



## Metaps / 6172

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## Executive summary

### Business overview

- Metaps utilizes data analysis and integration technologies to provide solutions to support business efficiency and automation initiatives of customer companies. Such corporate initiatives are commonly referred to as “digital transformation (DX).” The company’s main business domains are fintech and digital marketing. In the former, the company mainly offers payment solutions and business efficiency services; in the latter, it provides mobile advertising and consulting services among others.
- Since its inception in 2007, the company has received advertising and promotion orders from smartphone app developers (advertisers). Its proprietary analytics tool Metaps Analytics supports app monetization based on analysis of users and ad effectiveness. These data-driven marketing initiatives drove the company’s growth. In 2014, Metaps launched the online payment service SPIKE to scale up its operations in the finance industry. The service focused on comprehensive management, integration, and utilization of customer payment and lifestyle data (discontinued in November 2017). In 2016, the company made Pay Design Inc. (currently Metaps Payment) a subsidiary in a move that significantly expanded its transaction volume and lineup of services. Metaps had also ventured into cryptocurrency (blockchain) and B2C payment services in the same year, guided by the previous management. However, it later decided to withdraw from the cryptocurrency business due to growing uncertainty in the global market (triggered by the hacking of several cryptocurrency exchanges in 2018 and the tightening of related regulations in various countries afterward). Metaps suffered a substantial loss in FY12/19 as a result of the exit. The company is currently restructuring its operations with the Finance segment at its core.
- Metaps operates in the Finance, Marketing, and Other (digital transformation [DX] support business) segments. In FY12/19, it reported Finance revenue of JPY5.3bn (39.6% of total revenue, of which 57% generated overseas) and a segment loss of JPY391mn, and Marketing revenue of JPY7.8bn (58.8% of total revenue, of which 45.7% generated overseas) and a segment profit of JPY142mn (OPM of 1.8%). It has not disclosed results for the DX support business in the Other segment, which was launched in February 2020. Overseas operations accounted for roughly 49.5% of total revenue in FY12/19. The domestic operations of its Finance segment and the DX support business are recurring revenue businesses, and the Marketing segment and overseas operations are one-time revenue businesses. The company plans to expand recurring revenue businesses and downsize overseas operations.
- In the Finance segment, Metaps processes payments as an intermediary between merchants and credit card companies, providing a diverse lineup of payment solutions to business operators (Payment service revenue = Total transaction value x Service fee charged to affiliated merchants [around 1.0% after allocating acquirer and issuer service fees]). Major competitors tend to leverage economies of scale to lower service fees, but Metaps avoids such competition. Instead, it mainly targets smaller markets where credit cards have not been widely adopted (e.g., where small amounts of recurring billing are settled in cash). It offers the package payment solution Kaihi Pay to operators of flat-rate membership services such as gyms (Kaihi Pay revenue = Total transaction value x Service fee of 3.5% [includes payment settlement fee] + JPY100). The major selling point of Kaihi Pay is that it automates peripheral administrative tasks such as accounting management and sending payment reminders for business operators, in addition to processing payments. Metaps also provides the real-time salary payment service CRIA, which allows companies to improve benefits for employees without incurring additional costs (CRIA revenue = Number of companies using service x Number of employees at such companies x Usage rate x JPY550 x Frequency per month [average of 1.5x]).
- In the Marketing segment, Metaps offers data feed services that optimize product information for items sold by e-commerce websites. It reformats the product data (price, sales inventory, etc.) to match the requirements of ad slots of major marketing platforms such as Google Shopping and Criteo, and automatically uploads the data to such platforms. The company functions as an online ad buyer from the perspective of advertisers, and as a sales agent for online ad slots from the standpoint of advertising media companies such as Criteo. Metaps also formulates advertising strategies for e-commerce companies, provides consulting services, and supports Japan operations of companies based in Greater China.
- In the DX support business, the company plans to launch Metaps Cloud in the spring of 2021. This system allows customer companies to centrally manage various software as a service (SaaS) in a single platform, including usage status and cost analysis. SaaS adoption is currently booming in corporate environments, but a large number of companies lack the tools to monitor SaaS usage conditions. Metaps Cloud uses single sign-on (SSO) functionality and allows SaaS access privileges to be

configured by individual employees and terminals. While competitors such as Hennge (TSE Mothers: 4475) and Okta (NASDAQ: OKTA) emphasize the ease of login with the use of SSO and security of their services, Metaps focuses on centralized management of SaaS as the key differentiator. Put differently, Metaps Cloud is a solution for issues accompanying the rapid increase of SaaS in customers' technology portfolio (e.g., issues related to costs, efficiency, and security risks). Over the medium term, the company envisions a "SaaS matching services" as a new source of recurring revenue. In this scheme, Metaps plans to 1) enter into comprehensive agency agreements with numerous SaaS providers, 2) introduce optimal SaaS solutions to customer companies through Metaps Cloud, and 3) provide comprehensive support ranging from contract signing to payment processing. Metaps Cloud revenue is calculated as: Number of users x ARPU x (1 - Churn rate).

- ▀ In terms of the cost structure, advertising media costs (payments to companies such as Google and Facebook) in the Marketing segment and payment service costs in the Finance segment make up over 90% of cost of revenue. As the Marketing segment has a low profit margin, generating high gross profit is essential. Overseas, Metaps reported losses in FY12/19 as a result of weakening earnings at subsidiaries Metaps Plus and Smartcon. This was attributable in part to impact from a maturing game app market and the exit from the cryptocurrency market.

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## Trends and outlook

- ▀ FY12/19 was an irregular 16-month accounting period due to a change in fiscal year. During the 16-month period, Metaps reported revenue of JPY13.3bn, gross profit of JPY5.6bn, an operating loss of JPY3.0bn, and a loss attributable to owners of the parent of JPY2.9bn. It withdrew from the cryptocurrency business, including from the UpXide cryptocurrency exchange (formerly CoinRoom). The operating loss was mainly attributable to a JPY2.2bn goodwill impairment loss in the South Korea business.
- ▀ Metaps has yet to disclose its FY12/20 forecast due to difficulties in compiling reasonable estimates at the present time.
- ▀ The company unveiled its medium-term plan "The Road to 2025" in August 2020. The plan calls for FY12/25 operating profit of JPY3.0–5.0bn (JPY3.0bn generated organically and JPY2.0bn derived from M&A activities). Metaps looks to withdraw from or downsize its overseas businesses over the medium term. It plans to invest heavily in the fintech space with a strong focus on payment services. In the DX support business, the company will concentrate on centralized SaaS management (SaaS solutions that help manage third-party SaaS solutions).

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## Strengths and weaknesses

Shared Research sees that Metaps' strengths are: 1) attractive workplace for engineers thanks to adoption of latest development methodologies (agile) and technologies (blockchain); 2) ability to serve niche markets with products that drive business efficiency and automation; and 3) credibility as a payment processing company underpinned by technical prowess in online payment solutions. Its weaknesses are: 1) overseas operations are holding back earnings (49.5% of revenue in FY12/19; scheduled to be exited or downsized in the future); 2) Yet to develop a system to fully utilize customer data to create synergies among businesses; and 3) the need to replace the existing sales model focused on one-off sales of package solutions with one that supports SaaS business through customer success initiatives.

## Key financial data

Income statement (consolidated)	FY08/15	FY08/16	FY08/17	FY08/18	FY12/19	FY12/20
(JPYmn)	JGAAP	IFRS	IFRS	IFRS	IFRS	IFRS Est.
<b>Revenue</b>	<b>4,126</b>	<b>8,817</b>	<b>13,572</b>	<b>10,240</b>	<b>13,292</b>	-
YoY	82.2%	113.7%	53.9%	-24.6%	29.8%	-
<b>Gross profit</b>	<b>618</b>	<b>1,629</b>	<b>3,008</b>	<b>4,136</b>	<b>5,609</b>	-
YoY	13.2%	163.7%	84.7%	37.5%	35.6%	-
Gross profit margin	15.0%	18.5%	22.2%	40.4%	42.2%	-
<b>Operating profit</b>	<b>-320</b>	<b>-333</b>	<b>251</b>	<b>-214</b>	<b>-2,990</b>	-
YoY	-	-	-	-	-	-
Operating profit margin	-	-	1.8%	-	-	-
<b>Pre-tax profit</b>	<b>-358</b>	<b>-571</b>	<b>278</b>	<b>-319</b>	<b>-3,152</b>	-
YoY	-	-	-	-	-	-
Pre-tax profit margin	-	-	2.0%	-	-	-
<b>Profit attributable to owners of the parent</b>	<b>-391</b>	<b>-718</b>	<b>260</b>	<b>-454</b>	<b>-2,861</b>	-
YoY	-	-	-	-	-	-
Profit margin	-	-	1.9%	-	-	-
<b>Per-share data (split-adjusted; JPY)</b>						
Shares issued (year-end; '000)	12,332	12,879	12,974	13,462	13,567	-
EPS	-41	-57	20	-34	-211	-
EPS (fully diluted)	-41	-57	20	-34	-211	-
Dividend per share	-	-	-	-	-	-
Book value per share	648.08	559.42	504.12	576.36	359.64	-
<b>Balance sheet (JPYmn)</b>						
Cash and cash equivalents	7,783	6,273	6,650	7,054	4,683	-
Trade and other receivables	720	4,399	6,749	6,193	9,752	-
<b>Total current assets</b>	<b>8,762</b>	<b>11,342</b>	<b>13,964</b>	<b>14,793</b>	<b>15,259</b>	-
Tangible fixed assets	41	106	165	389	205	-
Intangible fixed assets	403	1,593	1,729	2,011	576	-
<b>Total noncurrent assets</b>	<b>533</b>	<b>4,577</b>	<b>5,822</b>	<b>7,893</b>	<b>5,625</b>	-
Short-term debt	-	862	1,278	379	883	-
<b>Total current liabilities</b>	<b>1,264</b>	<b>6,958</b>	<b>9,968</b>	<b>11,081</b>	<b>13,965</b>	-
Long-term debt	-	1,142	2,701	2,466	1,460	-
<b>Total noncurrent liabilities</b>	<b>11</b>	<b>1,405</b>	<b>2,996</b>	<b>3,254</b>	<b>2,403</b>	-
<b>Total liabilities</b>	<b>1,274</b>	<b>8,363</b>	<b>12,964</b>	<b>14,335</b>	<b>16,367</b>	-
Shareholders' equity	7,956	7,237	6,582	7,787	4,899	-
<b>Total equity</b>	<b>8,021</b>	<b>7,556</b>	<b>6,822</b>	<b>8,350</b>	<b>4,517</b>	-
<b>Total liabilities and equity</b>	<b>9,295</b>	<b>15,919</b>	<b>19,786</b>	<b>22,685</b>	<b>20,884</b>	-
<b>Cash flow statement (JPYmn)</b>						
Cash flows from operating activities	-2	-1,114	-311	396	-644	-
Cash flows from investing activities	-259	-1,927	-931	-378	-946	-
Cash flows from financing activities	7,767	1,680	1,595	374	-761	-
<b>Financial ratios</b>						
ROA (pre-tax profit-based)	-	-	1.6%	-	-	-
ROE	-	-	3.8%	-	-	-
Debt-to-equity ratio	-	0.16	0.47	0.33	0.48	-
Equity ratio	85.6%	45.5%	33.3%	34.3%	23.5%	-
Adjusted on-hand liquidity	7,843	5,194	6,041	5,727	3,305	-
Adjusted on-hand liquidity ratio	100.4	33.1	22.4	14.7	7.5	-

Source: Shared Research based on company data

Adjusted on-hand liquidity = Cash and deposits + Trade receivables - Trade payables

Adjusted on-hand liquidity ratio = Adjusted on-hand liquidity / Monthly average SG&amp;A expenses (excluding depreciation)

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## Recent updates

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### Highlights

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On December 28, 2020, Shared Research initiated coverage of Metaps Inc.

**For previous releases and developments, please refer to the News and topics section.**

## Trends and outlook

### Quarterly trends

Cumulative (JPYmm)	FY08/18				FY12/19 (16 months period)					FY12/20			FY12/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3	% of Est.	FY Est.
Revenue	2,861	5,422	7,838	10,240	2,339	5,019	8,363	11,507	13,292	2,087	4,222	6,326	-	-
YoY	-2.3%	-14.2%	-22.0%	-24.6%	-18.2%	-7.4%	6.7%	12.4%	-	-10.8%	-15.9%	-24.4%	-	-
Gross profit	1,011	2,141	2,993	4,136	948	2,419	4,231	5,898	5,609	1,067	2,043	3,012	-	-
YoY	51.6%	42.5%	28.2%	37.5%	-6.2%	13.0%	41.4%	42.6%	-	12.6%	-15.5%	-28.8%	-	-
Gross profit margin	35.3%	39.5%	38.2%	40.4%	40.5%	48.2%	50.6%	51.3%	42.2%	51.1%	48.4%	47.6%	-	-
SG&A expenses	1,017	2,115	3,234	4,673	1,389	2,605	3,987	5,250	7,019	1,186	2,180	3,094	-	-
YoY	39.5%	41.7%	43.3%	44.3%	36.6%	23.2%	23.3%	12.3%	-	-14.6%	-16.3%	-22.4%	-	-
SG&A ratio	35.5%	39.0%	41.3%	45.6%	59.4%	51.9%	47.7%	45.6%	52.8%	56.8%	51.6%	48.9%	-	-
Operating profit	20	332	73	-214	1,478	1,719	2,388	2,778	-2,990	-186	-414	-532	-	-
YoY	-93.6%	-13.3%	-87.0%	-	-	417.8%	-	-	-	-	-	-	-	-
Operating profit margin	0.7%	6.1%	0.9%	-	63.2%	34.2%	28.6%	24.1%	-	-	-	-	-	-
Pre-tax profit	33	349	52	-319	1,475	1,703	2,274	2,579	-3,152	-262	-559	-668	-	-
YoY	-91.3%	-21.0%	-91.3%	-	-	388.0%	-	-	-	-	-	-	-	-
Pre-tax profit margin	1.2%	6.4%	0.7%	-	63.1%	33.9%	27.2%	22.4%	-	-	-	-	-	-
Profit attributable to owners of the parent	13	148	-100	-454	947	1,043	1,412	1,646	-2,861	-228	-531	-681	-	-
YoY	-95.5%	-47.3%	-	-	-	604.7%	-	-	-	-	-	-	-	-
Profit margin	0.5%	2.7%	-	-	40.5%	20.8%	16.9%	14.3%	-	-	-	-	-	-

Quarterly (JPYmm)	FY08/19				FY12/19 (16 months period)					FY12/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3
Revenue	2,861	2,561	2,416	2,402	2,339	2,680	3,344	3,144	1,785	2,087	2,135	2,104
YoY	-2.3%	-24.5%	-35.3%	-31.8%	-18.2%	4.6%	38.4%	30.9%	-	-	-	-
Gross profit	1,011	1,130	852	1,143	948	1,471	3,283	1,667	-289	1,067	976	969
YoY	51.6%	35.3%	2.3%	69.8%	-6.2%	30.2%	285.3%	45.8%	-	-	-	-
Gross profit margin	35.3%	44.1%	35.3%	47.6%	40.5%	54.9%	98.2%	53.0%	-	51.1%	45.7%	46.1%
SG&A expenses	1,017	1,098	1,119	1,439	1,389	1,216	2,598	1,263	1,769	1,186	994	914
YoY	39.5%	43.7%	46.5%	46.5%	36.6%	10.7%	132.2%	-12.2%	-	-	-	-
SG&A ratio	35.5%	42.9%	46.3%	59.9%	59.4%	45.4%	77.7%	40.2%	99.1%	56.8%	46.6%	43.4%
Operating profit	20	312	-259	-287	1,478	241	669	390	-5,768	-186	-228	-118
YoY	-93.6%	345.7%	-	-	-	-22.8%	-	-	-	-	-	-
Operating profit margin	0.7%	12.2%	-	-	63.2%	9.0%	20.0%	12.4%	-	-	-	-
Pre-tax profit	33	316	-297	-371	1,475	228	799	876	-5,731	-262	-297	-109
YoY	-91.3%	409.7%	-	-	-	-27.8%	-	-	-	-	-	-
Pre-tax profit margin	1.2%	12.3%	-	-	63.1%	8.5%	23.9%	27.9%	-	-	-	-
Profit attributable to owners of the parent	13	135	-248	-354	947	96	465	603	-4,507	-228	-303	-150
YoY	-95.5%	-	-	-	-	-28.9%	-	-	-	-	-	-
Profit margin	0.5%	5.3%	-	-	40.5%	3.6%	13.9%	19.2%	-	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Year-on-year changes of over 1,000% are shown by “-”.

Note: FY12/19 was an irregular 16-month accounting period. As a result, YoY comparisons for FY12/20 use the 12-month period from September 1, 2018 to August 31, 2019 as the basis for comparison.

