of goodwill) ⑤=④/①	0	0	0	0	0	2.3	1.6	1.2	1.3	≠ calculated into full year

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. H1 = first half. ③ and ⑤ for FY 2022 (H1) have been calculated into annual values (*in italics*). Similarly, EBITDA for FY 2022 (H1) is based on the Company's full-year forecast (*in italics*).

- ◆ Due to active investments, FCF became negative again during this fiscal year's first half.

Semi-Annual Change in Cash Flow and Cash & Deposits

FCF turned positive in the second half of FY 2020 as profitability recovered and investments passed their peak. In FY 2021, despite M&As, FCF remained positive in both the first and the second half. During this fiscal year's first half, though, the FCF became negative again because of the decrease in operating CF and the increase in investments due to the acquisition of Far End (Figure 18).

- ◆ Several M&As can be conducted using its available cash & deposits.

In addition, since the Company also conducted share buybacks and repaid some of its long-term debt, its cash & deposits decreased from Y1,392 million at the end of the previous fiscal year to Y1,214 million. Although it would depend on the size of acquisitions, estimating the normal working capital to be about two to three months of monthly sales, the Company should be able to conduct several M&As of similar sizes as the past using its available cash and deposits.

【Figure 18】 Semi-Annual Change in Cash Flow and Cash & Deposits

Unit: million yen	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019		FY 2020		FY 2021		FY 2022
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1
Operating CF ①	15	148	48	93	121	23	7	9	99	109	92	429	241	333	141
Investing CF ②	-5	-27	-80	-69	-88	-106	-94	-118	-368	-158	-409	-101	-35	-313	-262
Financing CF	-3	0	-16	3	-31	-0	169	542	162	-262	391	-56	-1	-23	-195
FCF (①+②)	9	121	-32	24	33	-83	-88	-110	-269	-50	-317	328	206	20	-121
Cash and Deposits (on B/S)	666	787	738	762	764	681	760	1,194	924	774	847	1,119	1,342	1,392	1,214

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. H1 = first half. H2 = second half.

- ◆ Acquired BOKUBLOCK, a company that build EC sites, as its consolidated subsidiary. Will strengthen the EC PF and expand into new business areas.

◆ Recent M&A (acquisition of BOKUBLOCK INC.)

BOKUBLOCK INC.
Since the last research report (after the acquisition of Far End Technologies), the Company has acquired BOKUBLOCK INC. (hereinafter, "BOKUBLOCK"), a company which builds EC sites and provides cloud-based EC services. The Company acquired 100% of its shares on May 31 as a wholly owned, consolidated subsidiary.

Until now, the Company had mainly been conducting M&As for the Marketing PF, its area of expansion. However, due to market saturation and intensifying competition of the open-source EC site platform business, it decided to acquire BOKUBLOCK to strengthen the EC PF and expand into new business areas.

Among the EC-CUBE Integrate Partners, BOKUBLOCK is a Platinum Partner, which is the highest rank (of the 143 partner companies, only nine are Platinum Partners). It engages in a wide range of business, from building highly unique EC sites using EC-CUBE to supporting operation.

Previously, the Company had been working with BOKUBLOCK as its Integrate Partner under a divided-work business model. However, the acquisition will enable them to become vertically integrated in providing open platform software for EC site building, as well as building EC sites and providing marketing support.

◆ Provide a one-stop service optimized for EC through collaboration between companies

◆ Will reenter the professional services market

Through collaboration between the two companies, it will become possible to provide a one-stop service optimized for EC (the rivals would be EC-being and ec-force). In addition, the Company will aim to reenter the professional services market by leveraging BOKUBLOCK's expertise and human resources, create new solutions, and thus further expand business domains and profits. In expanding business into the professional services, the Company may also possibly conduct acquisitions in the field of EC contract development in the future.

◆ Strategy for Future M&As

As a comprehensive marketing DX support company, the Company plans to build crucial components of its business portfolio by continuing to ambitiously conduct M&As to incorporate businesses, expertise, and human resources from the outside the company and thereby complement and strengthen its existing businesses.

◆ Will strengthen business portfolio through in-house development and M&As

◆ Will continue to actively conduct M&As for continued growth – a factor that may cause changes in business performance.

With the expansion of business domain through the two approaches of in-house development of technologies and M&As, the Company will be able to provide optimal, combined services to its client companies. It will thus aim to maximize the LTV⁹. In both the Marketing PF and the EC PF, continuous growth would require raising the added value, competitive edge, and synergistic effects of the existing businesses and developing new areas of business. To achieve this, the Company will most likely continue to actively engage in M&As, alliances, and more. Acquisitions of related businesses at about 1-3 acquisitions per year, each at about 200 to 300 million yen, are expected.

(9) LTV: Lifetime value or customer lifetime value. The amount of profit generated by a customer during his or her entire lifetime.

The YRGLM Group's business performance may change significantly depending on whether there will be M&As, the scale of the M&As, and whether it will succeed in PMI (Post Merger Integration, the post-M&A integration process which consists of three stages: management integration, business integration, and awareness integration). Going forward, the balance between investment for growth and future return, or return on invested capital (ROIC), will likely become key to each project.

7. This Fiscal Year's First-Half Results and Full-Year Forecast

◆ Results for Q2 FY 2022 (first half)

Overview

- ◆ Sales hit a record high for the first half, but profit declined slightly.

Consolidated financial results for Q2 FY 2022 (the first half; October 2021 - March 2022) were as follows: sales increased by +7.8% YoY (+115 million yen) to Y1,581 million and operating profit decreased slightly by -0.9% YoY (-2 million yen) to Y176 million (Figure 19). Although sales and profits of the EC PF decreased, they were offset by the large sales and profit growth of the Marketing PF.

There was no significant nonoperating profit/loss or extraordinary profit/loss posted, and net profit ended up decreasing by 10.3% (-12 million yen) to Y104 million. A record high for first-half sales were achieved.

【Figure 19】 Comparison of Quarterly and First-Half Results

(Units: million yen, %)	FY 2021		FY 2022		FY 2021	FY 2022	H1 FY 2022: comparison with previous FY	
	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q1 (Oct-Dec)	Q2 (Jan-Mar)	H1 (Oct-Mar)	H1 (Oct-Mar)	Difference	% Change / Difference
Total Sales	721	745	776	805	1,466	1,581	115	7.8%
Marketing Platform	622	649	697	723	1,271	1,420	149	11.7%
EC Platform	100	95	80	81	195	161	-34	-17.5%
Gross Profit	505	496	505	564	1,002	1,069	67	6.7%
Gross Margin	70.1%	66.6%	65.1%	70.0%	68.3%	67.6%		-0.7%
SG&A Expenses	411	412	417	475	823	892	69	8.4%
SG&A Expenses Ratio	56.9%	55.3%	53.7%	59.0%	56.1%	56.4%		0.3%
Operating Profit (segment's)	94	84	87	89	178	176	-2	-0.9%
Marketing Platform	48	53	70	73	101	143	42	41.3%
EC Platform	47	31	18	16	78	34	-44	-56.7%
Operating Margin	13.0%	11.3%	11.2%	11.1%	12.1%	11.2%		-1.0%
Marketing Platform	7.7%	8.2%	10.1%	10.0%	8.0%	10.1%		2.1%
EC Platform	46.5%	32.6%	22.1%	19.7%	39.7%	20.9%		-18.9%
Recurring Profit	95	82	87	89	177	176	-1	-0.6%
Net profit	61	55	58	46	116	104	-12	-10.3%

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

- ◆ In the first half, sales and profits have presumably been lower than expected.