## Quarterly performance by segment (cumulative)

By segment Cumulative (JPYmn)	FY08/18				FY12/19					FY12/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3	Q4
<b>Total revenue</b>	<b>2,861</b>	<b>5,422</b>	<b>7,838</b>	<b>10,240</b>	<b>2,339</b>	<b>5,019</b>	<b>8,363</b>	<b>11,507</b>	<b>13,292</b>	<b>2,087</b>	<b>4,222</b>	<b>6,326</b>	
YoY	-2.3%	-14.2%	-22.0%	-24.6%	-18.2%	-7.4%	6.7%	12.4%	-	-10.8%	-15.9%	-24.4%	
<b>Marketing</b>													
Revenue from external customer:	1,173	2,210	3,183	4,250	1,346	2,639	4,242	5,753	7,820	1,093	2,397	3,645	
YoY	-	-	-	-4.8%	14.7%	19.4%	33.3%	35.4%	-	-18.8%	-9.2%	-14.1%	
% of total revenue	41.0%	40.8%	40.6%	41.5%	57.5%	52.6%	50.7%	50.0%	58.8%	52.4%	56.8%	57.6%	
Intersegment revenue	37	79	79	88	18	18	22	23	23	1	2	3	
<b>Finance</b>													
Revenue from external customer:	1,636	3,120	4,537	5,739	921	2,262	3,971	5,574	5,264	981	1,793	2,630	
YoY	-	-	-	-	-43.7%	-27.5%	-12.5%	-2.9%	-	6.5%	-20.7%	-33.8%	
% of total revenue	57.2%	57.5%	57.9%	56.0%	39.4%	45.1%	47.5%	48.4%	39.6%	47.0%	42.5%	41.6%	
Intersegment revenue	1	1	1	211	1	1	1	1	2	0	0	0	
Crypto asset revenue	0	70	10	-166	20	330	1,100	1,970	440	0	0	0	
YoY	-	-	-	-	-	371.4%	-	-	-	-	-	-	
% of total revenue	0.0%	1.3%	0.1%	-1.6%	0.9%	6.6%	13.2%	17.1%	3.3%	0.0%	0.0%	0.0%	
<b>Other</b>													
Revenue from external customer:	52	93	118	250	72	119	150	180	207	13	32	52	
YoY	-	-	-	-	38.5%	28.0%	27.1%	-28.0%	-	-81.9%	-73.1%	-65.3%	
% of total revenue	1.8%	1.7%	1.5%	2.4%	3.1%	2.4%	1.8%	1.6%	1.6%	0.6%	0.8%	0.8%	
Intersegment revenue	92	211	317	483	98	213	338	546	743	146	274	393	
<b>Adjustments</b>	<b>-130</b>	<b>-290</b>	<b>-397</b>	<b>-782</b>	<b>-117</b>	<b>-232</b>	<b>-361</b>	<b>-570</b>	<b>-768</b>	<b>-147</b>	<b>-275</b>	<b>-396</b>	
<b>Gross profit</b>	<b>1,011</b>	<b>2,141</b>	<b>2,993</b>	<b>4,136</b>	<b>948</b>	<b>2,419</b>	<b>4,231</b>	<b>5,898</b>	<b>5,609</b>	<b>1,067</b>	<b>2,043</b>	<b>3,012</b>	
YoY	-	-	-	-	-6.2%	13.0%	41.4%	42.6%	-	12.6%	-15.5%	-28.8%	
Gross profit margin	35.3%	39.5%	38.2%	40.4%	40.5%	48.2%	50.6%	51.3%	42.2%	51.1%	48.4%	47.6%	
<b>Marketing</b>													
Revenue from external customer:		530	790	1,042	238	528	832	1,118	1,500	246	532	795	
YoY	-	-	-	-	-	-0.4%	5.3%	7.3%	-	3.4%	0.8%	-4.4%	
GPM	-	24.0%	24.8%	24.5%	17.7%	20.0%	19.6%	19.4%	19.2%	22.5%	22.2%	21.8%	
<b>Finance</b>													
Revenue from external customer:		1,573	2,155	2,903	675	1,827	3,318	4,678	4,000	809	1,481	2,169	
YoY	-	-	-	-	-	16.1%	54.0%	61.1%	-	19.9%	-18.9%	-34.6%	
GPM	-	50.4%	47.5%	50.6%	73.3%	80.8%	83.6%	83.9%	76.0%	82.5%	82.6%	82.5%	
<b>Other</b>													
Revenue from external customer:		38	48	191	35	64	81	102	109	12	30	48	
YoY	-	-	-	-	-	-	-	-	-	-	-	-	
<b>SG&amp;A expenses</b>	<b>1,017</b>	<b>2,115</b>	<b>3,234</b>	<b>4,673</b>	<b>1,389</b>	<b>2,605</b>	<b>3,987</b>	<b>5,250</b>	<b>7,019</b>	<b>1,186</b>	<b>2,180</b>	<b>3,094</b>	
YoY	-	-	-	-	36.6%	23.2%	23.3%	12.3%	-	-14.6%	-16.3%	-22.4%	
SG&A ratio	35.5%	39.0%	41.3%	45.6%	59.4%	51.9%	47.7%	45.6%	52.8%	56.8%	51.6%	48.9%	
<b>Segment profit</b>	<b>3</b>	<b>39</b>	<b>-221</b>	<b>-516</b>	<b>-390</b>	<b>-156</b>	<b>210</b>	<b>550</b>	<b>-1,748</b>	<b>-161</b>	<b>-222</b>	<b>-207</b>	
YoY	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Marketing</b>													
Revenue from external customer:	61	65	102	95	36	106	163	212	142	56	176	267	
YoY	-	-	-	-	-41.0%	63.1%	59.8%	123.2%	-	55.6%	66.0%	63.8%	
Segment profit margin	5.2%	2.9%	3.2%	2.2%	2.7%	4.0%	3.8%	3.7%	1.8%	5.1%	7.3%	7.3%	
<b>Finance</b>													
Revenue from external customer:	99	418	369	222	-102	310	903	1,494	-391	-10	9	123	
YoY	-	-	-	-	-	-25.8%	144.7%	573.0%	-	-	-97.1%	-86.4%	
Segment profit margin	6.1%	13.4%	8.1%	3.9%	-	13.7%	22.7%	26.8%	-	-	0.5%	4.7%	
<b>Other</b>													
Revenue from external customer:	-159	-446	-692	-832	-320	-571	-856	-1,163	-1,507	-206	-407	-597	
YoY	-	-	-	-	-	-	-	-	-	-	-	-	
Segment profit margin	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Adjustments</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>-1</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Adjusted EBITDA</b>	<b>214</b>	<b>879</b>	<b>1,031</b>	<b>2,038</b>	<b>27</b>	<b>359</b>	<b>1,031</b>	<b>1,700</b>	<b>350</b>	<b>70</b>	<b>149</b>	<b>421</b>	
YoY	-	-	-	-	-87.4%	-59.2%	0.0%	-16.6%	-	159.3%	-58.5%	-59.2%	
<b>Marketing</b>													
Revenue from external customer:	88	120	181	194	98	200	295	361					
YoY	-	-	-	-	11.4%	66.7%	63.0%	86.1%					
Adjusted EBITDA margin	3.1%	2.2%	2.3%	1.9%	4.2%	4.0%	3.5%	3.1%					
<b>Finance</b>													
Revenue from external customer:	197	547	903	1,022	57	605	1,332	1,979					
YoY	-	-	-	-	-71.1%	10.6%	47.5%	93.6%					
Adjusted EBITDA margin	6.9%	10.1%	11.5%	10.0%	2.4%	12.1%	15.9%	17.2%					
<b>EBITDA</b>	<b>564</b>	<b>438</b>	<b>294</b>	<b>-147</b>	<b>1,971</b>	<b>2,756</b>	<b>3,353</b>	<b>-2,295</b>	<b>-76</b>	<b>-203</b>	<b>-219</b>		
YoY	-	-	-	-	-	249.5%	529.2%	1040.5%					
<b>Marketing</b>													
Revenue from external customer:		98	152	161	52	139	214			63	190	287	
YoY	-	-	-	-	-	41.8%	40.8%			21.2%	36.7%	34.1%	
EBITDA margin	-	4.4%	4.8%	3.8%	3.9%	5.3%	5.0%			5.8%	7.9%	7.9%	
<b>Finance</b>													
Revenue from external customer:		525	541	468	-37	428	1,069			21	64	203	
YoY	-	-	-	-	-	-18.5%	97.6%			-	-85.0%	-81.0%	
EBITDA margin	-	16.8%	11.9%	8.2%	-	18.9%	26.9%			2.1%	3.6%	7.7%	
<b>Operating profit</b>	<b>20</b>	<b>332</b>	<b>73</b>	<b>-214</b>	<b>1,478</b>	<b>1,719</b>	<b>2,388</b>	<b>2,778</b>	<b>-2,990</b>	<b>-186</b>	<b>-414</b>	<b>-532</b>	
YoY	-	-	-	-	-	417.8%	-	-	-	-	-	-	
<b>Other income and expenses</b>													
Revenue from external customer:	17	294	294	302	1,867	1,875	2,179	2,227	-1,242	-25	-192	-325	
YoY	-	-	-	-	-	537.8%	641.2%	637.4%					
OP margin	0.6%	5.4%	3.8%	2.9%	79.8%	37.4%	26.1%	19.4%					
<b>Finance income and expenses</b>													
Revenue from external customer:	13	17	-21	-105	-3	-16	-115	-198	-162	-77	-144	-135	
YoY	-	-	-	-	-	-	-	-	-	-	-	-	
OP margin	0.5%	0.3%	-	-	-	-	-	-	-	-	-	-	
<b>Profit attributable to owners of the parent</b>	<b>13</b>	<b>148</b>	<b>-100</b>	<b>-454</b>	<b>947</b>	<b>1,043</b>	<b>1,412</b>	<b>1,646</b>	<b>-2,861</b>	<b>-228</b>	<b>-531</b>	<b>-681</b>	

Source: Shared Research based on company data.

Note: Year-on-year changes of over 1,000% are shown by "-".

Note: FY12/19 was an irregular 16-month accounting period. As a result, YoY comparisons for FY12/20 use the 12-month period from September 1, 2018 to August 31, 2019 as the basis for comparison.



## Quarterly performance by segment (three-month periods)

By segment Quarterly (JPY mn)	FY08/18				FY12/19					FY12/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3	Q4
<b>Total revenue</b>	<b>2,861</b>	<b>2,561</b>	<b>2,416</b>	<b>2,402</b>	<b>2,339</b>	<b>2,680</b>	<b>3,344</b>	<b>3,144</b>	<b>1,785</b>	<b>2,087</b>	<b>2,135</b>	<b>2,104</b>	
YoY	13.9%	5.8%	15.1%	10.5%	-18.2%	4.6%	38.4%	30.9%		-10.8%	-20.3%	-37.1%	
Marketing	1,173	1,037	973	1,067	1,346	1,293	1,603	1,511	2,067	1,093	1,304	1,248	
YoY	-	-	-	-	14.7%	24.7%	64.7%	41.6%		-18.8%	0.9%	-22.1%	
% of total revenue	41.0%	40.5%	40.3%	44.4%	57.5%	48.2%	47.9%	48.1%	115.8%	52.4%	61.1%	59.3%	
Finance	1,636	1,484	1,417	1,202	921	1,341	1,709	1,603	-310	981	812	837	
YoY	-	-	-	-	-43.7%	-9.6%	20.6%	33.4%		6.5%	-39.4%	-51.0%	
% of total revenue	57.2%	57.9%	58.7%	50.0%	39.4%	50.0%	51.1%	51.0%	-17.4%	47.0%	38.0%	39.8%	
Crypto asset revenue	0	70	-60	-176	20	310	770	870	-1,530	0	0	0	
YoY	-	-	-	-	-	342.9%	-	-		-	-	-	
% of total revenue	0.0%	2.7%	-2.5%	-7.3%	0.9%	11.6%	23.0%	27.7%	-85.7%	0.0%	0.0%	0.0%	
Other	52	41	25	132	72	47	31	30	27	13	19	20	
YoY	-	-	-	-	38.5%	14.6%	24.0%	-77.3%		-81.9%	-59.6%	-35.5%	
% of total revenue	1.8%	1.6%	1.0%	5.5%	3.1%	1.8%	0.9%	1.0%	1.5%	0.6%	0.9%	1.0%	
<b>Gross profit</b>	<b>1,011</b>	<b>1,130</b>	<b>852</b>	<b>1,143</b>	<b>948</b>	<b>1,471</b>	<b>1,812</b>	<b>1,667</b>	<b>-289</b>	<b>1,067</b>	<b>976</b>	<b>969</b>	
YoY	-	-	-	-	-6.2%	30.2%	112.7%	45.8%		12.6%	-33.7%	-46.5%	
Gross profit margin	35.3%	44.1%	35.3%	47.6%	40.5%	54.9%	54.2%	53.0%	-16.2%	51.1%	45.7%	46.1%	
<b>Marketing</b>			260	252	238	290	304	286	382	246	286	263	
YoY	-	-	-	-	-	-	16.9%	13.5%		3.4%	-1.4%	-13.5%	
GP margin	-	-	26.7%	23.6%	17.7%	22.4%	19.0%	18.9%	18.5%	22.5%	21.9%	21.1%	
<b>Finance</b>			582	748	675	1,152	1,491	1,360	-678	809	672	688	
YoY	-	-	-	-	-	-	156.2%	81.8%		19.9%	-41.7%	-53.9%	
GP margin	-	-	41.1%	62.2%	73.3%	85.9%	87.2%	84.8%	218.7%	82.5%	82.8%	82.2%	
<b>SG&amp;A expenses</b>	<b>1,017</b>	<b>1,098</b>	<b>1,119</b>	<b>1,439</b>	<b>1,389</b>	<b>1,216</b>	<b>1,382</b>	<b>1,263</b>	<b>1,769</b>	<b>1,186</b>	<b>994</b>	<b>914</b>	
YoY	-	-	-	-	36.6%	10.7%	23.5%	-12.2%		-14.6%	-18.3%	-33.9%	
SG&A ratio	35.5%	42.9%	46.3%	59.9%	59.4%	45.4%	41.3%	40.2%	99.1%	56.8%	46.6%	43.4%	
	-6	32	-267	-296	-441	255	430	404	-2,058	-119	-18	55	
<b>Segment profit</b>	<b>3</b>	<b>36</b>	<b>-260</b>	<b>-295</b>	<b>-390</b>	<b>234</b>	<b>366</b>	<b>340</b>	<b>-2,298</b>	<b>-161</b>	<b>-61</b>	<b>15</b>	
YoY	-	-	-	-	-	550.0%	-	-		-	-	-95.9%	
<b>Marketing</b>	61	4	37	-7	36	70	57	49	-70	56	120	91	
YoY	-	-	-	-	-41.0%	-	54.1%	-		55.6%	71.4%	59.6%	
Segment profit margin	5.2%	0.4%	3.8%	-0.7%	2.7%	5.4%	3.6%	3.2%	-3.4%	5.1%	9.2%	7.3%	
<b>Finance</b>	99	319	-49	-147	-102	412	593	591	-1,885	-10	19	114	
YoY	-	-	-	-	-	29.2%	-	-		-	-95.4%	-80.8%	
Segment profit margin	6.1%	21.5%	-3.5%	-12.2%	-11.1%	30.7%	34.7%	36.9%	608.1%	-1.0%	2.3%	13.6%	
<b>Other</b>	-159	-287	-246	-140	-320	-251	-285	-307	-344	-206	-201	-190	
YoY	-	-	-	-	-	-	-	-		-	-	-	
Segment profit margin	-	-	-	-	-	-	-	-		-	-	-	
<b>Adjusted EBITDA</b>	<b>214</b>	<b>665</b>	<b>152</b>	<b>1,007</b>	<b>27</b>	<b>332</b>	<b>672</b>	<b>669</b>	<b>-1,350</b>	<b>70</b>	<b>79</b>	<b>272</b>	
YoY	-	-	-	-	-87.4%	-50.1%	342.1%	-33.6%		159.3%	-76.2%	-59.5%	
<b>Marketing</b>	88	32	61	13	98	102	95	66	-361	0	0	0	
YoY	-	-	-	-	11.4%	218.8%	55.7%	407.7%		-	-	-	
EBITDA margin	3.1%	0.6%	0.8%	0.1%	4.2%	2.0%	1.1%	0.6%	-	-	-	-	
<b>Finance</b>	197	350	356	119	57	548	727	647	-1,979	-	-	-	
YoY	-	-	-	-	-71.1%	56.6%	104.2%	443.7%		-	-	-	
EBITDA margin	6.9%	6.5%	4.5%	1.2%	2.4%	10.9%	8.7%	5.6%	-	-	-	-	
<b>EBITDA</b>	<b>0</b>	<b>564</b>	<b>-126</b>	<b>-144</b>	<b>-147</b>	<b>2,118</b>	<b>785</b>	<b>597</b>	<b>-5,648</b>	<b>-76</b>	<b>-127</b>	<b>-16</b>	
YoY	3.7%	5.7%	-13.2%	9.7%	21.0%	17.0%	62.6%	162.6%	-23.4%	-20.3%	6.3%	106.3%	
<b>Marketing</b>	0	98	54	9	52	87	75	-214	-214	63	127	97	
YoY	-	-	-	-	-	-11.2%	38.9%	-		21.2%	46.0%	29.3%	
EBITDA margin	0.0%	9.5%	5.5%	0.8%	3.9%	6.7%	4.7%	-14.2%	-10.4%	5.8%	9.7%	7.8%	
<b>Finance</b>	-	525	16	-73	-37	465	641	-1,069	-	21	43	139	
YoY	-	-	-	-	-	-11.4%	-	-		-	-90.8%	-78.3%	
EBITDA margin	0.0%	35.4%	1.1%	-6.1%	-4.0%	34.7%	37.5%	-66.7%	0.0%	2.1%	5.3%	16.6%	
<b>Operating profit</b>	<b>20</b>	<b>312</b>	<b>-259</b>	<b>-287</b>	<b>1,478</b>	<b>241</b>	<b>669</b>	<b>390</b>	<b>-5,768</b>	<b>-186</b>	<b>-228</b>	<b>-118</b>	
YoY	-	-	-	-	-	-22.8%	-	-		-	-	-	
<b>Other income and expenses</b>	17	277	0	8	1,867	8	304	48	-3,469	-25	-167	-133	
YoY	-	-	-	-	-	-97.1%	-	500.0%		-	-	-	
OP margin	0.6%	5.1%	-	0.1%	79.8%	0.2%	3.6%	0.4%	-	-	-	-	
<b>Finance income and expenses</b>	13	4	-38	-84	-3	-13	-99	-83	36	-77	-67	9	
YoY	-	-	-	-	-	-	-	-		-	-	-	
OP margin	0.5%	0.1%	-	-	-	-	-	0.3%		-	-	0.1%	

Source: Shared Research based on company data

Note: Year-on-year changes of over 1,000% are shown by "-".