Progress in the First Half

Progress in the first half in terms of the full-year, revised forecast was 46.5% for sales (previous first half: 49.6%) and 51.8% for operating profit (previous first half: 48.8%). Although the Company's financial forecast for the first half has not been disclosed, sales and operating profit both seem to have fallen short of the Company's expectations.

- ◆ The new services contributed to the Marketing PF's results. Profit margin improved, and sales and profits grew at double-digit rates.

Trends in Financial Performance by Segment: I. Marketing PF Segment

By segment, sales of the Marketing PF segment increased by Y149 million (+11.7% YoY) from the previous first half's Y1,271 million to Y1,420 million in this first half. Similarly, its profit (operating profit) increased significantly by Y42 million (+41.3% YoY) from Y101 million to Y143 million.

Profit increased due to sales growth owing to the M&As and the growth of AD HOOP (new services), as well as improved profit margin owing to the transfer to in-house developed assets and the costs cuts including the reduction of server management costs (operating margin: 8.0% ⇒ 10.1%).

◆ AD EBiS's unit price increased at a double-digit rate YoY but the growth rate is slowing down. On the other hand, its net number of accounts has been decreasing, resulting in almost no change in AD EBiS's sales.

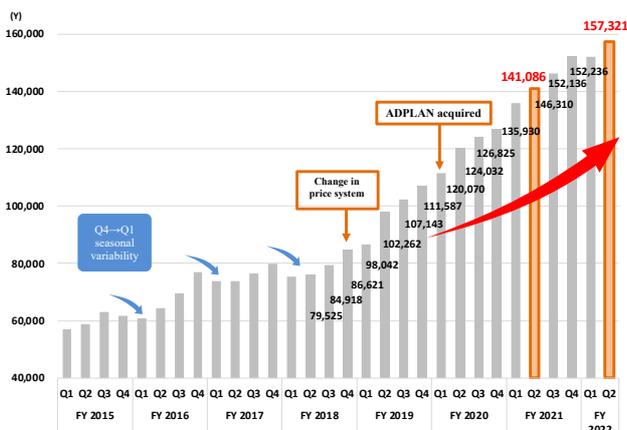
◆ Churn rate is decreasing mostly as planned.

Trends in Financial Performance by Segment: Marketing PF Segment (1) AD EBiS

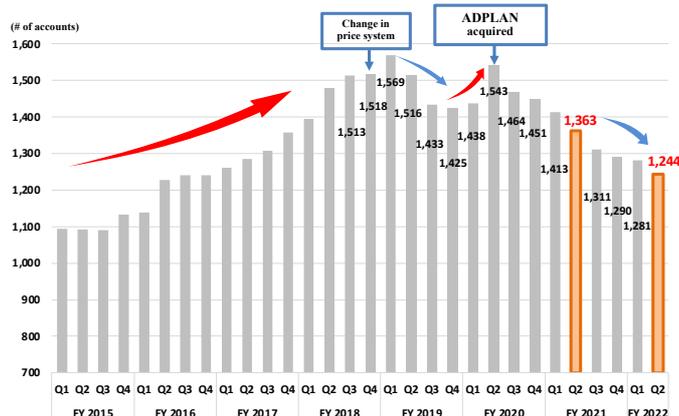
Until recently, the sales and profit growth of the Marketing PF had been driven by the increase in the average unit price of AD EBiS, its core business (Figure 7 on page 8 and Figure 20). However, as the rate of increase in the average unit price slowed down, the number of accounts also continued to decline. AD EBiS's sales in the first half ended up only slightly higher than the previous fiscal year (estimated by Alpha-Win Research Dept. to be +1.0%) (Figure 23).

The average unit price was ¥152,136 as of the end of the Q4 FY 2021 (+25,311 yen or +20.0% YoY) ⇒ ¥152,236 as of the end of the Q1 of this fiscal year (+16,306 yen or +12.0% YoY) ⇒ 157,321 as of the end of Q2 of this fiscal year (as of the end of this fiscal year's Q2, +16,235 yen or +11.5% YoY) (Figure 20). In the same order, the number of active accounts was 1,290 ⇒ 1,281 ⇒ 1,244 (as of the end of this fiscal year's Q2, -119 or -8.7% YoY), continuing a downward trend (Figure 21). This is because the acquisition of new customers had been less than expected and there were several cancellations by customers in the low price range in Q2. However, the churn rate had decreased from 2.5% ⇒ 2.4% ⇒ 2.3% in the same order (2.9% in the Q2 of the previous year – improvement by 0.6 percentage points), improving mostly as planned (Figure 22).

【Figure 20】 Change in the Average Unit Price of AD EBiS



【Figure 21】 Change in the Number of Accounts of AD EBiS

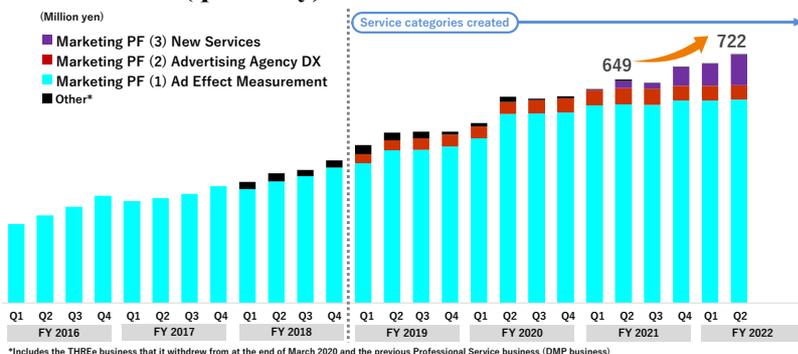


(Ref) Figures 20-23 were prepared by Alpha-Win Research Dept. based on the financial results summary and financial results briefing materials.

【Figure 22】 Change in the Churn Rate of AD EBiS



【Figure 23】 Change in Sales of the Marketing PF by Business (quarterly)



◆ The advertising agency DX business has been solid.

Trends in Financial Performance by Segment: Marketing PF Segment (2) Advertising Agency DX

Sales of AdRepo, which account for most of the sales of this business category, stayed about the same in the first half compared to the previous fiscal year, but are expected to recover starting in the second half. On the other hand, the Company has not been actively working on increasing the sales of Ad-Knowledge, which have been on a gradually declining trend.

◆ M&As and the new services contributed to sales and profit improvements.

Trends in Financial Performance by Segment: Marketing PF Segment (3) New Services

Sales and profits increased (loss was improved) thanks to the contribution to sales by the three companies acquired in M&As (Spoo, TOPICA, and Far End) and the expansion of the new services such as AD HOOP. The proportion of the new services in the total consolidated sales has also risen steadily from 3% in the previous full fiscal year ⇒ 10% in the first half of this fiscal year (estimated sales of Y89 million ⇒ Y156 million in the same order).

◆ Since the EC-CUBE's business model is characterized by a high marginal profit ratio, the sales drop led directly to a profit drop.

Trends in Financial Performance by Segment: II. EF PF Segment

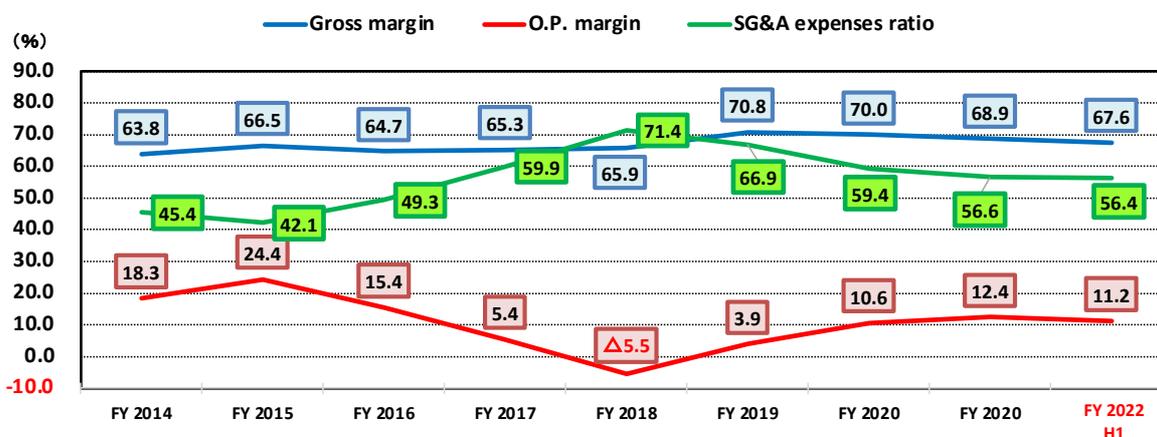
On the other hand, the other segment or the EC PF segment's sales decreased by Y34 million (-17.5%) from Y195 million in the first half of the previous fiscal year to Y161 million in this fiscal year's first half due to some of its customers ending their use of the Company's EC platform because of intensifying competition. Since this segment's business model has a high marginal profit ratio, the segment's (operating) profit also decreased by Y44 million (-56.7%) from Y78 million to Y34 million.

◆ Due to the decrease of the gross margin and increase of the SG&A expenses ratio, operating margin dropped slightly.

Trends in Overall Profit Margin

The gross margin fell by 0.7 percentage point from 68.3% in the first half of the previous fiscal year to 67.6% in the first half of this fiscal year (Figure 24). On the other hand, SG&A expenses increased by +8.4%, slightly exceeding the sales growth rate (+7.8%), and the SG&A expenses ratio increased by 0.3 percentage point from 56.1% to 56.4% in the same order as above. In sum, the operating margin in the first half fell by 1.0 percentage point from 12.2% to 11.2%.

【Figure 24】 Transition in SG&A Expenses Ratio and Profit Margins (Unit: %)



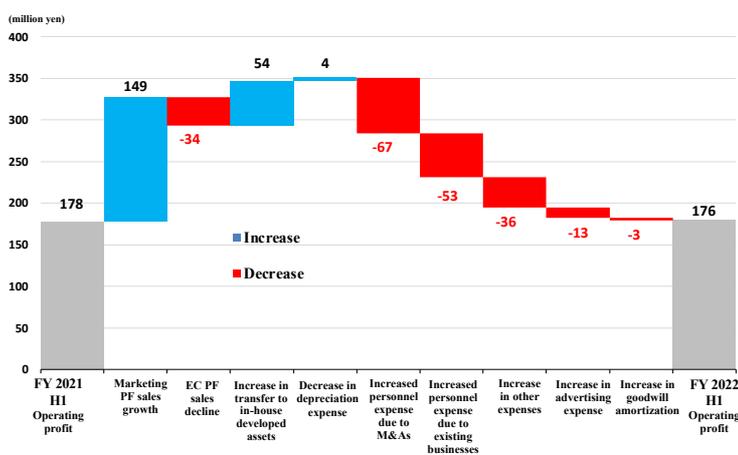
(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary and financial results briefing materials. H1 = first half.

- ◆ In the first half, profit decline from the increase in personnel expense and sales decline of the EC PF was nearly completely offset by profit growth from the Marketing PF's sales growth and increase in the transfer to in-house developed assets, resulting in a slight profit decline.

Analysis of Factors that Increased/Decreased Profit in the First Half

Figure 25 shows an analysis of the factors that caused profit to increase or decrease in the first half. As already mentioned, the increase in sales of the Marketing PF segment (+149 million yen YoY) and the increase in the transfer to in-house developed assets (+54 million yen YoY) had helped increase profit. On the other hand, factors that decreased profit included the sales decline of the EC PF segment (-34 million yen YoY), increase in personnel expense related to M&As and the existing businesses (+67 million yen and +53 million yen, respectively), and the increase in expenses such as advertising expense. The positive and negative factors nearly completely offset each other, resulting in a profit decline of Y2 million since the previous fiscal year.

【Figure 25】 Factors that Affected Operating Profit in the First Half of FY 2022 (YoY comparison)



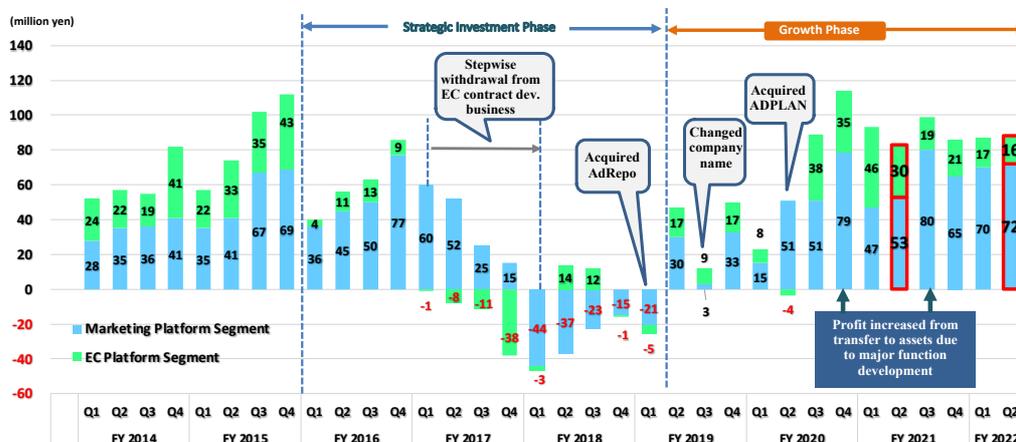
(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials. H1 = first half.

- ◆ Hit record-high sales in both Q1 and Q2.
- ◆ Since posting an operating profit for the first time in 7 quarters, the Company has maintained an operating profit for 13 consecutive quarters.

Quarterly Change in Results

In both the first quarter (Q1) and the second quarter (Q2) of this fiscal year, sales grew by about 8% YoY and hit record highs in a row. Also, the quarterly change in operating profit (Figure 26) shows that after posting a profit in Q2 FY 2019 (January – March 2020) for the first time in seven quarters, it has been maintaining an operating profit for 13 quarters in a row through Q2 FY 2022 (January – March 2022).

【Figure 26】 Quarterly Transition in Operating Profit



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

- ◆ Shifted its business plan toward emphasizing the growth of profit. Positive results generated from the business restructuring and the shift to the subscription business model.
- ◆ Over the past 2 years, quarterly operating profit has fluctuated within a boxed range.
- ◆ Initially expected a significant sales and profit growth.
- ◆ Revised this fiscal year's forecast downward. The amount of increase in dividend was also revised downward.
- ◆ The downward revision was due to the acquisition of new customers of AD EBiS falling short of plan, the less-than expected sales from EC shopping settlement fees, and increase in cost from strengthened investment.
- ◆ In April, the first month of the second half, sales grew by 17.2% YoY (expecting 22.0% sales growth in the second half).

This has been due to the improvement in gross margin and SG&A expenses ratio brought by the sales growth of AD EBiS, withdrawal from the non-profitable businesses, improvement in EC-CUBE's profit, acquisition of promising businesses, development of new businesses, business model shift from pay-per-use to flat-rate subscription, cost control, and other factors.

However, operating profit for the last eight quarters has remained mostly the same, staying within the range of Y83 million to Y114 million.