Note: FY12/19 was an irregular 16-month accounting period. As a result, YoY comparisons for FY12/20 use the 12-month period from September 1, 2018 to August 31, 2019 as the basis for comparison.

## Quarterly segment revenue by region

By segment Cumulative (JPYmn)	FY12/19					FY12/20		
	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3
<b>Total revenue</b>	<b>2,339</b>	<b>5,019</b>	<b>8,363</b>	<b>11,507</b>	<b>13,292</b>	<b>2,087</b>	<b>4,222</b>	<b>6,326</b>
YoY	-18.2%	-7.4%	6.7%	12.4%	-	-10.8%	-15.9%	-24.4%
Japan ratio	48.9%	47.6%	42.8%	41.6%	49.0%	58.9%	56.0%	56.1%
Overseas ratio	48.0%	50.0%	55.4%	56.9%	49.5%	40.5%	43.2%	43.0%
<b>Marketing</b>	<b>1,345</b>	<b>2,639</b>	<b>4,242</b>	<b>5,753</b>	<b>7,820</b>	<b>1,093</b>	<b>2,397</b>	<b>3,645</b>
Marketing (Japan)	750	1,595	2,344	3,105	4,248	809	1,577	2,307
YoY	14.0%	20.4%	29.6%	30.4%	-	7.9%	-1.1%	-1.6%
% of total	32.1%	31.8%	28.0%	27.0%	32.0%	38.8%	37.4%	36.5%
Marketing (Overseas)	595	1,044	1,897	2,648	3,572	284	820	1,338
YoY	15.5%	18.0%	38.1%	41.7%	-	-52.3%	-21.5%	-29.5%
% of total	25.4%	20.8%	22.7%	23.0%	26.9%	13.6%	19.4%	21.2%
<b>Finance</b>	<b>921</b>	<b>2,261</b>	<b>3,971</b>	<b>5,574</b>	<b>5,264</b>	<b>981</b>	<b>1,793</b>	<b>2,630</b>
Finance (Japan)	394	795	1,232	1,678	2,262	420	787	1,245
YoY	-59.9%	-53.3%	-54.8%	-48.5%	-	6.6%	-1.0%	1.1%
% of total	16.8%	15.8%	14.7%	14.6%	17.0%	20.1%	18.6%	19.7%
Finance (Overseas)	527	1,466	2,739	3,896	3,002	561	1,005	1,385
YoY	-19.3%	3.5%	51.2%	57.0%	-	6.5%	-31.4%	-49.4%
% of total	22.5%	29.2%	32.8%	33.9%	22.6%	26.9%	23.8%	21.9%
<b>Other</b>	<b>72</b>	<b>119</b>	<b>150</b>	<b>180</b>	<b>207</b>	<b>13</b>	<b>32</b>	<b>52</b>
Segment profit adjustments, company-wide expenses	-117	-232	-361	-570	-768	-147	-275	-396

By segment Quarterly (JPYmn)	FY12/19					FY12/20		
	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3
<b>Total revenue</b>	<b>2,339</b>	<b>2,680</b>	<b>3,344</b>	<b>3,144</b>	<b>1,785</b>	<b>2,087</b>	<b>2,135</b>	<b>2,104</b>
YoY	-18.2%	4.6%	38.4%	30.9%	-25.7%	-10.8%	-20.3%	-37.1%
Japan ratio	48.9%	46.5%	35.5%	38.4%	96.8%	58.9%	53.2%	56.5%
Overseas ratio	48.0%	51.8%	63.6%	60.7%	1.7%	40.5%	45.9%	42.7%
<b>Marketing</b>	<b>1,345</b>	<b>1,294</b>	<b>1,603</b>	<b>1,511</b>	<b>2,067</b>	<b>1,093</b>	<b>1,304</b>	<b>1,248</b>
Marketing (Japan)	750	845	749	761	1,143	809	768	730
YoY	14.0%	26.7%	54.8%	33.0%	99.8%	7.9%	-9.1%	-2.5%
% of total	32.1%	31.5%	22.4%	24.2%	64.0%	38.8%	36.0%	34.7%
Marketing (Overseas)	595	449	853	751	924	284	536	518
YoY	15.5%	21.4%	74.4%	51.7%	86.7%	-52.3%	19.4%	-39.3%
% of total	25.4%	16.8%	25.5%	23.9%	51.8%	13.6%	25.1%	24.6%
<b>Finance</b>	<b>921</b>	<b>1,340</b>	<b>1,710</b>	<b>1,603</b>	<b>-310</b>	<b>981</b>	<b>812</b>	<b>837</b>
Finance (Japan)	394	401	437	446	584	420	367	458
YoY	-59.9%	-44.4%	-57.2%	-16.5%	9.4%	6.6%	-8.5%	4.8%
% of total	16.8%	15.0%	13.1%	14.2%	32.7%	20.1%	17.2%	21.8%
Finance (Overseas)	527	939	1,273	1,157	-894	561	444	380
YoY	-19.3%	23.1%	221.5%	72.9%	-233.6%	6.5%	-52.7%	-70.1%
% of total	22.5%	35.0%	38.1%	36.8%	-50.1%	26.9%	20.8%	18.1%
<b>Other</b>	<b>72.0</b>	<b>47.0</b>	<b>31.0</b>	<b>30.0</b>	<b>27.0</b>	<b>13.0</b>	<b>19.0</b>	<b>20.0</b>
Segment profit adjustments, company-wide expenses	-117	-115	-129	-209	-198	-147	-128	-121

Source: Shared Research based on company data

Note: Year-on-year changes of over 1,000% are shown by “-”.

Note: FY12/19 was an irregular 16-month accounting period. As a result, YoY comparisons for FY12/20 use the 12-month period from September 1, 2018 to August 31, 2019 as the basis for comparison.

## Cumulative Q3 FY12/20 results

### Summary

- ▷ Revenue: JPY6.3bn (-24.4% YoY)
- ▷ Gross profit: JPY3.0bn (-28.8% YoY)
- ▷ Operating loss: JPY532mn (versus operating profit of JPY2.4bn in cumulative Q3 FY12/19)
- ▷ Loss\*: JPY681mn (versus profit of JPY1.4bn in cumulative Q3 FY12/19)

\* Loss attributable to owners of the parent.

In Q3 FY12/20 (three months), revenue was JPY969mn and SG&A expenses came to JPY914mn. After excluding other revenue and expenses and equity in earnings/losses of affiliates, the company reported a profit of JPY55mn. It had posted losses from Q5 FY12/19 (irregular 16-month accounting period) to Q2 FY12/20, but operations turned profitable in Q3 FY12/20. The move into the black was mainly driven by an earnings recovery in the Finance segment—which had been affected by the COVID-19

pandemic earlier in the year—from August and by the steady acquisition of total planning projects in the high-margin gaming field overseas. Metaps recorded an operating loss of JPY118mn for the period, but after adding back temporary expenses (JPY95mn in valuation losses on contingent considerations, JPY40mn equity in losses of affiliates positioned as non-core businesses, JPY39mn in valuation losses on options, and JPY54mn in other expenses), operating profit came to JPY110mn, moving into the black for the first time in four quarters. This suggests the company is making steady progress with the business reforms started in Q5 FY12/19.

Monthly recurring revenue (MRR), which is mainly driven by the Finance segment, rose JPY163mn YoY, lifting annual recurring revenue (ARR, based on net revenue) to JPY2.0bn. The Finance segment generated 93% of ARR, and other businesses (i.e., recurring revenue operations in the Marketing segment and DX support business) 7%.

## Finance (41.6% of total revenue)

- ▷ Revenue from external customers: JPY2.6bn (-33.8% YoY)  
Of which overseas revenue made up JPY1.4bn (-49.4% YoY)
- ▷ Gross profit: JPY2.2bn (-34.6% YoY)
- ▷ Segment profit: JPY123mn (-86.4% YoY)

Of the JPY2.6bn in total revenue, the company generated JPY1.2bn in Japan and JPY1.4bn overseas. In domestic operations in the Financial segment, payment services were hit hard by the COVID-19 pandemic. From August, earnings bounced back as affiliated merchants resumed operations. However, the hotel and travel industries have been slow to recover, with business levels staying at 70–80% of pre-pandemic levels.

The sluggish earnings recovery in payment services was offset by strength in package payment solutions such as Kaihi Pay and Event Pay. A total of 1,500 businesses had adopted Kaihi Pay as of end-March 2020, two years after the service was launched, and that figure rose to above 2,000 at end-June of the same year, reflecting steady growth. The company says transaction value is expanding at the compound monthly growth rate of 35% and the number of monthly inquiries from prospective customers totals several hundred.

According to the company, total MRR for recurring revenue businesses amounted to JPY163mn (ARR of JPY2.0bn). Domestic operations in the Finance segment contributed 93% (MRR of JPY151mn), with payments services delivering 74% (MRR of JPY120mn) and package payment solutions 19% (MRR of JPY31mn). In cumulative Q3, revenue for domestic operations in the Finance segment was JPY1.2bn, and the estimated ARR derived from recent MRR was JPY1.8bn.

## Marketing (57.6% of total revenue)

- ▷ Revenue from external customers: JPY3.6bn (-14.1% YoY)  
Of which domestic revenue made up JPY2.3bn (-1.6% YoY) and overseas revenue JPY1.3bn (-29.5% YoY)
- ▷ Gross profit: JPY795mn (-4.4 YoY)
- ▷ Segment profit: JPY267mn (-63.8% YoY)

The Marketing segment saw growth in demand from people staying home amid the COVID-19 pandemic, and benefited from an increase in ad placement from game developers, e-book providers, and e-commerce companies. Metaps says special demand for ad placement has eased recently, and demand trends are returning to normal. Overseas, the company steadily secured orders for total planning projects in the high-margin gaming field, and demand recovered to pre-pandemic levels. Aforementioned ARR and MRR figures include some contributions from the Marketing segment.

## Other

In the Other segment, the company operates Metaps Analytics. It reported revenue of JPY52mn in cumulative Q3 FY12/20. Metaps looks to develop a new SaaS business in the Other segment with Metaps Cloud positioned as the core offering. When it

announced Q3 results on November 16, the company indicated it had started rolling out Metaps Cloud to customers through an invitation system ahead of the full-scale launch. The company plans to officially roll out the system in early spring of 2021 (around the time of FY12/20 results announcement).

While SaaS solutions are adopted in corporate environments to streamline operations, they inevitably cause cost and security issues as the number and type of such services grow over time. Metaps Cloud resolves such challenges via centralized management of SaaS usage and cost analysis. It allows customers to centrally manage their employees and terminals through single sign-on (SSO) system, and configure SaaS access privileges for individual employees and terminals. Metaps Cloud revenue is calculated as:  $\text{Number of users} \times \text{ARPU} \times (1 - \text{Churn rate})$ .

**For details on previous results, see the Historical performance section.**

## FY12/20 outlook

Metaps has yet to disclose its FY12/20 forecast. Below, we present earnings trends for the company as we understand them.

### Earnings trends in Q4

In Q3 (three months) FY12/20, operating profit moved into the black after adding back one-time expenses, marking the first turn to profit in four quarters (since Q5 FY12/19). Although COVID-19 impact remains a concern, the sluggish recovery in revenue for payment services is expected to be offset by strong revenue from package payment solutions such as Kaihi Pay.

Shared Research thinks disruptive factors that destabilized operating profit will fade across the board. The company plans to reduce its stakes in companies such as pring Inc., which should reduce its share of losses of affiliates. However, such losses will not disappear entirely as long as the company holds on to equity-method investments. Metaps recorded restructuring expenses for its Greater China business through 1H FY12/20, but it will not incur such expenses in Q3 and beyond. Valuation losses on contingent consideration for subsidiaries in Greater China are also poised to decline.

### Finance

#### Japan

Earnings have gradually recovered from August. Orders for online payment service Ticket Pay, used in conjunction with Zoom, were robust. Inquiries for Kaihi Pay increased in tandem with an acceleration in DX initiatives at affiliated merchants. Metaps looks for a sustained earnings recovery in Q4 to offset the sluggish performance through 1H caused by the COVID-19 pandemic. It expects earnings will receive a boost from continued growth for Kaihi Pay and the launch of real-time salary payment service CRIA at major customers (with workforces of several thousand employees).

#### Overseas

The impact of the pandemic was limited, and Metaps thinks demand for corporate promotion is bouncing back. In 2H, the company plans to strengthen B2B sales and create additional profit streams by launching new services.

### Marketing

#### Japan

Despite lingering impact of the COVID-19 pandemic, the company expects traffic for internet services will remain at present levels. It will concentrate its resources on customers that are expanding their advertising budgets.

#### Overseas

The business environment continues to improve, but online advertising remains below pre-pandemic levels. Metaps plans to focus its resources on key customers while reducing and controlling expenses.

### Other

In November 2020, the company announced it will launch Metaps Cloud in the spring of 2021, but it does not expect the new service to contribute to earnings in Q4.

## Medium-term plan

### Medium-term management plan “The Road to 2025” (released August 2020)

In August 2020, Metaps unveiled the medium-term management plan “The Road to 2025” that incorporated a new management policy. The plan calls for 1) investment in the fintech field centered on payment services, 2) investment in the DX support business centered on SaaS, and 3) an operating profit target of JPY3.0–5.0bn.

When it announced FY12/19 results, Metaps had already stated its intention to withdraw from the cryptocurrency business, and review its Marketing segment and Finance segment (see table below). The medium-term plan released on August 14, 2020 revealed that the company will make additional investments in the DX support business with a focus on SaaS, and laid out operating profit targets.

#### Review of medium-term management policy

Medium-term plans by business	Reviewed (as of FY12/19 earnings release)
<b>Cryptocurrency business</b> The South Korean cryptocurrency business was launched as a new business in 2017. However, the complexity of related legislation increases around the world, and uncertainty surrounding the business continues.	⇒ Withdraw from the business as the originally envisioned earnings targets will be difficult to achieve in light of compliance with future legislation and security/audit expenses.
<b>Marketing business</b> Growth in the Marketing segment is softening as a result of reductions in advertising budgets at advertisers (particularly in the game industry) and due to intensifying competition.	⇒ Reposition the Marketing segment from a growth business to a stable earnings business, narrow down target markets, and focus on the provision of services to mid-tier customers.
<b>Finance business</b> The accelerated adoption of digital solutions for cashless payments and bank services is further expanding investment opportunities in the Finance segment in Japan, which continues to enjoy steady growth.	⇒ Further develop package solutions (such as Kaihi Pay) and the real-time salary payment service CRIA. Various collaborative initiatives to be considered under the capital and business alliance with Seven Bank.

Source: Shared Research based on company data (FY12/19 summary of financial results)

#### Numerical targets

Metaps aims to achieve the following numerical targets by FY12/25.

- ▷ Marketing segment: operating profit of JPY500mn; positioned as stable growth business.
- ▷ Finance segment: operating profit of JPY1.5bn; identify and develop solid growth businesses within the segment.
- ▷ DX support business: operating profit of JPY1.0bn; create new recurring revenue businesses through DX support operations with a focus on SaaS.
- ▷ M&A, etc.: operating profit of JPY2.0bn; explore acquisitions of companies that operate recurring revenue businesses, particularly in the payment services field.

#### Assumptions underpinning numerical targets, and uncertainties

The medium-term management plan reflects projected earnings for recurring revenue operations in the Finance segment and Other segment (specifically Metaps Cloud in the DX support business), but does not take into account earnings contributions from overseas operations (Greater China business led by Metaps Entertainment, and South Korea business led by Metaps Plus). The company plans to aggressively raise capital from outside sources for its overseas operations, while reducing its own stakes in overseas companies.

Metaps prepares its financial statements under International Financial Reporting Standards (IFRS). This means its operating profit is affected by fluctuations in other revenue and other expenses and by equity in earnings/losses of affiliates. The company is restructuring its businesses, including by downsizing its overseas operations, which is expected to bring down one-time expenses. Reducing its holdings in equity-method affiliates will also lessen their impact on operating profit.

While earnings fluctuations driven by overseas operations and equity-method affiliates are declining, it is not clear when Metaps will fully remove its overseas businesses from the scope of consolidation. Also, the deconsolidation of overseas subsidiaries may lead to heavy but temporary fluctuations in earnings.

## Performance at subsidiaries

Metaps Pte. Ltd. (JPYmn)	FY08/15 Cons.	FY08/16 Cons.	FY08/17 Cons.	FY08/18 Cons.	FY12/19 Cons.	KOL Media (JPYmn)	FY08/15 Cons.	FY08/16 Cons.	FY08/17 Cons.	FY08/18 Cons.	FY12/19 Cons.
<b>Revenue</b>	<b>2,190</b>	<b>2,056</b>	<b>1,430</b>	-	-	<b>Revenue</b>	-	-	-	-	<b>1,653</b>
YoY	-	-6.1%	-30.4%	-	-	YoY	-	-	-	-	-
<b>Pre-tax profit</b>	<b>-88</b>	<b>-113</b>	<b>34</b>	-	-	<b>Pre-tax profit</b>	-	-	-	-	<b>130</b>
YoY	-	-	-	-	-	YoY	-	-	-	-	-
Pre-tax profit margin	-	-	2.4%	-	-	Pre-tax profit margin	-	-	-	-	7.9%
<b>Profit</b>	<b>-89</b>	<b>-113</b>	<b>34</b>	-	-	<b>Profit attributable to owners of the parent</b>	-	-	-	-	<b>112</b>
YoY	-	-	-	-	-	YoY	-	-	-	-	-
Profit margin	-	-	2.4%	-	-	Profit margin	-	-	-	-	6.8%

Metaps Plus Inc. (JPYmn)	FY08/15 Cons.	FY08/16 Cons.	FY08/17 Cons.	FY08/18 Cons.	FY12/19 Cons.	Smartcon (JPYmn)	FY08/15 Cons.	FY08/16 Cons.	FY08/17 Cons.	FY08/18 Cons.	FY12/19 Cons.
<b>Revenue</b>	-	<b>1,807</b>	<b>2,069</b>	-	<b>1,953</b>	<b>Revenue</b>	-	-	<b>1,877</b>	<b>10,196</b>	<b>1,480</b>
YoY	-	-	14.5%	-	-	YoY	-	-	-	443.2%	-85.5%
<b>Pre-tax profit</b>	-	<b>141</b>	<b>3</b>	-	<b>-2,657</b>	<b>Pre-tax profit</b>	-	-	<b>-46</b>	<b>239</b>	<b>-431</b>
YoY	-	-	-97.9%	-	-	YoY	-	-	-	-	-
Pre-tax profit margin	-	7.8%	0.1%	-	-	Pre-tax profit margin	-	-	-	2.3%	-
<b>Profit</b>	-	<b>119</b>	<b>26</b>	-	<b>-2,728</b>	<b>Profit attributable to owners of the parent</b>	-	-	<b>-49</b>	<b>186</b>	<b>-422</b>
YoY	-	-	-78.1%	-	-	YoY	-	-	-	-	-
Profit margin	-	6.6%	1.3%	-	-	Profit margin	-	-	-	1.8%	-

Metaps Payment (JPYmn)	FY08/15 Cons.	FY08/16 Cons.	FY08/17 Cons.	FY08/18 Cons.	FY12/19 Cons.	Metaps One (JPYmn)	FY08/15 Cons.	FY08/16 Cons.	FY08/17 Cons.	FY08/18 Cons.	FY12/19 Cons.
<b>Revenue</b>	-	-	<b>2,547</b>	<b>3,486</b>	<b>5,300</b>	<b>Revenue</b>	-	-	-	-	<b>2,701</b>
YoY	-	-	-	36.9%	52.0%	YoY	-	-	-	-	-
<b>Pre-tax profit</b>	-	-	<b>154</b>	<b>308</b>	<b>367</b>	<b>Pre-tax profit</b>	-	-	-	-	<b>107</b>
YoY	-	-	-	100.0%	19.2%	YoY	-	-	-	-	-
Pre-tax profit margin	-	-	6.0%	8.8%	6.9%	Pre-tax profit margin	-	-	-	-	-
<b>Profit attributable to owners of the parent</b>	-	-	<b>218</b>	<b>284</b>	<b>347</b>	<b>Profit attributable to owners of the parent</b>	-	-	-	-	<b>116</b>
YoY	-	-	-	30.3%	22.2%	YoY	-	-	-	-	-
Profit margin	-	-	8.6%	8.1%	6.5%	Profit margin	-	-	-	-	4.3%

Source: Shared Research based on company data

## Key performance indicators

Metaps' key performance indicators are adjusted EBITDA in positive territory, annual recurring revenue (ARR) and monthly recurring revenue (MRR) growth, and gross profit growth.

## Logic behind earnings forecast

- ▷ The company has not factored in the timing of sale of overseas subsidiaries. This will be considered in tandem with growth in recurring revenue businesses.
- ▷ The Marketing segment is a stable growth business with a one-time revenue model. Therefore, the company expects modest growth for the segment in its base case scenario.
- ▷ In the Finance business, trends at overseas subsidiaries are a key factor influencing earnings.
- ▷ Accordingly, the main growth drivers will be 1) domestic operations in the Finance business, and 2) the DX support business (results disclosed under the Other segment) centered on Metaps Cloud.

## Finance

Competitors in the payment service sphere tend to pursue growth in total transaction value at the expense of service fees. Conversely, Metaps targets growth in gross profit by focusing on high-margin products and services (such as the package payment solution Kaihi Pay and the real-time salary payment service CRIA). The company aims to generate gross profit in package payment solutions and credit businesses, and this mainly hinges on MRR growth in subscription businesses (i.e., package solutions) and the launch of new businesses. In cumulative Q3 FY12/20, total ARR for domestic operations in the Finance segment and for the Other business was JPY2.0bn (MRR of JPY163mn). It appears that the company is targeting MRR of roughly JPY300mn in the Finance segment to achieve its medium-term plan targets.

## DX support business

Metaps targets operating profit of JPY1.0bn in the DX support business, mainly driven by its new service Metaps Cloud. This figure includes profit from existing services, such as analytics tool Metaps Analytics and freelancer matching platform re:shine, but Metaps Cloud is expected to contribute the lion's share of the profit target. Assuming an OPM of 25%, this would suggest the company is looking for Metaps Cloud revenue of JPY4.0bn (operating profit of JPY1.0bn / OPM of 25%). ARPU will depend on

pricing plans, which the company expects to finalize ahead of the official launch in early spring of 2021.



## Business

### Business overview

#### Utilizes data analytics to support companies' "digital transformation (DX)"

Metaps utilizes data analytics and integration technologies to provide solutions to support what is commonly referred to as "digital transformation (DX)" of customer companies. DX encompasses initiatives aimed at improving business efficiency and automating various operations. Leveraging data analytics expertise gained through mobile game app monetization businesses, the company develops unique products and services that help guide customers through the various stages of DX—namely, digitalization, cloud migration, visualization, and automation. In the fintech field, Metaps provides payment solution and business optimization services to e-commerce and other companies. In the digital marketing area, it offers consulting and ad distribution services to help developers monetize their apps online. In the DX space, the company develops a software as a service (SaaS) platform to centrally manage multiple third-party SaaS solutions.

**Digital transformation (DX):** The use of data and digital technologies by companies to cope with sharp changes in the business environment, and the resulting transformation of business models, operations, organizations, processes, and corporate culture and practices in accordance with customer and societal needs with the aim of gaining a competitive advantage over rivals (Ministry of Economy, Trade and Industry [METI]).

Metaps has three segments: 1) Marketing segment (58.8% of revenue in FY12/19, segment profit margin of 1.8%), operated by subsidiary Metaps One (wholly owned) and Greater China subsidiaries; 2) Finance segment (39.6% of revenue in FY12/19, operating loss of JPY391mn), operated by subsidiary Metaps Payment (80% owned) and South Korean subsidiaries; and 3) Other segment, which includes the DX support business operated by the parent company (established in February 2020). Overseas operations accounted for 49.5% of total revenue in FY12/19.

The Finance segment is the core business and encompasses payment services and package payment solutions. In payment services, Metaps processes payments as an intermediary between merchants and credit card companies or other settlement companies, functioning as a general processing company. The company provides a wide array of cashless payment methods, including online credit card payments, payments processed by credit card terminals in physical stores, convenience store payments, electronic money payments, and QR code payments. In package payment solutions, Metaps offers Kaihi Pay, a payment service bundled with business optimization tools for operators of flat-rate membership services (e.g., small and mid-sized cram schools, gyms, and various lesson providers). Subsidiary Metaps Payment mainly provides these services.

In the Marketing segment, the company provides online advertising (display ads, listing ads, and pure ads), specializing in the distribution of cutting-edge display ads. It also offers data feed services that optimize product data for the advertising formats of major platforms such as Google Shopping and Criteo, and automatically upload such product data to these platforms. Subsidiary Metaps One provides these data-driven marketing solutions, and pursues businesses in the field of advertising management and media.

In the DX support business, the company provides the analytics tool Metaps Analytics to app developers. This tool facilitates in-depth analysis of app user behavior data and ad effectiveness data. The company also provides data-driven consulting services to app developers seeking to enhance user engagement. This business is operated by the parent company. Metaps has launched the DX support business by harnessing its expertise in data analytics accumulated in the smartphone app business. It plans to roll out Metaps Cloud, Japan's first platform to centrally manage corporate SaaS solutions, in the spring of 2021. Metaps Cloud is a SaaS equipped with the following essential functionality to manage a wide range of third-party SaaS: 1) SaaS account registration and cancellation, 2) SaaS cost analysis, 3) visualization and analysis of SaaS usage by employees and access privileges, 4) automation of tasks required every time an employee joins or leaves a company or division, and 5) centralized management of third-party SaaS through consolidated ID and password management (IDaaS).

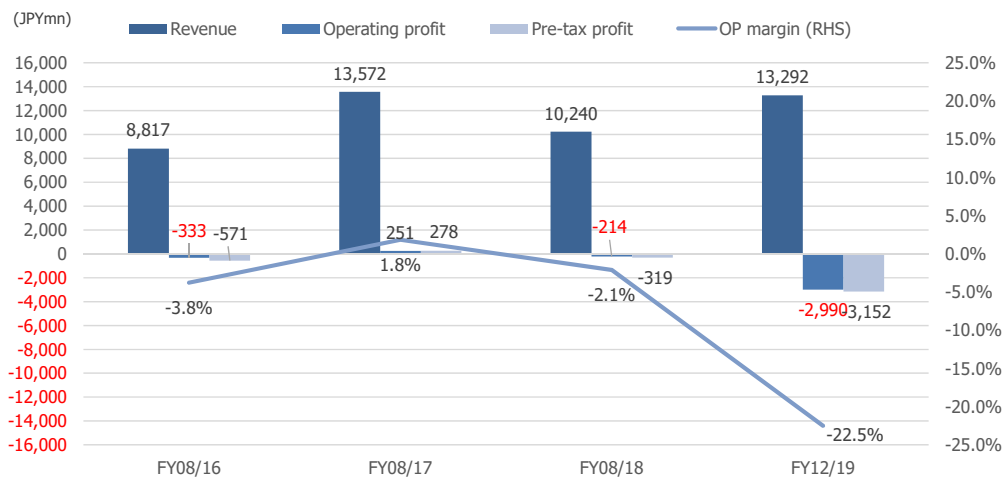
## Overhaul of business model

Metaps was established as e-Factor Inc. in 2007, and originally provided marketing consulting services with a focus on search engine optimization (SEO). Guided by its corporate philosophy of “transforming money and the economy through technology,” the company entered the payment services field in earnest from 2014. It launched the online payment platform SPIKE in the same year, and aggressively pursued M&A activity. In 2016, it ventured into the fintech field (specifically, blockchain and cryptocurrency operations) in South Korea. However, it later decided to withdraw from the cryptocurrency business due to growing uncertainty in the global market as various countries tightened regulations after several cryptocurrency exchanges were hacked in 2018. Metaps suffered a substantial loss in Q5 FY12/19 (irregular 16-month period) as a result. In its medium-term plan “The Road to 2025” released in August 2020, the company positioned the Finance segment as its core business, and resolved to withdraw from loss-making overseas operations. It intends to adopt a more selective management approach toward one-time revenue businesses, and implement measures such as shifting its focus to recurring revenue and SaaS businesses, and pursuing M&A with mature companies.

**Online payment platform SPIKE:** A now discontinued payment service geared toward e-commerce operators. It allowed e-commerce operators to expand their sales functionality by simply embedding a link that would provide credit card payment options on their website. The service was offered under a freemium model with no upfront costs or monthly fixed fees. Customer businesses were charged fees when monthly sales exceeded JPY100,000. Metaps signed up over 250,000 customer businesses, and annual transaction volume rose to JPY100.0bn. Over 70% of the customers were individually owned businesses selling a broad range of merchandise from home appliances to information services. The platform was also used by cross-border e-commerce operators. Metaps integrated the platform into Metaps Payment in November 2017, and discontinued the service.

**Overseas operations:** Wholly owned subsidiary Metaps Entertainment oversees the Marketing business in Greater China. KOL Media and Luminous provide support for corporate promotion ranging from online ad distribution, data analysis, and promotional optimization. Metaps Shanghai supports global development of game apps. In South Korea, subsidiary Metaps Plus (79.8% owned) operated a cryptocurrency exchange through its subsidiary Upside. Metaps Plus aimed to fulfill a role similar to securities companies in the financial instruments market, providing consulting services to companies on how to conduct proper ICOs, referring customers to sound cryptocurrency exchanges, and assisting in other areas such as providing advice on the listing of cryptocurrency, evaluating the listing eligibility of cryptocurrency, and offering token brokerage services. The company announced that it would withdraw from the cryptocurrency businesses in FY12/19 (withdrawal completed by March 2020).

## Performance



Shared Research based on company data

## Business model

### Customers

In the Finance segment, Metaps provides a wide array of payment solutions for e-commerce websites and physical stores, ranging from credit card payments to convenience store payments, electronic money, and Pay-easy (service that allows users to make utility payments via their computer, smartphone or other mobile phone, or an ATM). It supplies payment services (for both online and physical store payments) to merchants (e-commerce companies) who wish to adopt online payment solutions, and package solutions to operators of flat-rate membership services (e.g., cram schools and gyms). The company also offers the real-time salary payment service CRIA to large companies with high credit ratings.

In the Marketing segment, Metaps mainly offers services to mobile game/app developers, e-commerce operators, and e-book suppliers. The Finance and Marketing segment have distinct customer bases. In the DX support business, the company supplies the comprehensive analytics tool Metaps Analytics to over 200 app developers (in May 2020, the parent company absorbed Metaps Links, the subsidiary tasked with development and operation of Metaps Analytics, thus effectively creating opportunities for active cross-selling to the customers of other segments). The target customers for Metaps Cloud are companies with 50 or more employees as well as major corporations across various industries and use multiple SaaS.

## Overview of Metaps customers

Business	Customer profile
<b>Finance segment</b>	
Payment services	
Online payment services	Affiliated merchants such as e-commerce companies
Physical store payment services	Real estate companies
Real estate related payment services	Examples of customers include JTB, Nippon Life Insurance Company, and Nippon Gas
Customized payment services	
Package solution service	
Kaihi Pay	Companies and organizations where credit cards are not widely adopted due to the small scale of operations and cash payments are the norm. Typical examples are businesses that offer flat-rate services to customer bases of 30–40 people, such as cram schools, lesson providers, various other schools, gyms, yoga/Pilates class providers, fan clubs, membership organizations, and co-working spaces.
Event Pay	Event organizers and groups
Ticket Pay	Organizers of music, sports, and other events ranging from individually organized events to those held at stadiums
Real-time salary payment service CRIA	Mainly large companies with low credit risk (restaurant, service, retail, entertainment, staffing, etc.)
<b>Marketing segment</b>	
Companies such as smartphone game/app developers, e-commerce operators, and e-book providers	
<b>DX support business</b>	
Metaps Analytics, etc.	Smartphone app developers (including game apps)
Metaps Cloud	Targeted at companies that employ over 50 people and use multiple cloud services, ranging from startups to individually owned businesses and major companies.

Source: Shared Research based on company data

## Products and services

The Finance segment is led by subsidiary Metaps Payment, which offers 1) payments services such as online payment services, physical store payment services, and electronic money payment services, and 2) customized (package) payment solutions such as Kaihi Pay and Event Pay. The company’s payment services stand out by virtue of their focus on user applications and usage settings. Whereas its rivals in the payment services field aim to scale up total transaction value, Metaps targets niche markets by identifying user needs. In addition, equity-method affiliate pring Inc. operates the remittance service “pring.” In South Korea, subsidiary Smartcon Co., Ltd. provides electronic money and coupon services.

In the Marketing segment, subsidiary Metaps One operates a data feed business, an internet advertising business, a marketing solutions business, and a media business. Equity-method affiliate BUZZCAST Inc. operates a video advertising marketing business that utilizes in-game footage of mobile games.

In May 2020, the parent company launched the DX support business after absorbing subsidiary Metaps Links. The business offers app analytics, app consulting, freelancer matching, and SaaS services. The original core service was the analytics tool Metaps Analytics, but the company is shifting its attention to the official launch of Metaps Cloud, a centralized management service for corporate SaaS, in early spring of 2021. Other services include miime, an online marketplace that uses blockchain technology operated by Metaps Alpha, and Kumono Ucyusen, a business optimization system for energy company operated by equity-method affiliate KUMONO UCYUSEN Co., Ltd., a subsidiary of the Nippon Gas group.

## Main products and services offered in Japan, and providers

	Service category					Operator							
	Online payment	Store payment	Electronic money	Customized payment	Rent payment	Metaps	Metaps Payment	Metaps One	Metaphs Alpha	pring (equity-method affiliate)	Kumo-no Ucyusen (equity-method affiliate)	BUZZCAST (equity-method affiliate)	SMARTCON (South Korea)
<b>Payment services</b>													
<b>Online payment</b>													
Credit card	✓						✓						
Convenience store	✓						✓						
CRIA (salary real-time payment)	✓			✓			✓						
Online account-to-account transfer	✓						✓						
Paysys (email payment link service)	✓						✓						
Pay-easy payment	✓						✓						
<b>Physical store payment</b>													
Credit card payment for physical stores		✓					✓						
<b>Electronic money</b>													
Electronic money payment (C-CHECK)			✓				✓						
<b>Customized payment services</b>													
Kaihi Pay				✓			✓						
Event Pay				✓			✓						
Ticket Pay (ticket management system)				✓			✓						
E-commerce module with payment plugins				✓			✓						
System for chamber of commerce and industry				✓			✓						
BeesRent (rent payment service)				✓	✓		✓						
HUBees (rental property-related payment system)				✓	✓		✓						
Spool (system for public services run by voluntary entities)				✓			✓						
<b>pring</b>													
SMARTCON										✓			✓
<b>Marketing</b>													
<b>Data feed</b>													
Become Feed Platform (BFP)								✓					
<b>Online ads</b>													
X-aid								✓					
rossi								✓					
<b>Marketing solutions</b>													
<b>Media</b>													
Become								✓					
WizerAZ								✓					
<b>BUZZCAST</b>													
												✓	
<b>Digital transformation (DX) support</b>													
Metaps Bridge						✓							
Metaps Analytics						✓							
Metaps Cloud						✓							
re:shine						✓							
mime (blockchain)								✓					
Kumo-no Ucyusen										✓			
<b>Mobile apps</b>													
<b>miel</b>													
Filmstory / Filmstory Pro						✓		✓					
Sweet Movies / Sweet Movies Pro						✓		✓					
Video Smith						✓		✓					
Pop Weight						✓		✓					

Source: Shared Research based on company data

## Value provided to customers

### Value provided as payment processing company

In the core Finance segment, subsidiary Metaps Payment processes payments as an intermediary between affiliated merchants and credit card companies or other entities. It stands between affiliated merchants and settlement companies, handling payment review, contract procedures, and the management of sales payments.