◆ The Company's Financial Forecast for FY 2022 (full year / second half)

Full-Year Forecast

At the beginning of the fiscal year, the Company had planned for double-digit sales and profit growth for the full year as follows: sales of Y3,600 million (+21.7% YoY), operating profit of Y470 million (+28.6% YoY), recurring profit of Y460 million (+26.3% YoY), and net profit of Y320 million (+33.5% YoY). Sales had been expected to increase for the 12th consecutive fiscal year to hit a record high, and each profit was expected to hit their record highs for the consecutive year.

However, at the time of the announcement of the first-half financial results (May 6, 2022), the Company revised downward its annual sales forecast for this fiscal year by Y200 million to Y3,400 million (+15.0% YoY; planning for record-high sales). In addition, operating profit was revised downward by Y130 million to Y340 million (-7.0% YoY), recurring profit was revised downward by Y120 million to Y340 million yen (-6.7% YoY), and net profit was also revised downward by Y110 million to Y210 million (-12.4% YoY). Along with this, dividend per share was reduced from 7.5 yen to 7.0 yen (however, this is still a +1.8 yen rise in dividend compared to the previous fiscal year).

The downward revisions were mainly due to the following two reasons.

- In the Marketing PF, sales of the new services were strong, but the rate of increase in the unit price of AD EBiS has slowed down and there was less acquisition of new customers than expected, resulting in sales of AD EBiS that were smaller than expected.
- In the EC PF, due to intensifying competition of EC platforms, some customers stopped using the Company's platform, resulting in a decrease in the sales of shopping settlement fees which have a high marginal profit ratio. Investment was also increased.

Current Situation (monthly sales)

As described previously, the impact of the COVID-19 crisis on financial results has been small since the Company's business is mostly based on a subscription-based business model and its business operations are highly compatible with remote work.

Figure 27 on page 23 shows the change in monthly sales for this fiscal year as announced by the Company. Although the momentum of sales growth has declined compared to the past few years, sales have still continued to increase by around 6-10% YoY during this fiscal year. Overall sales for the first month of the second half, or April, were Y260 million, having increased YoY at a high rate of 17.2% (+5.3% since the previous month or March), partly due to some temporary factors. However, this growth rate is still below the rate expected for the second half.

【Figure 27】 Recent Monthly Change in Sales (flash report)

(Upper row: sales; unit = thousand yen, with decimal places cut off)

(Lower row: YoY change; unit = %)

Calendar Year	2021			2022				This Fiscal Year YTD (Oct 2021 - Apr 2022)
Fiscal Year	FY 2022							
Monthly Sales (thousand yen)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Marketing Platform	233,052	231,281	232,702	231,333	244,921	246,739	259,809	1,679,837
	114.3	112.7	109.6	112.1	113.1	109.0	121.1	113.1
EC Platform	31,473	23,739	24,575	34,695	24,222	22,494	32,168	193,366
	88.2	65.2	86.7	87.8	82.8	85.5	93.0	84.0
Entire Company	264,526	255,021	257,278	266,028	269,143	269,233	291,977	1,873,206
	110.4	105.5	106.9	108.2	109.5	106.5	117.2	109.2

(Ref) Prepared by Alpha-Win Research Dept. based on the monthly announcements posted on the Company's website.

(Note) The values shown for April are preliminary data before an audit by an auditor and may become revised in the future.

- ◆ In April, Marketing PF's sales growth rate increased and EC PF's sales decline rate was improved.

By business, sales of its main Marketing PF segment have continued to increase at a nearly double-digit rate, partly thanks to the new services and the acquired subsidiaries. April's sales were strong, having grown by +21.1% YoY. On the other hand, in the EC PF segment, although cancellations by a part of the customers had caused the double-digit decline in sales to continue, this decline phase has settled down and the rate of decline has been improving. Partly due to some temporary factors, sales in April recovered to a decline of -7.0% YoY. Whether this recovery will continue would be a key point.

- ◆ Progress with cumulative sales of this fiscal year has so far been slow compared to its plan.

Cumulative overall sales for the first seven months of this fiscal year from October 2022 to April 2022 (preliminary sum of monthly sales) were Y1,873 million, having increased by +9.2% YoY. This is below the full-year sales growth rate expected by the Company (+15.0%). Progress for sales (in terms of the Company's revised full-year forecast) was 55.1%, which is slightly lower than 58.0% in the previous fiscal year compared to the actual full-year result.

- ◆ Starting in June, the acquired company BOKUBLOCK will contribute to the sales of the EC PF.

The sales of the acquired company, BOKUBLOCK, are expected to be added to the EC PF starting in June. Assuming that BOKUBLOCK's sales for this fiscal year will be the same as the sales achieved in FY 2021 (ended September), or Y139 million, dividing this value evenly over the year would yield an estimated sales contribution of Y46 million for the four-month period (June-September 2022). This would increase the (monthly) sales growth rate by 4-5% in estimate during the relevant period.

- ◆ The Company sees the second half as a time of opportunity and will carry out large-scale transformations of the main services of both PF segments.

Strategy for the Second Half

The Company regards the second half of this fiscal year as its greatest turning point and opportunity since its founding. Toward further growth starting in the next fiscal year, it plans to carry out large-scale transformations of the main services of both PF segments ahead of schedule (Figure 28 on page 24).

In the Marketing PF segment, the Company plans to sequentially provide the largest major update of the main product AD EBiS (development and sales promotion of the new version AD EBiS Sync) for its evolution into an unparalleled service.

- ◆ Will provide a major update of the AD EBiS

In addition, regarding the acquired company Far End's project management software Redmine (open source), the Company plans to work with Far End

- ◆ Plans to promote sales of the cloud-based, subscription version of the project management software of Far End, its acquired company.
- ◆ AD EBiS Sync will significantly raise usability through multiple functions. The price will be kept the same to achieve a net increase in the number of accounts.

(10) Media sync function: the first function ever in the market to automatically retrieve measurement data of each advertising media (ad cost, impressions, etc.) and integrate with the measurement data of ad effect measurement tools. Will help improve the efficiency of ad performance reporting.

(11) Automatic advertising function: a function that helps reduce the amount of workload in inputting various parameters for measurement into each advertising media (URL for ad submission, etc.). Currently pending for patent.

(12) Addition of options for index import: increasing the types of indexes that could be automatically retrieved from a media account. Expected to improve usability and increase usage among advertisers and ad agencies.

- ◆ Will develop the professional services by cooperating with the acquired company BOKUBLOCK

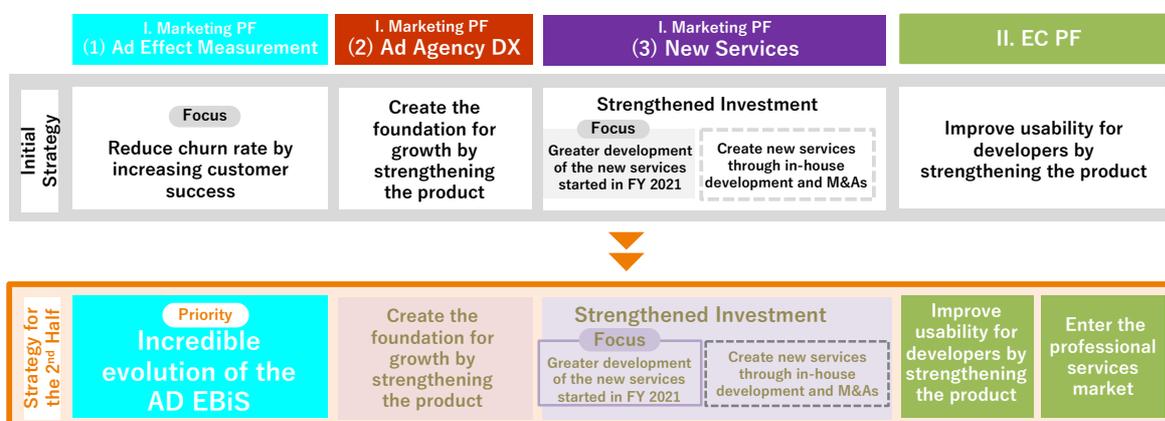
to promote sales of My Redmine, the cloud-based subscription version. With the increasing popularity of remote work and the promotion of DX, the demand for project management tools has rapidly increased, along with rapid growth in the number of users of My Redmine.