**Payment processing company:** A company that acts as an intermediary between e-commerce operators (affiliated merchants) who wish to adopt a range of payment methods (such as credit card payments, convenience store payments, telecom carrier payments) and various payment institutions (settlement companies such as credit card companies). It provides access to such payment solutions and management systems as bundled services. E-commerce websites commonly offer a range of payment options to expand their customer reach. However, the increase in payment options also drives up the data volume that needs to be managed, leading to an expansion in work volume and personnel costs. To circumvent such burdens, e-commerce operators utilize a payment processing company.

### Differentiation of value provided by package solutions

In addition to general payment processing operations, Metaps provides Kaihi Pay, a package payment solution equipped with business management tools, to small and mid-sized operators of flat-rate membership services (e.g., cram schools, gyms, and various lesson providers). These markets primarily deal with small recurring billing settled in cash, and are small in scale. Consequently, they have been overlooked in the marketing strategies of credit card companies and failed to attract credit cards as a widespread payment option. In general payment processing operations, Metaps faces competition from major rivals that compete on service fees by leveraging economies of scale, but it can avoid such competition in these niche markets.

Metaps also provides CRIA, a service that allows employees to collect their salary in real time. In essence, the service provides an advance (daily) payment for work performed. As it allows employees to obtain funds without taking on debt, it is generally seen

as safer alternative to credit card loans and consumer loans available in the market. From a company standpoint, the service contributes to employee benefits and reduces staff turnover. In addition, it enables daily and weekly salary payments schemes, which can be advantageous in hiring part-timers and employees.

### Value provided by Marketing segment

The Marketing segment includes 1) the data feed business, 2) the internet advertising business, 3) the marketing solutions business, and 4) the media business. A data feed service is used when a customer company wishes to serve dynamic ads (automatically display personalized ads based on products browsed by consumers during past visits to the website of the advertiser). By automatically converting product data, companies can distribute their ads through a larger number of platforms.

### Value provided by DX support business

In the DX support business, Metaps provides the analytics tool Metaps Analytics to app developers. It also offers data-driven consulting services and related solutions to app developers seeking to enhance their app's user engagement. Meanwhile, the Metaps Cloud platform allows customers to visualize the usage conditions for various third-party SaaS solutions, which has become a challenge for many companies amid rising SaaS usage. Other key advantages of Metaps Cloud include reduced security risks for companies introducing telework (which involves increased external access to intranet), and enhanced operational efficiency (e.g., by reducing the time required to configure SaaS access privileges whenever employees join or leave an organization).

### Development structure and sales channels

Engineers accounted for roughly 30% of the total workforce (272) in FY12/19. Software development time varies by project, but typically ranges from a minimum of three months to roughly six months.

Some 40–50% of the company's employees are sales staff, the majority of whom sell payment solutions. Metaps approaches customers through social media marketing and sales agents. It plans to increase staff count in the Finance segment and DX support business by 10% annually and expects staff count in the Marketing segment to either remain flat or rise modestly.

### Earnings structure

The company reported revenue of JPY4.2bn in 1H FY12/20 (we use recent quarterly data here because FY12/19 data contained a number of special factors such as the booking of cryptocurrency revenue), with domestic operations accounting for 56%. Domestic revenue was JPY1.6bn for the Marketing segment and JPY787mn for the Finance segment. The GPM and segment profit margin (including overseas operations) were 22.2% and 7.3% in the Marketing segment and 82.6% and 0.5% in the Finance segment, respectively.

- ▷ Earnings for payment services in the Finance segment are calculated as: Total transaction value x Service fees collected from affiliated merchants (around 1.0% after allocating acquirer and issuer service fees). The company says Metaps Payment has total transaction value of around several hundred billion yen. Service fees are charged to affiliated merchants at the rate of around 3.0% of the transaction value, but the company needs to pay out 1.5% to credit card issuers and another 0.5% to acquirers, leaving its own service fee at roughly 1%. Affiliated merchants pay an initial registration fee and monthly fees to the company, but charges vary by payment method. The initial registration fee covers registration expenses and is paid when a merchant starts using the service. It also includes system fees linked to payment settlement and screening fees for credit card companies and convenience store operators. The monthly fees cover a range of expenses paid by customer companies (affiliated merchants) to Metaps after a contract goes into effect, such as running costs, monthly fixed fees, processing fees, and transfer fees.
- ▷ Earnings for package solutions such as Kaihi Pay are calculated as: Total transaction value x service fee (3.5%) + JPY100. Package solutions generate double the earnings of payment services.
- ▷ Earnings in the real-time salary payment service CRIA are calculated as: Monthly revenue = Number of companies x Number of employees x Usage rate x Average usage frequency per employee per month x JPY550. Metaps says the average usage rate is around 20–30% (i.e., average usage by 2,000–3,000 employees in a company of 10,000 employees), and the average monthly usage frequency per employee is 1.5x.

- ▷ In the DX support business, the parent company offers the analytics tool Metaps Analytics (previously operated by Metaps Links), and manages advertising budgets on behalf of app developers. It records the difference between these and actual advertising costs as earnings, and GPM fluctuates based on the advertising media used. The bulk of the advertising budgets is spent on social media platforms such as Facebook and Twitter, where ads are highly effective, and GPM averages around 15%.
- ▷ Earnings for Metaps Cloud in the DX support business are calculated as: Number of users (Number of companies x Number of employees per company) x ARPU x (1 - Churn rate).

### Cost structure

Advertising media costs (payments to advertising media such as Google, Facebook, and ad network operators) account for the lion's share of cost of revenue (93% in FY12/19). Payment service costs include system fees, but do not include payments to credit card companies (acquirers) as service fee revenues are recorded on a net basis. The company has a high share of variable costs and a low contribution margin, and therefore generating high gross profit is essential. Based on an analysis of quarterly results for the Marketing segment (starting from Q1 FY08/18) using the total cost method (total cost = revenue - segment profit), we can infer a variable cost ratio of 94.1% and a marginal profit ratio of 3.4% (these metrics are difficult to calculate in the Finance segment due to the presence of variables such as the booking of cryptocurrency, and the presentation of total and net amounts recognized as revenue).

## Finance segment (39.6% of revenue, segment loss of JPY391mn in FY12/19)

### Payment services

#### Online payment services

Metaps provides a range of payment services such as online credit card payments, convenience store payments, Pay-easy (which allows payments to be made through ATMs), electronic money systems, and telecom carriers payments. According to the company, online payment services account for roughly 40% of payment services revenue (revenue figures broken down by payment service are not disclosed).

Service fees differ by payment method, but the company collects an initial registration fee and monthly fees from affiliated merchants such as e-commerce operators. Initial registration fees include systems fees to settle the payment and screening fees for credit card companies and convenience store operators, and they are charged when service is launched. The monthly fees mainly cover fixed monthly expenses, processing fees, and transfer fees. In the case of credit card payments, the company's earnings can be calculated by multiplying the total transaction value by a service fee of 3.24%. The total transaction value of the company's payment services amounts to several hundred billion yen.

**Credit card payments:** Metaps provides comprehensive support for credit card payments used on application or e-commerce websites. It supports five major credit card networks (Visa, Mastercard, JCB, AMERICAN EXPRESS, and Diners Club) as well as credit cards issued by a wide range of domestic issuers. The company provides secure payment environments compliant with international standards.

**Pay-easy payments:** Similar to convenience store payments, Pay-easy allows consumers to request a payment number when applying to purchase products or services. Using this number, they can make a payment via ATMs or online banking services of financial institutions such as regular banks, Japan post bank, or shinkin banks. Unlike traditional bank transfers, Pay-easy payments can be confirmed by the receiving party on the day of the transaction, regardless of whether the payment was made on a business day, weekend, or holiday.

**Telecom carrier payments:** A simple payment method that allows consumers to pay for services and products on websites by entering a code on a telecom carrier's smartphone (DoCoMo, au, SoftBank, etc.). Telecom carrier payments also support subscription and one-click payments.

**Electronic money payments:** The company provides electronic payment services with support for electronic money systems such as C-CHECK and Rakuten Edy. Because electronic payments use prepaid funds, they prevent overspending and provide peace of mind to consumers.

#### Physical store payment services

Metaps provides credit card terminals to affiliated merchants. These terminals are used to process in-store payments by consumers, providing comprehensive support for a range of payments, including electronic money payments and foreign-currency credit card transactions. As a rule, the company provides these terminals for a fee (pricing details are not disclosed).

#### Real estate related payment services

The company provides payment services that enhance business efficiency for real estate companies. BeesRent is an app that streamlines the process from applying for a rental property to making rent payments. The app facilitates payments of monthly rent to rental property owners (either withdrawn from bank accounts or charged to credit cards). It allows tenants to complete registration for payment methods online, leading to a decrease in administrative errors (which tend to occur more frequently when accepting paper-based applications) and a reduction in postal fees. These benefits enhance business efficiency for real estate management companies.

#### Customized payment services

Metaps also develops customized payment systems for affiliated merchants. For example, JTB Tokyo Metropolitan Corporation, a travel services provider that operates 170 travel branches in the Tokyo metropolitan region, only accepted in-store payments and bank transfers in the past. Metaps developed a customized payment system for the company that offered customers the choice between online credit card payments, convenience store payments, and Pay-easy payments made through ATMs. This enabled the company to accept payments round the clock and from any location, reducing waiting lines in JTB branches. Other companies and organizations that have adopted customized payment solutions from Metaps include Nippon Life Insurance Company, Nippon Gas Co., Ltd., Yotsuya Otsuka Inc., Central Community Chest of Japan, the Institute of Jitsumu Ginou Kentei (proficiency test for secretarial skills), and Excel Air Service Inc.

## Package solutions (packaged payment services)

The entry of new players such as PayPay and LINE Pay into the cashless payment space has put downward pressure on service fees. In response, Metaps has developed package payment solutions that help enhance business efficiency, thus providing value-added beyond payment services.

### Kaihi Pay

Kaihi Pay is a payment and customer management service for businesses or organizations that offer flat-rate services. It mainly targets operators of membership services such as various lesson providers (25% of customers as of end-March 2020), gyms (14%), online services (9%), medical services (7%), online community sites (7%), associations and academic societies (7%), beauty salons (6%), and coworking spaces (6%).

By adopting Kaihi Pay, businesses can automate online operations such as 1) membership applications, 2) payment details registration, 3) registration of members in member management database, 4) monthly payment collection, and 5) payment reminders. This in turn frees up resources that can be redirected to core operations. Kaihi Pay automates peripheral administrative tasks that have traditionally been conducted manually using paper documents such as processing applications, registering bank details using automatic bank withdrawal request forms, entering application data into customer management systems, uploading monthly invoice data, and sending reminders for outstanding payments.

Kaihi Pay is a one-stop payment solution that automates peripheral administrative tasks such as membership application, member management, and monthly payment collection. While Metaps has offered specialized payment solutions previously, Kaihi Pay is its first service package to comprehensively cover these peripheral tasks. Within the first two years of operation (April 2018 to March 2020), Metaps signed up over 1,500 businesses for the service, and that figure exceeded 2,000 as of June 2020.

Businesses that adopt Kaihi Pay do not have to pay initial fees or monthly fees. They are charged two system usage fees: the first (a) corresponds to 3.5% of the payment amount and the second (b) is a flat JPY100 fee per payment processed.

**System usage fee (a):** This includes the payment service fee (no separate payment service fee is charged). It corresponds to 3.5% of the amount obtained by subtracting system usage fee (b) from the payment amount.

**System usage fee (b):** This is a flat fee charged per successfully processed payment. It is paid by the service user (business operator) as a service usage fee, but can be passed on in full or in part to customers or members as an additional sales charge on purchases.

**Other fees:** When a service user registers a bank account or changes a registered bank account, a fee of JPY500 (excl. tax) is charged. Service users are also charged a transfer fee of JPY300 (excl. tax) for money transfers.

### Kaihi Pay: Comparison with rival companies

		Kaihi Pay	Competitor A	Competitor B	Competitor C
Payment	Credit card	✓	✓	✓	✓
	Online account-to-account transfer	✓	-	-	-
	Convenience store	✓	-	✓	-
System	Application form	✓	-	-	✓
	Customer management	✓	✓	✓	✓
	Invoice management	✓	✓	✓	✓
	Email distribution	✓	✓	-	✓
	Booking system	-	-	-	✓
Screening	Screening time	3 business days	2 weeks	5 business days	Same day
Fee	Initial	JPY0	JPY0	Quoted separately	JPY0
	Monthly	JPY0	JPY0	Quoted separately	JPY0-30,000
	Commission	3.5%	5%	2.65-4.00%	4.90%

Source: Shared Research based on company data

Metaps continues to improve the convenience of the service by adding new functionality through integration with other services such as freee (accounting software) and Akerun (system that manages physical access to offices). As a result, users are growing steadily.



## Event Pay

Event Pay is a software similar in concept to Kaihi Pay. It allows for centralized management of event-related tasks ranging from accepting event/seminar applications (automatic generation of application forms, batch event registration, calendar function, waiting list function, etc.) to collecting payments and managing participants (generation of participant lists, management of payment status, email distribution, and management of telephone applications). The service integrates with Zoom, and can automatically send out online meeting and webinar URLs to event participants.

### Event Pay: Comparison with rival companies

		Event Pay	Competitor A	Competitor B
Fees	Initial	JPY0	JPY0	JPY0
	Monthly	JPY0	JPY0	JPY19,980
	System usage	3.5%	5.0%	4.9%+JPY99
Basic feature	Credit card	✓	✓	✓
	Convenience store	✓	✓	✓
	Pay-easy	✓	✓	✓
	Refund for cancellation	✓	✓	✓
Payment feature	Credit card	✓	✓	✓
	Convenience store	✓	✓	-
	Pay-easy	✓	-	-
	Refund for cancellation	✓	✓	✓
Additional feature	Loyalty mileage points	Not required	Required	Required
	Member app	Not required	Required	Required
	Reminder	✓	✓	✓
	Invoice	✓	-	✓
	Polling	✓	✓	✓
	Calendar	✓	-	✓
	Seat reservation	-	✓	-
	ZOOM	✓	-	✓ (paid)

Source: Shared Research based on company data

## Ticket Pay

Ticket Pay is a ticket sales system that allows event organizers to accept reservations and sell tickets for events such as movie showings, concerts, theater showings, and sports events. Metaps books service fees on ticket sales as revenue. Ticket Pay also provides functions such as lottery-based sales and automatic seat allocation, and gives event organizers access to all applicant data. It can be used for a wide range of events regardless of scale (from individually organized events to those held at large stadiums) and across various genres (from music to sports and public talks). It can be used in a wide range of settings, from online event administration to ticket sales and collections of donations during live streams. Tickets can be collected at FamilyMart branches across Japan (roughly 16,600 stores).

### Ticket Pay: Comparison with rival companies

	Ticket Pay	Competitor C	Competitor E
Seat type	Reserved/non-reserved	Non-reserved	Reserved/non-reserved
Initial contract fee	JPY0	JPY0-5,000	From JPY10,000
Event registration (per event)	JPY0	JPY0-5,000	JPY10,000
Ticket sales commission	5.5%	8-10%	10-12%
Cost for paper	JPY0	JPY10	JPY10.0-16.2
Days from application to ticketing	Same day	2-6 business days	8 business days
Feature	Ordinary/lottery-based sales	Ordinary/lottery-based sales	Ordinary/lottery-based sales
	Reference number/non-reserved seats	Reference number/non-reserved seats	Reference number/non-reserved seats
	Reserved		Reserved seat
	Seat selection		Seat selection
	Member-only sales		

Source: Shared Research based on company data

## pring

pring is a remittance service operated by equity-method affiliate pring Inc. It was founded as M Wallet Preparation Company Inc. in 2017 by Metaps, Mizuho Financial Group, Mizuho Bank, and WiL. In November 2018, pring raised JPY1.3bn from Nippon Gas and SBI Investment, and this reduced Metaps' stake from 60.5% to 45.3%, making pring an equity-method affiliate.

pring's main offering is a monetary communication app that enables remittances between individuals or between companies and individuals. The cumulative remittance value for the app reached JPY3.0bn in May 2019. The app provides an easy-to-use interface and does not charge remittance fees, offering benefits over traditional individual-to-individual remittance services. Funds stored in the app can be used to make payments at retail stores that support Smart Codes, such as Lawson and Yamada

Denki branches. Users who wish to take out cash from their app can do so from their bank account or from Seven Bank ATMs without any charges.