Regarding AD EBiS Sync, usability will be significantly improved by adding a media sync function¹⁰ that automates the retrieval and integration of media data, as well as a unique function that automates ad management, which would prevent data aggregation errors, improve operation efficiency, and facilitate constant sharing of information among a group of people. The update will be conducted sequentially in three steps: the media sync function has already been added in late April, the automatic advertising function¹¹ is planned for August, and the addition of more options for index import¹² will be done by the end of the year.

By keeping the price unchanged while significantly improving the functions (standard functions), the Company hopes to hold down the churn rate and acquire new customers. It expects the average unit price of AD EBiS in the second half to stay about the same as the first half. However, it is aiming for a net increase of 100 more accounts of AD EBiS by the end of the fiscal year and a churn rate (KPI) of 2.0% (most recent rate: 2.3%). Currently, the switch of existing customers to AD EBiS Sync has been smooth, and future progress in gaining customers will be the key point.

In the EC PF segment, the Company plans to boost business by reentering the professional services market through the M&A of BOKUBLOCK and through synergy between the existing businesses and new profit opportunities in the new areas of business. For the time being, the number of projects for building/developing EC sites with EC-CUBE is expected to increase.

【Figure 28】 Strategy for This Fiscal Year (change in strategy regarding priority measures for each service category)



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

- ◆ **The Company expects a sales growth of 22.0% YoY and operating profit decline of 12.4% YoY in the second half of this fiscal year.**
- ◆ **Compared to the first half, too, sales growth and profit declines are expected.**
- ◆ **In the second half, operating margin is expected to somewhat worsen due to upfront investment costs such as those for sales promotion and development of new businesses.**
- ◆ **In both PFs, sales growth is planned in the second half. Positive effects of AD EBiS Sync and growth in areas such as the new businesses are expected.**

Plan for the Second Half

The Company's forecasts for the second half, calculated by subtracting the first-half results from the full-year forecast, are as follows: sales of Y1,819 million (+22.0% YoY), operating profit of Y164 million (-12.4% YoY), recurring profit of Y164 million (-12.4% YoY), and net profit of Y106 million (-14.1% YoY).

Compared to the first half of this fiscal year, it is expecting sales to increase by about 15% in the second half, while the operating profit is expected to decrease by about 7% (sales are expected to increase by Y238 million compared to the first half, while profit is expected to decrease by Y12 million). Regarding the operating margin, which was 12.1% in the first half of the previous fiscal year, 12.5% in the second half of the previous fiscal year, and 11.1% in the first half of this fiscal year, the Company expects it to worsen to 9.0% in the second half of this fiscal year.

This is because in the second half, as already mentioned, the Company plans to strengthen its existing businesses (increased development and advertising expenses for the major update of AD EBiS) and have greater costs related to upfront investments for future growth (M&A costs, etc.) such as those for developing new businesses. It presumably expects the gross margin to worsen and the SG&A expenses ratio to rise.

By PF, sales in the second half are planned to be Y1,590 million (+262 million yen or +19.7% YoY) for the Marketing PF due to positive effects from AD EBiS Sync and other factors, and Y229 million (+66 million yen or +40.4% YoY) for the EC PF thanks to BOKUBLOCK. Sales growth is planned for both PFs. Compared to the first half of this fiscal year, too, sales of the Marketing PF are expected to increase by Y170 million (+12.0%) and sales of the EC PF are expected to increase by Y68 million (+41.9%).

The proportion of the new services in the total sales for the full year is expected to rise significantly to 14% (sales of about Y476 million) compared to 3% in the previous fiscal year (sales of about Y89 million) and 10% in the first half (sales of about Y158 million).

◆ **Alpha-Win Research Dept.'s Financial Forecast for FY 2022 (full year)**

Revisions to This Fiscal Year's Forecast

Based on the results of the first half, the current situation, and interview with the Company, we revised our forecast for full-year sales and profits downward to about the same as the company plan (Figure 29 on page 26).

In the order of our previous forecast ⇒ current forecast, the sales for this fiscal year have been revised from Y3,500 million ⇒ Y3,365 million, operating profit has been revised from Y470 million ⇒ Y350 million, and net profit has been revised from Y320 million ⇒ Y215 million. Compared to the Company's revised forecast, we predict that sales will be Y35 million smaller while profits will be achievable and end up slightly higher.

Company or business acquisitions will be the factors of uncertainty regarding sales and various costs, but we have assumed that there will be no new, large M&A during the second half other than BOKUBLOCK.

We used the following estimates/assumptions in preparing the forecast for this fiscal year.

- ◆ **We revised our forecast downward for this full fiscal year's sales and profits to about the same level as the Company.**
- ◆ **The Company's revised forecast for this fiscal year seems to be within a mostly achievable range.**

◆ Considering the first-half results and future strategy for sales/marketing, we revised down the estimated average unit price and number of accounts of AD EBiS for the second half and the full year and revised our forecast.

◆ AD EBiS Sync, the new services, and BOKUBLOCK are expected to contribute to sales starting in the second half.

- (1) Sales in the second half are based on a slightly ambitious assumption that they will increase by +22% compared to the second half of the previous fiscal year. Considering the monthly sales growth rate, too, sales may end up slightly lower than expected. The estimated operating margin for the second half seems somewhat conservative, though, and there is still room for cost control. Therefore, even if sales fall slightly short of plan, the risk of another downward profit revision seems small.
- (2) In the Marketing PF segment, we revised downward our estimate for the annual average unit price of the core business, AD EBiS, from 157,000 yen ⇒ 156,300 yen. Because the Company's strategy is to keep the price unchanged for AD EBiS Sync, even if some cross-selling and upselling as well as a change in the customer mix occur, we estimate that the average unit price at the end of the fiscal year will be 158,000 yen, which is about the same as the end of Q2 with only a +679 yen or +0.4% increase (+5,864 yen or +3.9% compared to the end of the previous fiscal year). Regarding the number of accounts, it has been lower than we had expected and has been continuing to decline. However, the introduction of AD EBiS Sync with unchanged price and significantly improved functions is expected to lead to customer acquisition and cancellation prevention thanks to improved usability. Estimating that the number of accounts at the end of the fiscal year will be 1,315 (company plan is 1,344 which is +100 compared to the end of Q2), we revised the annual average number of accounts downward from 1,355 ⇒ 1,280. In consequence, we also revised AD EBiS' sales forecast downward from Y2,500 million ⇒ Y2,400 million.
- (3) Due to the incorporation of the acquired companies (Far End, BOKUBLOCK, etc.) into the consolidated financial results, we expect sales to increase by about a little more than Y100 million compared to the second half of the previous fiscal year (assuming their sales to be the same level as the previous fiscal year), calculating based on an even distribution over the year. In addition, we expect the current new businesses to increase sales and improve the profit/loss in the second half.