The app also provides a platform through which consumers can make donations to sports teams or influencers. The donation service has seen rapid growth in users since audience-attended sports events and other events were suspended due to the COVID-19 pandemic. In its corporate business, pring provides “business pring,” a service that facilitates remittances between companies and individuals. The service allows companies to sharply reduce remittance fees, and is used to reimburse expenses incurred by employees and provide remuneration to contractors.

**Smart Code:** A QR code and barcode payment system provide by JCB. Participating merchants can process code-based payment methods for all payment settlement companies that support Smart Codes.

### pring service monetization

Business	Description	Monetization	Fees	Adoption by companies
Corporate business	Bulk remittances from companies to individuals. Used to reimburse transportation costs, etc.	Remittance fees, in-app advertising sales	JPY100 per remittance	Nippon Gas: Uses the service to pay for work outsourced to gas meter readers, and to reimburse expenses to employees
Money SNS business	Platform to make donations to influencers, sports teams, etc.	Donation fees	10% of remittance amount	Soccer clubs such as Gamba Osaka, Kawasaki Frontale, Urawa Red Diamonds, and Sanfrecce Hiroshima
Payment business	Payment service based on QR codes.	Payment fees	1% of payment amount	Retailers that support Smart Codes (such as Yamada Denki and Lawson), FamilyMart
ASP business	Provision of payment systems used internally by companies, such as Yakult Pay.	OEM development	From several million yen to several hundred million yen	Yakult Pay (Yakult)

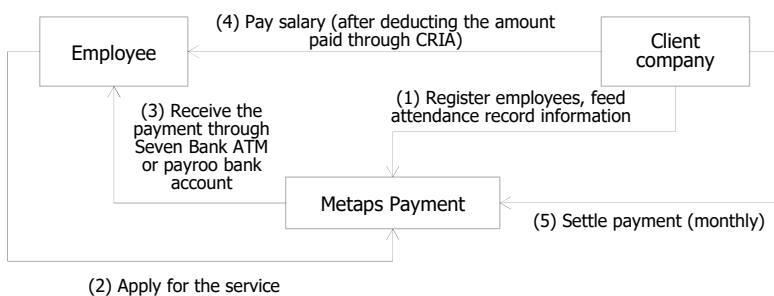
Source: Shared Research based on pring IR materials and website

## Real-time salary payment service

### CRIA

CRIA is a real-time salary payment service that allows employees to collect salary for work performed in real time. It is monetized by charging users (employees) a service fee. Metaps advances the salary and offsets advanced amounts at the end of the month. It says the service is used by 20% of the employees of companies that have adopted the service, with an average monthly usage frequency of 1.5x. Earnings from the service are calculated as: Monthly revenue = Number of employees x Usage rate x Average monthly usage frequency x JPY550. Companies that adopt the service do not incur any charges or expenses, and can leverage it as an employee benefit service to boost job applications and staff retention.

### CRIA transaction structure



Source: Shared Research based on company materials

The benefits of CRIA to employees are manifold: 1) easy registration and application, 2) same-day access to salary, 3) round-the-clock and year-round support system, and 4) multilingual support. The service is also available to foreign nationals. Because the funds issued through CRIA are not loans, employees can easily sign up through an app and request to have salary paid out without having to undergo any type of screening. Requested funds can in principle be received in cash round-the-clock all year long, giving employees a way to cover unexpected expenses.

The benefits to companies are 1) a higher number of job applicants, 2) improved staff retention, 3) expanded employee benefits, and 4) zero additional costs because the funds are advanced by Metaps. Companies that have adopted the service can offer daily and weekly salary payment schemes, which can be promoted in recruiting conditions for part-time and full-time staff and increase job applications. Metaps says CRIA can also help boost employee motivation and reduce staff turnover. The service enhances employee benefits at no additional costs to companies. Consequently, it removes the need for companies to prepare funds or set up special accounts—which could potentially strain cashflow—to accomplish the same service.

## Marketing segment (58.8% of revenue; segment profit margin of 1.8% in FY12/19)

### Data feed business

Data feed services organize the product data (product name, category, code, price, inventory status, etc.) of a company into formats suitable for marketing platforms, and distribute the optimized data to such platforms. The company provides a data feed service that automatically reformats customer product data as listing ads for Google Shopping, affiliate ads, and targeted ads for Criteo, as well as for price-comparison websites and other marketing platforms.

Customer companies benefit from a data feed service because the automation of data reformatting allows them to get their ads served on a larger number of platforms. Maintaining large amounts of data manually is a costly process. A data feed service not only reduces data conversion work but also increases the number of marketing platforms ads can be served. Data feeds are essential for dynamic advertising (automated display of personalized ads based on consumers' product browsing history on advertiser website).

**Former Become Japan Corporation:** Become was launched in 2005 as the management company for Japan's largest product search website at the time. As customers (advertisers) increasingly leveraged data feeds to serve ads through advertising media companies such as Criteo and Google from around 2011, Become launched the Become Feed Platform (BFP), Japan's first data feed platform, in 2012. BFP optimizes companies' product data for services such as Google Shopping and Criteo, and automatically uploads the converted data to such platforms. It creates product data for companies in various industries ranging from e-commerce to staffing and real estate. BFP serves dynamic ads based on data feeds, including through its own Become.co.jp website, and uses related expertise to further optimize data feed operations. Over 200 companies have adopted BFP. The platform is available in two plans: standard (outsourced) and self-managed (independent operation of data generation through a dedicated management screen).

### Internet advertising business (advertising agency and management services)

In the internet advertising business, Metaps handles display, video, listing, pure, and affiliate advertising. It excels in services for the data feed advertising market. It is the only data feed vendor to be recognized as a Two Star Criteo Certified Partner in Japan. The company has engaged in data feed advertising since Criteo expanded into the Japanese market. It manages advertising budgets on behalf of customers, and distributes ads through the optimal advertising media. It acts as an agent for several such media, including Criteo. Its primary customers are e-commerce customers of Become.co.jp, the product search website operated by the company's media business. Metaps adopts two approaches toward ad management. It supports the acquisition of customers through product search services by optimizing data feeds, and targets users in the lower stage of the marketing funnel (those with apparent willingness to buy) through retargeting ads. GPM is roughly 15%, and OPM is 3–4%.

### X-aid

X-aid is a system that measures the effectiveness of online advertising. It links up with other systems such as major ad networks, demand-side platforms (DSP), affiliate service providers (ASP), and listing ad platforms. It allows users to gauge ad effectiveness in a single management screen, and can therefore support ad management that optimizes ad effectiveness. It is equipped with a range of essential features such as in-depth ad campaign management across ad types, sophisticated data aggregation reports, and support for landing page optimization (LPO).

### rossi

rossi is a screening tool that ensures product images to be used in dynamic ads comply with the posting standards of advertising media, ad networks, or DSPs. It uses AI-powered diagnostic imaging technology to streamline the distribution of dynamic ads. Using traditional methods, removing products that are not suitable for dynamic ads from massive data feeds involves visually inspecting and assessing each image. This is a time-consuming and expensive process that slows down ad distribution. For

example, visually scanning 200,000 ad images or products would take a minimum of 200 hours, with the time increasing further depending on the complexity of the work.

## Marketing solutions business

In the Marketing solutions business, Metaps provides the following services.

- ▷ Marketing consulting and planning
  - Strategic proposals to resolve marketing challenges, market and competitor-related research, and corresponding execution and management
  - Consulting aimed at transforming and improving marketing through IT
- ▷ Web and system solutions
  - Website development and recovery; support for/implementation of customer expansion strategies
  - Planning and production of owned media
  - Planning, production, and implementation of content
  - Introduction and management of marketing; support for building data integration mechanisms
  - Introduction of databases and infrastructure (data management platforms [DMP], marketing dashboards, etc.)
  - Sales support solutions and platform development
  - Introduction of customer relationship management (CRM) systems
- ▷ Support for digitalization
  - Development of/support for new businesses powered by IT
  - Support for business optimization and automation to drive sales growth through digital solutions

## Media businesses

### Product search website Become.co.jp

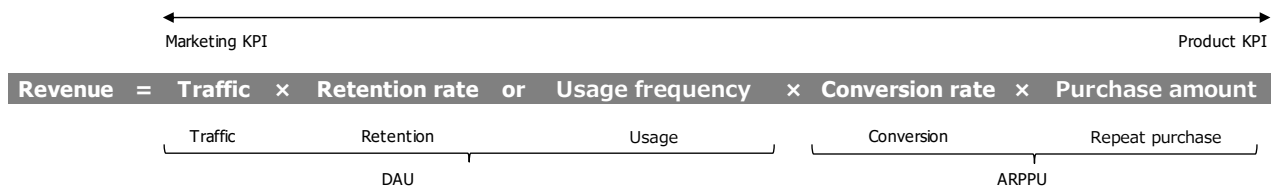
In the media businesses, the company operates the Become.co.jp product search website, and it develops and operates smartphone apps such as miel. Become.co.jp offers a service that redirects site users to e-commerce advertisers. The site handles over JPY20.0bn in transactions annually for over 1,300 companies. It aims to increase search hits by optimizing product titles and descriptions in its data feed, and also provides various filters that facilitate product comparisons. Once users click on a product of interest, they are redirected to the e-commerce page from where a purchase can be made immediately. The user base is skewed toward women in their 20s to 40s, which is the optimal demographic for the product categories such as clothing, interior goods, and recreational sports.

## Other business (DX support business)

### Metaps Analytics

Metaps Analytics is an analytics tool for app developers, who naturally have a keen interest in app monetization. The equation below illustrates how apps are monetized. To maximize revenue growth, app developers need to visualize KPI's from both a marketing and product perspective, and there must be a shared recognition of challenges on both sides of the spectrum. Because factors such as retention rate and usage frequency involve both the marketing and product areas, PDCA cycles for resolving problems do not always work. The key considerations with regard to improving retention and usage frequency are 1) how to attract users to the app that are likely to become active users, and 2) how to increase exposure to the app to boost retention rates and prevent inactivity. Metaps Analytics provides marketing strategies focused on user acquisition or user retention.

## Basic revenue structure of app



Source: Shared Research based on company data  
 Notes: DAU refers to daily active users. ARPPU refers to average revenue per paid user

With Metaps Analytics, companies can measure ad effectiveness (return on investment) for their online advertising campaigns, and easily assess performance for various advertising media on a single management screen. In addition, the tool offers functions such as data analysis, push notifications, and in-app measures, making it an effective solution for smartphone app developers. It allows users to create various type of reports and comes with an intuitive dashboard. Metaps says the tool is ideal for first-time app developers/operators or app analytics users. The tool has been adopted by over 200 companies in a broad range of industries. Examples of customers include Pokémon Company, Daiei, Sofmap, and Stripe International.

### Difference with Google Analytics and other products

While Google Analytics and comparable solutions offered by other companies only offer minimal ad tracking functionality, Metaps Analytics allows companies to perform in-depth analysis. For example, companies can analyze how many and what type of users are engaging with their app on the 15th day after install. By analyzing user segments in this way, they can target push notifications and other ads.

### Equipped with essential marketing features

The user behavior analysis function built into Metaps Analytics leverage fundamental and app-specific KPIs to discover triggers for user abandonment. This is an important feature that informs basic app management and thus helps prolong user engagement over the long term. Measuring ad effectiveness by visualizing ROI and user behavior in response to advertising campaigns allows companies to identify ineffective campaigns and optimize their investment decisions over the long term. Metaps Analytics can also determine benchmark apps (rival apps that can serve as a reference for comparison) based on data sourced from the iOS and Android app stores, as well as analyze user reviews.

### Range of paid versions

The company provides a range of paid-for optional services such as a personalized data management platform (DMP) for data accumulation, and support for customized push notifications sent to users who have been mostly inactive. Metaps Analytics can also display popup messages inside apps to assist users and prevent them from losing interest in an app, thus reducing app abandonment rates.

### Strategic business alliance with Kochava

In April 2017, Metaps entered into a strategic business alliance with Kochava Inc. to collaborate on the development of domestic businesses and technology integration. Kochava had previously served as an ad tracking partner for Metaps Analytics. Its services have been adopted by many ad effectiveness measurement tools, including AppsFlyer and adjust.

**AppsFlyer:** An ad effectiveness measurement tool operated by an Israeli company. The tool has been adopted by over 12,000 companies in the world, and has a global share of 72%. AppsFlyer complies with various international standards and is designed with security at the forefront. As a result, it has gained traction with industry-leading companies such as Coca Cola, Recruit, and Visa.

**Adjust:** A Germany-based industry leader in mobile marketing measurement and ad fraud prevention technologies. Its solutions have been adopted by over 600 leading publishers in Germany and are used in over 40,000 apps worldwide, including apps published by global brands such as Procter & Gamble and Tencent Games. Adjust offers ad fraud prevention features such as SDK spoofing (fraudulent simulation of installs and user engagement) without additional costs. Its solutions have also been adopted by leading Japanese companies such as Rakuten, Recruit, Gunosy, LINE, and Mercari.

### Price plans

The company collects transaction fees based on the number of monthly active users.

## Metaps Analytics price plans (monthly subscription)

Analytics	Basic Plan	Advance Plan	Enterprise Plan
MAU	0–300,000	300,001–1,000,000	1,000,001 or more
Transaction price	JPY100,000	JPY300,000	JPY500,000

Attribution	Ad-Basic Plan	Ad-Advance Plan	Ad-Enterprise Plan
Ad-Clicks (price per click)	JPY0.2	JPY0.15	JPY0.1
Ad-install (price per click)	JPY0.2	JPY0.15	JPY0.1
No. of free attributions	-	400,000	1,200,000
Price	-	JPY50,000	JPY150,000

Source: Shared Research based on company data

## Metaps Bridge

Metaps Bridge is a data platform that helps fuel growth for consumer apps. While Metaps Analytics measures ad effectiveness, Metaps Bridge concentrates on user analysis. Through app analysis, it allows companies to obtain in-app event data and other useful data that contribute to a deeper understanding of users. In addition to performing data analysis, it leverages the results of such analysis to propose and implement measures necessary to drive app growth. Metaps Bridge helps app developers resolve problems by supporting the design of in-app marketing (such as push notifications based on in-app user behavior), supporting optimization of online advertising budgets through data analysis, and implementing measures to reverse inactivity informed by user data.

Metaps Bridge enables integration, visualization, and utilization of various data related to mobile apps. It integrates various user data such as marketing data, in-app behavior, and membership information, and offers an environment to utilize the integrated data in app analysis and when serving ads. It can also visualize data for subscription-type apps, which has long been a challenge. Smartphone app developers can harness the data acquired through Metaps Bridge to drive growth for their apps.

## SaaS business

### Metaps Cloud

#### Overview

The company plans to launch its proprietary DX-support tool Metaps Cloud—a platform designed for centralized management of various SaaS within a company’s IT portfolio—in the spring of 2021. From November 16, 2020, it started rolling out the platform to companies by invitation.

Metaps Cloud enables centralized management of SaaS usage conditions, cost analysis, and security. Companies are grappling with an increase in SaaS used in their businesses, and ascertaining usage conditions has become a challenge. Meanwhile, the rise of telework, which accompanies increased external access to corporate data, has expanded demand for secure access environments. Another problem faced by many companies is the time required to configure SaaS access privileges whenever new employees join the company or existing employees leave.

Metaps Cloud aims to resolve such problems by focusing on visualization, security, and efficiency. In terms of visibility, the platform summarizes information such as SaaS login conditions and costs per organizational unit and employee in a central dashboard. This allows customers to pinpoint SaaS with an excessive number of accounts and scope for cost reductions. On the security front, Metaps Cloud allows companies to manage SaaS access through single sign-on (SSO) system, and configure access privileges for individual employees or terminals. It provides a secure environment for accessing data, which is also convenient for teleworking. Turning to efficiency, Metaps Cloud is equipped with a management screen from where accounts for new or leaving employees can be added or deleted. It enhances business efficiency for IT and management departments through centralized management.

Earnings for Metaps Cloud are calculated as: Number of users (Number of companies x Number of employees per company) x ARPU x (1 - Churn rate). The company is preparing pricing plans ahead of the official launch in the spring of 2021. It expects the churn rate for the service to be lower than for ordinary SaaS due to the high expenses associated with switching to a competing service.

## Medium-term objectives for SaaS business

Metaps is accumulating data on SaaS contract conditions and utilization at its customers, and building a database of individuals and companies. The objective is to use these data to help match companies to optimal SaaS solutions (recommend optimal SaaS solutions, propose proprietary and third-party SaaS services, and propose financial products) and accordingly optimize SaaS adoption. Over the medium term, the company says it aims to conclude comprehensive agency agreements with SaaS providers to offer support ranging from contract signing to payment processing. It expects such agreements to generate additional recurring revenue. Metaps sees scope to diversify into data bank and other operations by having customers route their SaaS payments through its own payments services.

## Long-term objectives for SaaS business

Over the long term, the company aims to integrate all SaaS used by companies into Metaps Cloud, and achieve a fully automated workflow. For example, it envisions a future in which the procedures required when employees join or leave a company can be fully automated once the initial employment contract is signed. In other words, the entire workflow from the initial hiring stage (e.g., employment contract, procedure for entering the company, and registration for SaaS of affiliated division) to the procedure to exit the company would be automated, thus eliminating manual labor for IT department in particular.

## miime

miime is an online marketplace that uses blockchain technology to trade digital items (non-fungible token [NFT]) such as game characters. Once a transaction is established on miime, the payment and transfer of NFT ownership are executed simultaneously. Transactions center on NFTs that are recorded as tokens in a blockchain, and buyers can purchase the NFTs using cryptocurrency (Ether [ETH]) or credit cards. The beta version of miime was launched by subsidiary Metaps Alpha in September 2019.

**Blockchain:** A technology that records transaction logs in publicly distributed digital ledgers. Blockchains store ledger data in blocks that are chained together. Each block generates a hash value (alphanumeric value of a fixed length that uniquely identifies data) that is stored in the next block. Thanks to this design, blockchain can easily detect tampering of information because any changes to data recorded in a block will break the alignment with the other blocks. Because blockchain is managed using rules that apply to the entire system, it cannot be centrally controlled by one individual, and the system as a whole can continue to operate even if a part of the system breaks down. (“Digital Strategy Textbook,” Masahiro Imaeda, Chuo Keizai)

**Ether (ETH):** The native cryptocurrency of the Ethereum blockchain platform. Ethereum also supports the creation of tokens with smart contract functionality.

**Smart contract:** A contract written as lines of code. Smart contracts automatically execute the following sequence once predetermined conditions are met: predefined terms of contract, occurrence of event, execution of contract, and payment settlement.

The products traded on miime are digital items for blockchain games. As of October 2020, the marketplace carried items used in 12 such games. Items can be paid for using ETH or Japanese yen, with miime being the first blockchain exchange in the world to accept Japanese yen as a form of exchange. This allows customers to settle NFT purchases in Japanese yen with a credit card if they do not possess ETH. The use of NFT means that historical transaction records can be stored, distribution channels can be recorded, and market transaction prices can be traced.

**Blockchain games:** Games built on blockchain technology.

**Non-Fungible Token (NFT):** A type of token that uses blockchain technology—typically, a digital item. NFTs are used to manage ownership of in-game assets (characters and items).

miime is a web application that incorporates blockchain technology. The web application provides product information and other screens for users to conduct trades, while the cryptocurrency (ETH) payments and NFT ownership transfers are executed through smart contracts on blockchain. Once a trade is established, miime collects a roughly 7% service fee from both the seller and buyer. NFT issuers (digital item copyright holders) are also paid a sales fee (percentage varies by project).

Transactions can be divided into two stages: 1) sellers post items for sale, and 2) buyers submit offers to purchase the items. Sellers post items for sale on miime, and buyers can browse, select, and submit offers to purchase the items. When a buyer purchases a digital item, the transaction is established immediately, and the NFT is sent to the buyer. The payment and the

transfer of the item are executed simultaneously through a smart contract. Offers from buyers are formal requests to purchase the NFT from the owner. miime also displays NFTs that have not been put up for sale, and buyers can search through these items and send offers for them. In other words, NFTs that were originally not for sale can also be purchased provided owners of these NFTs accept the purchase offers.

### **KUMONO UCYUSEN (Metaps stake: 25%)**

KUMONO UCYUSEN is an equity-method affiliate of Metaps that was originally established as a joint venture by a consortium of companies led by the Nippon Gas group to provide business optimization systems for energy companies. KUMONO UCYUSEN entered into a capital alliance with Metaps in 2016, hoping to benefit from the latter's insights in data analysis and business automation. At present, the major shareholders of KUMONO UCYUSEN are Nippon Gas group (stake of 55.2%), Metaps (25.0%), KDDI Corporation (9.9%), and Hitachi Capital Corporation (9.9%).

KUMONO UCYUSEN provides an eponymous business optimization system for the energy industry. It conducts all operations through cloud computing using smartphones and other mobile terminals. It sharply increases efficiency of business and logistics operations when used in combination with logistics facilities and equipment, for which Nippon Gas provides the expertise.

Progress with electricity and gas liberalization in the energy industry has created demand for cost optimization as companies seek to remain price competitive. Against this backdrop, Nippon Gas started developing a cloud-based IT solution package to supply electricity and city gas, and this ultimately led to the creation of the Kumono Ucyusen system.

### **re:shine**

In accordance with the "Action Plan for the Realization of Work Style Reform" (approved by the Council for the Realization of Work Style Reform in March 2017), the Ministry of Health, Labor and Welfare is promoting workers to pursue side jobs or businesses. However, many freelancers still believe their income is low or unstable (according to the results of the Survey on Freelancer Conditions conducted by the Japan Economic Revitalization Bureau of the Cabinet Secretariat in May 2020), revealing a major discrepancy between government policy and the reality on the ground.

In September 2019, Metaps launched re:shine, a freelancer matching service and freelance-type regular employee system that provides mechanisms and services to bridge the aforementioned gap. The business aims to develop environments that allow individuals to work in their preferred style while at the same time supporting stable income and social credibility (both of which can be a challenge for freelancers) and providing a retirement benefit plan eligible for tax incentives.

The application requirements for the freelance-type regular employee system are 1) a certain track record in completing projects through re:shine services, 2) a track record as a freelancer and proof of such work, and 3) a skillset that has a strong affinity with the operations of Metaps. Individuals who pass Metaps' screening can enter into a regular employment agreement governed by its Special Professional Work Regulations.

In terms of monetization, once a project requested by an ordering party to a freelancer is completed through re:shine, the ordering party pays the agreed wages directly and in full to the freelancer, and a fee equivalent to 5% of the total wages to re:shine. From the perspective of the ordering party, a fee of 5% is more attractive than the 30% charged by most recruitment agents. In addition, recruitment agents often charge fees on a year's worth of wages, whereas re:shine only collects fees on a monthly basis for the duration of the project.



## Differences between working as a freelancer and as a freelance-type regular employee

	Freelancer	Freelance-type regular employee
Sales activities	Need to be conducted independently	Same as on left + support from re:shine
Contract	Contract details and risks need to be ascertained independently	Same as on left + legal check by re:shine
Business-related consultations	Acquaintances and customers	Same as on left + re:shine registered members
Invoices	Need to be issued and sent independently	Same as on left + issued and sent by re:shine
Confirmation of payment	Needs to be conducted independently	Handled by re:shine, which pays out invoices as a salary. If the worker in question does not earn wages from secondary businesses, he/she does not need to submit a final tax return.
Withholding tax slips / payment records	Request payment records at the end of the year from companies that have withheld taxes on invoiced amounts, and verify that the amounts on the payment records match the amounts received	
Final tax return	Needs to be prepared and submitted independently based on payment records and other documentation	
Insurance, etc.	Enroll in National Health Insurance and National Pension at own expense	Can enroll in social insurance, splitting the cost burden with re:shine and resulting in better insurance and pension coverage

Source: Shared Research based on company data

## Market and value chain

### Market size

#### Digital transformation market

##### Approaching “2025 Digital Cliff” and digital transformation

In its “Report on Digital Transformation (DX)” published in September 2018 (“the DX Report”), METI warned that delays in upgrading existing IT systems in Japan are hampering digital transformation, a phenomenon it referred to as “2025 Digital Cliff.” This outlook was partly based on the fact that SAP, the leading enterprise resource planning (ERP) provider, had announced its plan to end the maintenance support for its previous core system (SAP ERP) in 2025 (SAP subsequently extended the support deadline until 2027). In the report, METI estimates that by 2025, 60% of all core systems used by companies in Japan will have been in operation for over 21 years. It points out that these systems will need to be upgraded, and that companies that fall behind in such efforts may lose significant business opportunities. The report also estimates that failure to overcome the 2025 Digital Cliff could lead to economic losses of as much as JPY12tn from 2025 to 2030. Conversely, scrapping or upgrading existing IT systems by 2025 could drive up real GDP to over JPY130tn by 2030.

##### Cloud service market

According to the White Paper on Information and Communications in Japan (2019), 33.1% of Japanese companies say they are making use of cloud services company-wide. The figure climbs to 58.7% if including companies reporting that they use cloud services in some offices and departments, and usage continues to increase every year. This expansion is also driving up demand for public cloud services such as software as a service (SaaS), platform as a service (PaaS), and infrastructure as a service (IaaS). Research by IDC Japan found that the market for public cloud services grew 31.2% YoY to JPY877.8bn in FY2019, and looks for a further expansion to JPY2,064.4bn in FY2024, reflecting a CAGR of 18.7% from FY2019 to FY2024.

##### Size of public cloud service market

Cloud service market in Japan (JPYbn)	2018 Act.	2019 Act.	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	CAGR 2019–2024
Public (SaaS, IaaS, PaaS)	669	878	1,042	1,236	1,467	1,742	2,064	18.7%

Source: Shared Research based on Japan Public IT Cloud Services Forecast (IDC Japan)

##### Target markets for Metaps Cloud

Metaps Cloud operates in the identity as a service (IDaaS), single sign-on (SSO), and cloud security markets, all of which are expanding globally. In Japan, these three markets are expected to expand to JPY7.7bn, JPY31.5bn, and JPY75.0bn, respectively, by 2025.

##### Size and projected growth for SaaS, IDaaS, SSO, and cloud security markets

	2019	2020	2021	2022	2023	2024	2025	CAGR (2019–2025)
<b>SaaS</b>								
Global (USDmn)	930	1,066	1,204	1,360	1,536	1,735	1,959	13.2%
Japan (JPYmn)	723,800	807,200	890,600	974,000	1,057,400	1,147,900	1,246,200	9.5%
<b>IDaaS</b>								
Global (USDmn)	2,500	3,300	4,100	4,900	5,700	6,500	7,412	19.9%
Japan (JPYmn)	2,900	3,700	4,600	5,300	6,000	6,800	7,700	17.7%
<b>SSO</b>								
Global (USDmn)	1,147	1,343	1,539	1,736	1,932	2,128	2,325	12.5%
Japan (JPYmn)	14,600	17,000	19,500	22,000	24,800	27,900	31,500	13.7%
<b>Cloud security</b>								
Global (USDmn)	29,350	30,600	31,850	33,100	34,350	35,600	36,895	3.9%
Japan (JPYmn)	34,300	40,200	46,200	52,100	58,800	66,400	75,000	13.9%

Source: Shared research based on company data (original sources: global SaaS data from HIS Technology, domestic SaaS data from Fuji Chimera Research Institute, global IDaaS data from MarketsandMarkets, domestic IDaaS data from ITR Market’s “View Identity/Access Management Market 2020,” global SSO data from QY Research, domestic SSO and cloud security research from IDC Japan, and global cloud security data from Mordor Intelligence LLP).

### Japanese market for cashless payments

#### Share of cashless payments

In June 2017, the third Abe Cabinet approved the growth strategy “Investments for the Future Strategy 2017—Reform to Realize Super Smart Society (Society 5.0),” which called for an increase in the share of cashless payments to about 40% by June 2027.

Cashless payments have continued to gain traction in part thanks to promotional measures implemented by METI, with the share rising from 18.2% in 2015 to 24.1% in 2018.

**Share of cashless payments:**

The share of cashless payments is calculated as: Total value of payments made through cashless modes (Electronic money + Debit and credit cards) / Household final consumption expenditure in Japan. In other words, the share of cashless payments made by consumers can be obtained by dividing the credit card, debit card, and electronic money payment data in the Redbook Statics [2017] published by the Bank for International Settlements (BIS), by the household final consumption expenditure data published by the World Bank (based on System of National Accounts [SNA]). Using BIS data also facilitates comparison with other countries. However, the numerator in our formula does not include 1) fund transfers between bank accounts, and 2) payments for data-based transactions involving virtual accounts (smartphone payments, etc.). One other problem is that electronic money solutions charged with credit cards result in double counting. In addition, the consumption value in the denominator of our formula is based on SNA definitions, which means it includes imputed rent and final consumption expenditure of private non-profit institutions serving households, both of which do not involve actual payment activity.

According to a household spending survey conducted by the Japan Credit Card Association (JCAA), cashless payments made up JPY120.2tn of the total JPY193.2tn in spending (total settlement amount) in 2019, leaving cash payments at JPY73.0tn (Objective Assessment of Consumption Conditions with a View toward Realization of Cashless Society survey report by JCAA and Nomura Research Institute, February 2020).

**Cashless payments (JCAA definition):** In the abovementioned survey report, cashless payments are defined as all payment methods other than cash (physical notes and coins). This includes payments by credit cards, electronic money, code payments, account-to-account transfers (used to transfer funds between the accounts of one person or for outside payments such as utility bills), and bank transfers.

**Cash vs. cashless payments: estimated amounts and shares**

Payment method	Amount (JPYtn)	% of total
<b>Cashless</b>	<b>120.2</b>	<b>62.2%</b>
Credit card	57.7	29.9%
Credit card (member)	51.6	26.7%
Credit card (family member)	6.1	3.2%
Debit card	0.2	0.1%
Electronic money	7.5	3.9%
QUICPay, iD (contactless)	0.6	0.3%
QR code payments	1.0	0.5%
Gift certificates, prepaid cards	1.7	0.9%
Account-to-account transfer	41.4	21.4%
Bank transfer	10.0	5.2%
<b>Cash</b>	<b>73.0</b>	<b>37.8%</b>
<b>Total</b>	<b>193.2</b>	<b>100.0%</b>

Source: Shared Research based on Objective Assessment of Consumption Conditions with a View toward Realization of Cashless Society survey report by JCAA and Nomura Research Institute, February 2020

**Further growth potential for cashless payments estimated at a minimum of JPY41tn**

▷ The JCAA estimates cashless payments could entirely overtake cash payments, and under this scenario puts the additional growth potential for cashless payments at JPY73.0tn. It refers to this as the “broadly defined” growth potential for cashless payments. In addition, consumers who currently use cash and cashless payments for different purposes account for 40% of the total. JCAA estimates cash payments for consumers in this group at JPY41.2tn, and views this as the “narrowly defined” growth potential for cashless payments. If the “narrowly defined” growth potential is realized and JPY41.2tn is converted to cashless payments, the share of cashless payments based on the household spending survey would jump to 83% (JPY161tn).

**People who switch intentionally between cash and cashless payments account for 40% of survey respondents:** The JCAA survey report found that respondents could be divided into three groups based on their use of cash and/or cashless payments: 1) cash group: people who only use cash for regular purchases (36%), 2) cash & cashless group: people who use cash payments for regular purchases, and cashless payments only when shopping at specific stores or purchasing specific items (40%), and 3) cashless group: people who use cashless payments for regular purchases wherever possible (24%).

▷ The “narrowly defined” growth potential for cashless payments of JPY41.2tn breaks down into 1) JPY37.9tn for in-store payments in supermarkets, drugstores, and convenience stores, 2) JPY1.3tn for e-commerce (goods and services), and 3) JPY1.9tn for periodic payments in settings other than stores, such as payments of utility bills, telecommunication fees, or insurance premiums.

## Potential market for Kaihi Pay valued at JPY1.9tn

Kaihi Pay is a payment solution targeting consumers who pay monthly fees for various lessons or gym memberships. Such payments likely correspond to ad-hoc or periodic payments in the household budget, suggesting the JPY1.9tn market for periodic payments mentioned above (currently paid in cash) is the potential market for Kaihi Pay.

## Potential market for CRIA

Based on a nationwide average annual income of JPY4.4mn, 50mn income earners, and a 20% usage rate for salary advance payments, we estimate the potential market for salary advance payments at roughly 10mn people. Assuming 10mn people use the service 18x per year (1.5x per month), we arrive at a potential market size of JPY99.0bn (fee of JPY550 x 18 x 10mn people).

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## Size of blockchain market

### Blockchain-related market

METI has identified five major areas in which blockchain technology will drive social transformation and be applied to business. It estimates the technology will have an impact on a domestic market worth JPY67.0tn in the future (source: Summary of Report on Core Infrastructure for IT Adoption and Service Promotion in Japanese Economy “Survey on Domestic and Overseas Trends in Services that Use Blockchain Technology” by Information Economy Division of the Commerce and Information Policy Bureau at METI).

Below, we outline the five areas and provide specific examples and market sizes.

- (1) Distribution of value, use of reward points, and development of platform infrastructure: regional currencies, electronic coupons, reward point services (JPY1.0tn)
- (2) Decentralization of activities that attest to rights: land registration, electronic medical records, various other types of registration (JPY1.0tn)
- (3) Elimination of idle assets and achievement of high-efficiency sharing: digital contents, ticket services, C2C auctions (JPY13.0tn)
- (4) Realization of open, efficient, and reliable supply chain: Certification of authenticity for retail products, precious metals management, and artworks (JPY32.0tn)
- (5) Realization of fully automated and optimized processes and transactions: wills, IoT, electricity services (JPY20.0tn)

### Blockchain market

The Yano Research Institute estimates the domestic market for services using blockchain technology was worth JPY17.2bn in FY2019 (based on company revenue figures; the same applies below), and expects that figure to expand to JPY123.6bn in FY2022 (assuming five-year CAGR of 108.8% from FY2017–2022) driven by the forthcoming provision of Blockchain as a Service (BaaS) solutions.

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## Internet advertising market

The Japanese internet advertising market expanded 16.5% YoY to JPY2,104.8bn in FY2019, surpassing the JPY1,861.2bn for the TV advertising market. Internet advertising expenditures (internet advertising expenditures excluding production costs and e-commerce platform ad expenditures for product sales) were up 14.8% YoY to JPY1,663.0bn. By ad type, the growth was driven by paid search ads (up 17.1% YoY to JPY668.3bn) and video ads (up 57.1% YoY to JPY318.4bn). The Yano Research Institute expects the Japanese internet advertising market to expand further to JPY2,800.0bn in FY2023.