【Figure 29】 Alpha-Win Research Dept.'s Revised Forecast for This Fiscal Year and Medium-Term Forecast

(Million yen)	FY 2018 A	FY 2019 A	FY 2020 A	FY 2021 A	FY 2022 Initial CE	FY 2022 Revised CE	FY 2022 Old E	FY 2022 New E	FY 2023 CE	FY 2023 Old E	FY 2023 New E	FY 2024 Old E	FY 2024 New E
Sales	1,805	2,204	2,618	2,957	3,600	3,400	3,500	3,365	5,000	4,600	4,320	5,300	4,740
I. Marketing PF	1,530	1,951	2,318	2,599	3,220	3,010	3,150	3,000	4,590	4,220	3,870	4,900	4,260
II. EC PF	274	253	301	358	380	390	350	365	410	380	450	400	480
Gross Profit	1,190	1,561	1,832	2,039	2,450	2,460	2,460	2,310	3,220	3,220	2,950	3,710	3,280
Gross Margin	65.9%	70.8%	70.0%	69.0%	68.0%	70.3%	68.6%	68.6%	70.0%	70.0%	68.3%	70.0%	69.2%
SG&A Expenses	1,289	1,476	1,555	1,673	1,980	1,960	1,960	2,050	2,570	2,450	2,450	2,930	2,700
Ratio to sales	71.4%	66.9%	59.4%	56.6%	55.0%	56.0%	58.2%	55.9%	55.9%	55.9%	56.7%	55.3%	57.0%
Operating Profit	-98	84	276	365	470	340	470	350	750	650	500	780	580
Ratio to sales	-5.5%	3.8%	10.5%	12.3%	13.1%	10.0%	13.4%	10.4%	15.0%	14.3%	11.6%	14.7%	12.2%
Recurring Profit	-415	79	261	364	460	340	460	350	620	500	350	580	380
Ratio to sales	-6.1%	3.6%	10.0%	12.3%	12.8%	10.0%	13.1%	10.4%	13.5%	13.5%	11.6%	14.2%	12.2%
Net Profit	-89	-34	183	239	320	210	320	218	420	320	320	510	380
Ratio to sales	-4.9%	-1.5%	7.0%	8.1%	8.9%	6.2%	9.1%	6.5%	9.1%	9.1%	7.4%	9.6%	8.0%
Sales (YoY growth rate)	5.0%	22.1%	18.8%	12.9%	21.7%	15.0%	18.4%	13.8%	47.1%	31.4%	28.4%	15.2%	9.7%
I. Marketing PF	21.9%	27.5%	18.8%	12.1%	23.9%	15.8%	21.2%	15.4%	52.5%	34.0%	29.0%	16.1%	10.1%
II. EC PF	-41.1%	-7.6%	18.8%	19.2%	6.0%	8.8%	-2.3%	1.8%	5.1%	8.6%	23.3%	5.3%	6.7%
Gross Margin (diff. from last FY)	0.7%	4.9%	-0.8%	-1.0%	0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.4%	0.0%	0.9%
SG&A Expense (growth rate)	25.1%	14.5%	5.4%	7.6%	17.2%	17.2%	17.2%	17.2%	31.1%	25.0%	14.0%	10.2%	10.2%
Operating Profit (growth rate)	To loss	To profit	226.1%	32.2%	28.6%	-7.0%	28.8%	-4.1%	120.6%	38.3%	42.9%	20.0%	16.0%
Recurring Profit (growth rate)	To loss	To profit	230.5%	39.5%	26.3%	-6.7%	26.4%	-3.8%	34.8%	34.8%	42.9%	21.0%	16.0%
Net Profit (growth rate)	To loss	Improved loss	30.7%	33.5%	-12.4%	33.0%	31.3%	-8.8%	31.3%	31.3%	46.8%	21.4%	18.8%
EBITDA	5	247	513	638	770	640	770	650	1,000	920	820	1,140	910
KPI	Annual Average (A)	Annual Average (A)	Annual Average (A)	Annual Average (A)	Annual Average (E)								
AD EBiS: # of active accounts	1,476	1,486	1,475	1,344	1,355	1,280	1,355	1,280	1,450	1,310	1,450	1,350	1,350
% change for the above	0.7%	-0.7%	-8.9%	-8.9%	0.8%	-4.8%	0.8%	-4.8%	3.3%	-2.3%	3.6%	3.1%	3.1%
AD EBiS: average unit price (yen)	78,938	98,517	120,629	143,866	157,000	156,300	157,000	156,300	168,000	157,000	178,000	158,000	158,000
% change for the above	24.8%	23.4%	19.3%	19.3%	9.1%	8.6%	9.1%	8.6%	7.0%	0.4%	6.0%	0.6%	0.6%
I. (1) Ad Measurement (AD EBiS): Sales	1,402	1,747	2,127	2,313	2,520	2,350	2,550	2,400	2,820	2,470	3,100	2,560	2,560
I. (2) Advertising Agency DX: Sales				182	196	200	170	250	210	210	300	240	240
I. (3) New Services: Sales				104	504	476	400	420	1,500	1,150	1,190	1,500	1,440
I. Sum of Sales of (1), (2) Advertising Agency DX	1,506	1,951	2,495	2,716	2,534	2,750	3,090	3,070	2,680	3,400	2,800	2,800	2,800
I. Marketing PF (1) + (2) + (3)	1,530	1,951	2,318	2,599	3,220	3,010	3,150	3,000	4,590	4,220	3,870	4,900	4,260

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

(Note) CE: the Company's forecast/estimate. E: Alpha-Win's forecast/estimate. Alpha-Win's estimates for AD EBiS's average unit price and number of active accounts are annual averages and therefore they differ from the Company's estimates (which are averages of the end of the last month of each quarter). Actual results (A) are simple averages of end-of-the-quarter figures.

8. Growth Strategy

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

Medium-Term Business Plan (VISION 2023): Strategy

There have been no changes to the medium-term business plan. The Company has set out a plan called the MXP ("Marketing Transformation Platform") strategy. In this strategy, the Company plans to evolve its business to not only provide specific services to its client companies but also provide the optimal service as a comprehensive marketing DX support business.

- ◆ Aiming for a comprehensive marketing DX support business

- ◆ In addition to accelerating growth of its current businesses, it plans to develop multiple new services through in-house development and M&As.

- ◆ By the final year of the medium-term plan (FY 2023), it plans to achieve sales of Y5 billion, operating margin of 15%, and DOE of 3% or more.

- ◆ Currently no change to the ambitious goals for the medium term.

Leveraging the strengths that it has built, the Company plans to accelerate the growth of the existing services and develop multiple new services in the Marketing PF and EC PF segments through in-house development and M&As. It will thus aim to maximize its group assets and synergies.

Medium-Term Business Plan (VISION 2023): Numerical Targets

In the final year of its medium-term business plan (VISION 2023) or FY 2023 (next fiscal year), the Company plans to achieve the following targets: sales of Y5 billion (Y3.4 billion planned for this fiscal year; +47% or +1.6 billion yen in sales growth compared to this fiscal year), operating margin of 15% (+5% compared to this fiscal year's plan of 10%), operating profit of greater than Y750 million (+410 million yen or +121% compared to Y340 million planned for this fiscal year), and DOE of 3% or greater (+0.5% or more compared to 2.5% planned for this fiscal year) (Figure 30). Although these are very high goals compared to this fiscal year's revised plan, they have not been changed.

【Figure 30】 Numerical Targets of the Medium-Term Business Plan

FY 2020 Results	Consolidated sales Y2.61 billion	Consolidated operating margin 10.6%	DOE 2.0%	New services' proportion of sales
FY 2021 Results	Y2.95 billion	12.4%	2.3%	3.0%
FY 2022 Forecasts	Y3.4 billion	10.0%	2.5%	14.0%
		▼		
FY 2023 Goals	Consolidated sales Y5 billion	Consolidated operating margin 15%	DOE 3% or more	New services' proportion of sales 30%

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials with partial additions/edits.

- ◆ Set the proportion of the new services in the total sales as its new KPI.

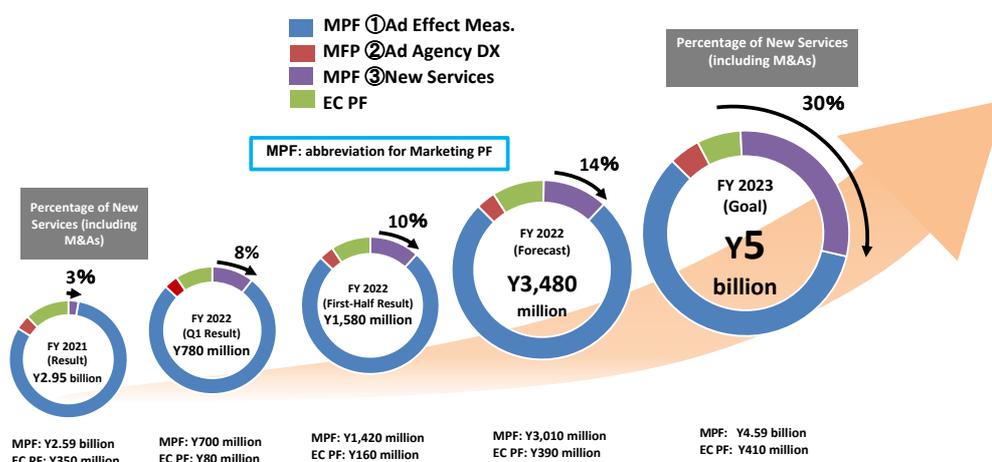
To achieve its goals, the Company plans to accelerate growth by creating new businesses through M&As in addition to the growth of its existing and new businesses. As its new KPI, it has introduced the proportion of the new services (sum of the new services of the Marketing PF and the EC PF) in the total consolidated sales. The proportion was 3% in the previous fiscal year, 8% in this fiscal year's Q1, and 10% in this fiscal year's first half, but is planned to be raised to 14% for this full fiscal year and 30% in the next fiscal year (FY 2023) (Figure 31 on page 28).

- ◆ Expecting sharp growth of the new services.
- ◆ In the next fiscal year, expecting the new services to turn from loss to profit.

According to this plan, sales of the new services will need to increase sharply from Y89 million ⇒ Y476 million ⇒ Y1,500 million in the order of FY 2021 ⇒ FY 2022 ⇒ FY 2023. Next fiscal year, sales growth of the new services (+1,024 million yen compared to this fiscal year) is planned to account for 64% of the Company’s entire sales growth (+1,600 million yen compared to this fiscal year).

Similarly, the overall operating margin is planned to improve by 5% from 10% to 15% in the next fiscal year. This is because the Company expects to achieve sales growth from AD EBiS Sync, the ad effect measurement service, in addition to improving the results of the Marketing PF’s advertising agency DX business and new services from their current losses to profits.

【Figure 31】 Numerical Targets of the Medium-Term Business Plan



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials with partial additions/edits.

- ◆ We predict that there will be double-digit sales and profit growths in both FY 2023 and FY 2024. Expecting consecutive postings of record-high sales and profits.
- ◆ We reflected the effects of the company acquisitions in our forecast.
- ◆ We changed our medium-term forecasts for AD EBiS’s unit price and number of accounts too.

◆ Alpha-Win Research Dept’s Forecast of Financial Results over the Medium Term

Medium-Term Forecast

The DX market for Internet marketing by Japanese companies, which is the Company’s focus, has a high growth potential. In addition, although the macroeconomy is unforeseeable worldwide, the COVID-19 restrictions are gradually becoming relaxed, so we assumed that Japan’s economic activities will also return to normal.

We expect double-digit sales and profit growth in FY 2023 and FY 2024, as well as consecutive postings of record-high sales and profits, due to an increase in the number of accounts owing to the full effect of AD EBiS Sync and due to sales growth from the M&As and the new services in both PFs.

However, in the main Marketing PF segment, the Company has shifted its strategy toward prioritizing the increase in the number of accounts of AD EBiS while keeping its unit price unchanged. Therefore, we changed our estimate of the unit price (annual average) for next fiscal year and the fiscal year after the next from Y168,000 ⇒ Y157,000 and Y178,000 ⇒ Y158,000, respectively. Similarly, we changed the estimated number of accounts (annual average) from 1,400 ⇒ 1,310 and 1,450 ⇒ 1,350 in the same order.

Along with this change, we also revised downward our forecast for the sales of the advertising effect measurement business. However, although the rate of growth will slow down, we predict the sales growth trend of this business to continue. Going forward, depending on the change in the number of accounts of AD EBiS, the Company may possibly reconsider changing its pricing strategy (expansion of low-priced service lineup, etc.). Whether it can maintain the sales growth trend for advertising effect measurement would be the key point.

- ◆ We revised upward our sales forecast for the EC PF, expecting positive effects of the acquisitions.
- ◆ Our profit margin forecasts have been revised downward.

The sales forecasts for this PF's advertising agency DX and new services have not been significantly changed since sales so far have mostly been as expected.

In the EC Platform segment, we revised upward the sales for the next fiscal year and the fiscal year after the next in anticipation of sales growth of the professional services due to the acquisition of BOKUBLOCK and synergy with this company.

Regarding the profit margin, it was revised downward for the Marketing PF segment compared to our previous forecast considering the change in the estimated unit price and the upfront investments for the new businesses. For the EC PF segment, too, we revised the profit margin downward due to the expected incorporation of BOKUBLOCK into the consolidated results (BOKUBLOCK's actual operating margin in the fiscal year ended September 2021: -5%) and upfront investments such as those for the professional services. However, we predicted that the SG&A expenses ratio will decrease through cost control and that the operating margin will still improve in both the next fiscal year and the fiscal year after the next.

Overall, we have revised our forecasts for FY 2023 downward: sales have been revised from Y4,600 million \Rightarrow Y4,320 million (compared to our forecast for FY 2022, a sales growth rate of +28.4%), operating profit has been revised from Y650 million \Rightarrow Y500 million (similarly, profit growth rate of +42.9%; change in operating margin from 14.1% \Rightarrow 11.6%), and net profit has been revised from Y420 million \Rightarrow Y320 million (similarly, a profit growth rate of +46.8%) (Figure 29 on page 26).

- ◆ We expect profit growth to lead to dividend hikes over the medium term.
- ◆ M&As and alliances are possible ways that the Company may use to achieve its goals. Whether there will be M&As and whether they will be successful are the factors that may cause the results to change.
- ◆ Over the medium term, we predict an annual profit growth rate of 15-20%.

We also revised our forecasts for FY 2024 downward: sales from Y5,300 million \Rightarrow Y4,740 million (compared to our forecast for FY 2023, a sales growth rate of +9.7%), operating profit from Y780 million \Rightarrow Y580 million (similarly, a profit growth rate of +16.0%; operating margin from 14.7% \Rightarrow 12.2%), and net profit from Y510 million \Rightarrow Y380 million (similarly, a profit growth rate of +18.8%).

Regarding dividends, we assumed a DOE of 3% for both fiscal years. In line with the change in the profit forecast, we revised the expected dividend downward, but we have not changed our forecast that dividend will continue to be increased along with the growth of profit.

Currently, the Company is in the stage of shifting resources to new or related areas of business by using the cash flow from its existing businesses. Going forward, in addition to organic growth of the existing businesses, accelerated growth is expected through the development of the new businesses, active engagement in M&As, and synergies created from them. Over the medium term, we believe that the Company may be able to maintain an annual profit growth of about 15-20%. Whether there will be M&As and whether they will be successful are the factors that may cause changes in financial results.

9. Analyst's View

◆ Shareholder Return

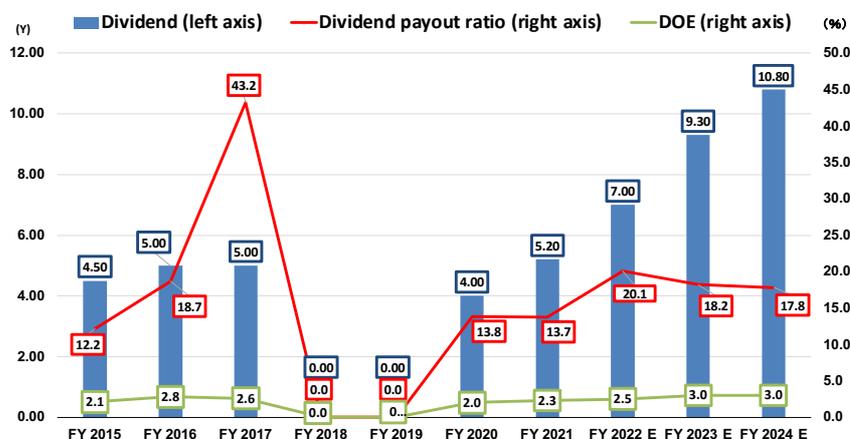
- ◆ Dividend has been generally increasing since dividend payment was resumed.
- ◆ Revised the amount of dividend for this fiscal year downward, but dividend is still planned to be greater than the previous fiscal year.
- ◆ Plans to raise DOE from 2.5% to 3% in the next fiscal year. Dividend hikes are possible in the next fiscal year and onward too.

The Company resumed dividend payment (4 yen/share) in FY 2020 with the recovery of its business performance, and has been generally increasing dividend since then. At the beginning of this fiscal year, it had planned to increase dividend to 7.5 yen/share (compared to 5.8 yen in the previous fiscal year: +2.7 yen/share). However, as already mentioned, due to the downward revision of the financial forecast, the Company also reduced dividend to 7.0 yen/share (compared to the previous fiscal year: +1.2 yen/share) to adjust to its policy to set this fiscal year's dividend based on a consolidated dividend on equity ratio (DOE) of 2.5%. In FY 2023, it plans to raise the DOE to 3% or more.

In response to the decrease in the Company's expected dividend for this fiscal year, Alpha-Win also decreased our forecast for this fiscal year's dividend from 7.5 yen/share to 7.0 yen/share. We also revised our financial forecast for FY 2023 and FY 2024 and revised their expected dividend based on a DOE of 3%.

However, since the YRGLM Group is still in the growth stage, we predict that it will return to a profit growth trend starting in the next fiscal due to results generated from its investment, which would lead to dividend hikes (Figure 32).

【Figure 32】 Change in Dividend and Dividend Payout Ratio



(Ref) Prepared by Alpha-Win Research Dept. E: Alpha-Win's forecast/estimate.

◆ Stock Price, Trends, and Factors that May Affect Stock Price

- ◆ Volatility of stock price has been high

(13) Ad-technology: A general term for information technology used in advertising business, referring to the digital technologies used in Internet ads, etc.

Stock Price and Trends

The Company's stock is a small-cap, ad-technology¹³-related stock listed on the TSE Growth Market. Since becoming listed, the volatility of stock price has been high (max of 5,260 yen in May 2016 and min of 677 yen in August 2015). Stock price had been weak during the period that the Company's financial performance was worsening. However, with profit recovery, it bottomed out and had been fluctuating within a boxed range of 1,000 to 2,000 yen over the past five years or so.

- ◆ Its recent stock price has been weak due to the corrections of small-cap growth stocks in general and the recent announcement of downward revisions.

Despite the difficult economic environment due to the COVID-19 crisis, business performance was strong and stock price had been rising since March 2020. However, small-cap growth stocks have become generally weak as large corrections occur in the stock market in response to the war in Ukraine, China's lockdown, and monetary tightening against global inflation. In addition, the announcement of the downward revision of business results for the current fiscal year had become a negative surprise, causing the Company's stock to sharply fall, hitting a new low for this year. However, after the selloff phase, the stock price seems to be starting to settle down at a low of about 700 yen. Since the beginning of the year, the stock price has been underperforming the TSE Mothers and TOPIX indexes (Figure 33).

【Figure 33】 Comparison of Performance Since the Beginning of the Year (based on closing price)

	December 30, 2021	June 3, 2022	Performance
YRGLM	1,204	736	-38.9%
TSE Mothers	987.94	670.37	-32.1%
TOPIX	1,992.33	1,933.14	-3.0%

(Ref) Prepared by Alpha-Win Research Dept.

- ◆ Judging from this fiscal year's forecast based on the stock price after corrections, the key valuation measures seem somewhat high but within a mostly reasonable range.

(14) P/S: Ratio of stock price to sales = market capitalization / sales

(15) PEG: P/E ÷ Expected medium-term profit (EPS) growth rate (per year)

- ◆ Considering its PEG and medium-term financial forecasts, the current stock price is at a level that could be considered for investment.
- ◆ Key points regarding stock price are the number of accounts of AD EBiS, its unit price, next fiscal year's results, and M&As.

- ◆ We will continue to watch its growth as a domestic-demand-oriented growth stock in the marketing DX support business.

Valuation

Based on this fiscal year's forecasted financial results, the Company's valuation is as follows: P/E of 21.1, P/B of 2.5, P/S¹⁴ of 1.4, and dividend yield of 1.0%. Valuation seems expensive compared to the average of the TSE Prime Market (P/E of 13.9, P/B of 1.2, and dividend yield of 2.3% on a simple average). On the other hand, its valuation is cheap compared to the average of the TSE Growth Market (P/E of 110.1, P/B of 3.5, and dividend yield of 0.3% on a simple average).

The EV/EBITDA ratio is within the average range, predicted to be 10.5 for this fiscal year, 8.3 in the next fiscal year, and 7.5 in the fiscal year after the next (Alpha-Win's forecasts). Regarding the PEG¹⁵, it is less than 2, at about 1.1 to 1.4. Since the stock does not seem overpriced, if the excessive caution against growth stocks in the entire stock market becomes corrected, the profit growth potential over the medium to long term suggests that investment could be considered (the expected P/E based on our revised financial forecast is 14.4 for the next fiscal year and 12.1 for the fiscal year after the next).

Key Points Going Forward

Going forward, stock price may be affected by the following factors: KPIs (especially AD EBiS's average unit price, number of active accounts, and churn rate, as well as the proportion of the new services in the total consolidated sales), EBITDA, trends in monthly sales (YoY), quarterly changes (profit growth rate and profit margins), the final financial results for this full fiscal year, change in forecast for the next fiscal year, announcements of M&As or alliances, announcement of new functions, the release of new services and their contribution to results, measures to return profit to shareholders, and strengthened regulations such as those for the protection of personal information.

Over the medium to long term, the Company's business has a large growth potential since the Internet advertising market and the EC market are expected to continue to expand. We hope to watch the Company's growth, including its change in sales and profit growth rates, as a domestic-demand-oriented growth stock in the business of marketing DX support that is not directly largely impacted by COVID-19, inflation, and exchange rates.