## Internet advertising spending and corresponding shares

(JPYbn)	2012	2013	2014	2015	2016	2017	2018	2019
Total advertising expenditures	5,891.3	5,976.2	6,152.2	6,171.0	6,288.0	6,390.7	6,530.0	6,938.1
YoY	3.2%	1.4%	2.9%	0.3%	1.9%	1.6%	2.2%	6.2%
Internet advertising expenditures	868.0	938.1	1,051.9	1,159.4	1,310.0	1,509.4	1,758.9	2,104.8
% of total advertising expenditures	14.7%	15.7%	17.1%	18.8%	20.8%	23.6%	26.9%	30.3%
YoY	7.7%	8.1%	12.1%	10.2%	13.0%	15.2%	16.5%	19.7%
Medium expenditures	662.9	720.3	824.5	919.4	1,037.8	1,220.6	1,448.0	1,663.0
Product sales EC platform ad expenditures								106.4
Production costs	205.1	217.8	227.4	240.0	272.2	288.8	310.9	335.4
Transaction method								
Performance-based	339.1	412.2	510.6	622.6	738.3	940.0	1,151.8	1,326.7
Reserved					153.8	175.8	197.1	231.4
Affiliate					145.7	104.8	99.1	104.9
Device								
Mobile	80.0	207.3	345.0	497.9	647.6	831.7	1,018.1	
Desktop	582.9	513.0	479.5	421.5	390.2	388.9	429.9	
Ad category								
Display						498.8	563.8	554.4
Paid search						483.1	570.8	668.3
Video			29.0	51.6	86.9	115.5	202.7	318.4
Affiliate						104.9	99.0	104.9
Other						18.3	11.7	17.0
Social								
Social media ads							389.0	489.9
Social networking								228.0
Video sharing								113.9
Other								148.0
Other than social ads							1,059.0	1,173.1

Source: Shared Research based on Advertising Expenditures in Japan by Dentsu

## Trends at competitors

### Competition in payment processing services market

#### GMO Payment Gateway (TSE1: 3769)

GMO Payment Gateway operates the Payment Processing business that offers in-store and online payment services geared mainly toward the B2C market. In FY09/20, GMO Payment Gateway reported segment revenue of JPY23.0bn (+22.5% YoY) and segment profit of JPY11.6bn (+15.4% YoY) for the business. Segment revenue has expanded at a CAGR of 27.8% in the four years since 2016. GMO Payment Gateway is generating high profit margins thanks to economies of scale, with OPM at 50.3%. Its total transaction value is around JPY4tn.

#### GMO Payment Gateway: Performance by segment

Segment sales (JPYmn)	FY09/16 Act.	FY09/17 Act.	FY09/18 Act.	FY09/19 Act.	FY09/20 Act.
Payment Processing	8,632	11,914	14,801	18,812	23,038
YoY	-	38.0%	24.2%	27.1%	22.5%
Money Service	2,243	5,802	6,255	7,478	9,416
YoY	-	158.7%	7.8%	19.6%	25.9%
Payment Enhancement	1,239	4,079	5,361	633	602
YoY	-	229.2%	31.4%	-88.2%	-4.9%
Adjustments	-212	0	0	0	-9
YoY	-	-	-	-	-
Total	12,114	21,795	26,417	26,923	33,046
YoY	-	79.9%	21.2%	1.9%	22.7%
Segment profit (JPYmn)	FY09/16 Act.	FY09/17 Act.	FY09/18 Act.	FY09/19 Act.	FY09/20 Act.
Payment Processing	5,067	6,580	8,065	10,032	11,581
YoY	-	29.9%	22.6%	24.4%	15.4%
Segment profit margin	58.7%	55.2%	54.5%	53.3%	50.3%
Money Service	217	226	1,378	1,973	1,800
YoY	-	4.1%	509.7%	43.1%	-8.8%
Payment Enhancement	159	508	-178	110	77
YoY	-	219.5%	-	-	-
Segment profit margin	12.9%	12.5%	-	-	12.9%
Adjustments	-1,624	-2,299	-2,714	-2,552	-3,070
YoY	-	41.6%	18.1%	-	-
Total	3,820	5,015	6,551	9,563	10,389
YoY	-	31.3%	30.6%	46.0%	8.6%
Segment profit margin	31.5%	23.0%	24.8%	35.5%	31.4%

Source: Shared Research based on company data

GMO Payment Gateway also offers a range of fintech services such as deferred payment processing and transaction lending services in its Money Service business. In FY09/20, it reported segment revenue of JPY9.4bn (+25.9% YoY) and segment profit of

JPY1.8bn (-8.8% YoY) for the business. While the revenue scale and margins in the Money Service business still lag the Payment Processing business, GMO Payment Gateway aims to grow the business into a new earnings pillar by responding to financial needs in the market. Other competitors in the payment services space are outlined in the table below.

### Trends at competitors in the payment services space

Payment service market	Transaction volume	Revenue	Operating profit	Market share	Service fee	OP margin
<b>Japan (JPYmn)</b>						
GMO Payment Gateway	5,800,000	23,037	11,581	30.0%	0.4%	53.3%
SB Payment Service	3,536,100	16,074	6,900	18.3%	0.5%	42.9%
VeriTrans	2,100,000	16,044	1,935	10.8%	0.6%	12.1%
<b>Overseas (USDmn)</b>						
PayPal	712,000	17,772	2,719	-	2.5%	15.3%

Source: Shared Research based on company data

Note: Revenue and operating profit figures for GMO Payment Gateway reflect revenue and segment profit data for the company's Payment Processing business.

Note: PayPal results reflect GAAP figures. On a non-GAAP accounting basis, operating profit was USD4.1bn and OPM 23%.

Note: Market shares are calculated based on B2C e-commerce market size (JPY19.4tn) reported in the E-Commerce Market Survey by METI.

## Competition in IDaaS market

### Hennge (TSE Mothers: 4475)

Hennge provides HENNGE One, a service that enhances security and login convenience by combining access management and ID integration functionality. Headquartered in Tokyo, the company employed 194 people as of FY09/20 (26 engineers, 48 sales representatives, and 39 customer success staff). It also operates branches in Osaka (established in 2015), Nagoya (2016), and Fukuoka (2018). Overseas, it has opened a branch in Taiwan.

In FY09/20, the company reported total revenue of JPY4.2bn (+21.2% YoY) and Hennge One revenue of JPY3.6bn (+24.1% YoY). Its revenue expanded at a CAGR of 25.4% from 2015 to 2020.

Hennge's earnings are a function of the number of customer companies, the average number of users per company, and ARPU. Its customer base is growing, and stood at 1,667 companies at end-FY09/20. The number of users per company averages 1,000, and ARPU is JPY2,007 per year. The company excels in supporting customer success, which is apparent in its low monthly churn rate of 0.16%.

### KPIs for Hennge One

Hennge KPI	FY09/18	FY09/19	FY09/20
	Act.	Act.	Act.
ARR (JPYmn)	2,552	3,240	3,909
YoY	34.5%	27.0%	20.6%
Number of contracts (companies)	1,176	1,428	1,667
YoY	26.7%	21.4%	16.7%
Number of users per contract	1,166	1,171	1,169
YoY	5.3%	0.4%	-0.2%
ARPU (JPY)	1,861	1,938	2,007
YoY	0.7%	4.1%	3.6%
Revenue per contract (JPYmn)	19.5	20.4	21.7
YoY	6.1%	4.6%	6.3%
Average monthly churn rate (TTM)	0.2%	0.12%	0.16%
YoY change		-0.03pt	0.04pp

Source: Shared Research based on company data

### Okta (NASDAQ: OKTA)

Okta is a US-based company that pioneered the single sign-on (SSO) space. It was founded in San Francisco in 2009, and has continued to expand its operations, opening offices in San Jose, Bellevue, Toronto, Washington DC, London, Amsterdam, Sydney, Paris, and Stockholm. In September 2020, it established a subsidiary in Japan, paving the way for an expansion into the Japanese market. As of June 2020, it had a global workforce of 2,489 employees.

Okta reported FY01/20 revenue of USD586mn (+46.8% YoY) and an operating loss of USD48mn. The company has reported successive operating losses due to upfront spending, but its revenue has expanded at a CAGR of 53.9% over the last three years. Subscription-based services account for over 90% of its revenue, which continues to grow at a pace of roughly 50%.

The main factor driving earnings at Okta is its high ARPU, which is the result of a high annual increase in subscribers (30%) and a

high share of large customers (18.5%) among total subscribers. The company's subscription value per company is JPY7mn after conversion to yen (assuming JPY100/USD), which is more than double the JPY2.3bn for Henнге.

### KPIs for Okta

Okta KPI	FY01/18 Act.	FY01/19 Act.	FY01/20 Act.
Subscription revenue (USD'000)	236,422	370,855	552,688
YoY	-	56.9%	49.0%
Number of contracts (companies)	4,350	6,100	7,950
YoY	-	40.2%	30.3%
No. of large-lot clients (>USD100'000 ACV)	691	1,038	1,467
YoY	15.9%	17.0%	18.5%
Revenue per contract (USD'000)	54.3	60.8	69.5
YoY	-	11.9%	14.4%
Ref. JPY-basis (JPYmn; JPY100/USD)	5.4	6.1	7.0

Source: Shared Research based on company data

### Performance at Okta (left) and Henнге (right)

Okta (USD'000)	FY01/18 Act.	FY01/19 Act.	FY01/20 Act.	Henнге (JPYmn)	FY09/18 Act.	FY09/19 Act.	FY09/20 Act.
Revenue	256,547	399,254	586,067	Revenue	2,835	3,427	4,153
YoY	59.5%	55.6%	46.8%	YoY	27.4%	20.9%	21.2%
Subscription	236,422	370,855	552,688	Subscription (HENNGE One)	2,289	2,916	3,618
YoY	63.2%	56.9%	49.0%	YoY	-	27.4%	24.1%
% of revenue	92.2%	92.9%	94.3%	% of revenue	80.7%	85.1%	87.1%
Professional services and others	20,125	28,399	33,379	Professional Services and Others	547	511	535
YoY	26.6%	41.1%	17.5%	YoY	-	-6.5%	4.7%
% of revenue	7.8%	7.1%	5.7%	% of revenue	19.3%	14.9%	12.9%
Cost of revenue	80,755	113,421	159,382	Cost of revenue	631	605	735
YoY	-	40.5%	40.5%	YoY	8.6%	-4.1%	21.5%
Gross profit	183,533	299,485	452,260	Gross profit	2,204	2,822	3,417
YoY	71.5%	75.0%	77.2%	YoY	77.8%	82.3%	21.1%
SG&A expenses	244,767	405,455	612,517	SG&A expenses	2,002	2,635	2,879
YoY	-	65.6%	51.1%	YoY	34.1%	31.6%	9.3%
SG&A ratio	95.4%	101.6%	104.5%	SG&A ratio	70.6%	76.9%	69.3%
Operating profit	-61,234	-119,622	-185,832	Operating profit	202	187	539
YoY	-	-	-	YoY	32.9%	-7.3%	187.7%
Operating profit margin	-23.9%	-30.0%	-31.7%	Operating profit margin	7.1%	5.5%	13.0%

Source: Shared Research based on company data

Henнге and Okta offer SSO services as their core product with a focus on security. In contrast, Metaps places emphasis on the SaaS management aspect of Metaps Cloud in addition to security, thus providing tools for managers to reduce man hours. In this way, the value provided to customers by Metaps Cloud is different from that offered by the two companies.

## Strengths and weaknesses

### Strengths

- **Attractive workplace for engineers thanks to adoption of latest development methods and technologies:** Metaps does not employ the traditional software development approach (waterfall model that divides the development process into the stages of plan, design, implement, and test). Instead, it has adopted the agile development methodology. According to a survey on application development (AD) conducted by Gartner Japan (February 2019), only 15% of Japanese application developers have adopted the agile method. Globally, over 70% of companies have adopted agile development (*Pulse of the Profession 2017*, Project Management Institute, 2017). In this regard, Metaps' progressive stance on development allows it to capitalize on the opportunities offered by the age of rapid SaaS adoption. The company has a track record of developing and releasing unique products in quick succession, including SPIKE (payment platform), Kaihi Pay (package payment solution for small recurring billing), and Metaps Cloud (Japan's first centralized SaaS management tool). Its managers and engineers work closely together to pioneer new technologies such as blockchain. The company is increasingly attracting engineers with prior work experience at other industry frontrunners such as LINE and Mercari, which is further proof that its efforts to keep abreast of the latest development approaches and technologies are boosting its appeal among engineers.
- **Ability to serve niche markets with products that drive business efficiency and automation:** In the B2B payment processing field, Metaps has rolled out package solutions such as Kaihi Pay and Event Pay. These services target markets where credit cards are not widely adopted because small amounts of payments are usually settled in cash. For instance, Kaihi Pay serves businesses that offer flat-rate membership services for under JPY5,000 to a customer base of around 30 people (members), such as gyms and cram schools. These markets are not pursued by major competitors because developing payment solutions for businesses with such small customer bases is not cost-effective. Kaihi Pay has managed to carve out a new market because it offers more than a payment solution, adding attractive tools to streamline cumbersome tasks for business operators. Although Metaps charges a relatively high service fee for Kaihi Pay (3.5% + JPY100, versus 3.0% for credit card payments), the user base continues to expand. This suggests that customers believe the service fee is reasonable in light of the additional benefits provided by the service, such as visualization of the user base, efficiency gains from a shift to paperless operations, and workflow automation. The company has also launched CRIA, a real-time salary payment service allowing employees to collect salary advances, which helps enhance employee benefits and reduce staff turnover.
- **Credibility as payment processing company built on technical prowess in online payment solutions:** Advances in information technology have sparked an unbundling of financial functions and led to the emergence of specialized fintech companies. Traditional financial companies will need to partner with such companies to ensure their survival in the age of digital transformation. Payment services have historically been handled by licensed financial institutions such as banks because this is a field with zero tolerance for error from a consumer standpoint. Put differently, credibility is of paramount importance for payment services providers. In 2016, Metaps entered into a business alliance with Mizuho Financial Group and Mizuho Bank to provide new payment services. It has also partnered with Seven Bank to provide the real-time salary payment service CRIA, allowing employees to collect salary advances through Seven Bank's network of 25,000 ATMs across Japan. Metaps was able to form these alliances with major banks thanks to 1) its broad expertise in leveraging the usage potential of smartphones, 2) its experience in IT-powered data analytics, and 3) its wide business network in Asia, where smartphones gained traction ahead of Japan. In sum, the company has built up credibility in the industry, which is difficult to accomplish in the fintech space.

### Weaknesses

- **Overseas operations (which the company intends to exit or downsize in the future) are holding back earnings:** Following an expansion under the previous management, Metaps has decided to scale down its consumer business (e.g., by removing pring Inc. from the scope of consolidation). It has also resolved to withdraw from or downsize its overseas operations. The company currently positions its domestic operations in the Finance segment as the core business, and intends to develop its centralized SaaS management service Metaps Cloud in the DX support business into a growth driver over the medium term. Metaps Cloud may reap early mover advantages in tandem with progress of digital transformation. However, the company's earnings are strongly influenced by its overseas operations, which accounted for 49.5% of revenue in FY12/19.



Consequently, the growth story of its domestic operations will likely remain obscured until the company fully exits its overseas businesses.

- Yet to develop a system to fully utilize customer data to create synergies among businesses:** Fintech companies such as household accounting app developer Money Forward (TSE Mothers: 3994) and cloud accounting solutions provider Freee (TSE Mothers: 4478) have expanded their businesses by utilizing the data of credit card companies. They have created systems where consumers and companies can freely access and utilize their data held by credit card companies. Under the previous management, Metaps also unveiled a “Datanomics Vision,” and aimed to create a business that collects and utilizes consumer payment processing data. However, without being involved in credit card issuer and acquirer operations, it is hard to collect useful consumer or transaction data. Acquirers possess data on store and sales attributes but lack information on consumer (member) attributes, and the reverse is true for issuers. Since Metaps is a payment solutions provider with no involvement in issuer or acquirer operations, there are limits on the data it can collect. In other words, unless the company issues credit cards while building platforms for affiliated merchants, giving it access to consumer and corporate data, it will remain unable to organically link such data to its existing businesses (Finance, Marketing, and DX support) and generate economies of scale or synergies. At present, it has no choice but to expand its track record in niche markets with products such as Kaihi Pay.
- One-off sales of package solutions need to make way for a sales model that supports SaaS business through customer success initiatives:** Metaps has entered the SaaS business with the launch of its DX support business. To generate a return on investment in this field, the company will need to lock in customers by heeding their feedback, frequently releasing new functions, and consistently offering quality services. Unlike conventional customer support that deals with metrics such as number of inquiries handled and customer satisfaction, the key to running a profitable SaaS business lies in being laser focused on revenue and the churn rate, and in implementing initiatives that lead customers to success. Because the Finance segment collects service fees on fixed monthly payments, it can technically be categorized as a recurring revenue business. In practice, however, the segment concentrates on one-off sales of package solutions that do not necessitate the type of customer communication that is a must for SaaS business. As a result, getting the SaaS business off the ground will require more than simply transferring sales staff and engineers from the Finance segment. Metaps will need to change its mindset from a focus on costs to the pursuit of profit, switch from passive to proactive initiatives, and increase its sales staff, engineers, and account managers. The company understands it has work to do in these areas and realizes it faces organizational challenges. However, the reality is that it will not be able to fulfill these requirements with existing staff of the Finance segment and DX support businesses, and will need to invest in personnel training and recruiting.

## Historical results and financial statements

### Income statement

Income statement (JPYmn)	FY08/15 JGAAP	FY08/16 IFRS	FY08/17 IFRS	FY08/18 IFRS	FY12/19 IFRS
<b>Revenue</b>	<b>4,126</b>	<b>8,817</b>	<b>13,572</b>	<b>10,240</b>	<b>13,292</b>
YoY	82.2%	113.7%	53.9%	-24.6%	29.8%
Cost of revenue	3,508	7,188	10,564	6,104	7,683
<b>Gross profit</b>	<b>618</b>	<b>1,629</b>	<b>3,008</b>	<b>4,136</b>	<b>5,609</b>
Gross profit margin	15.0%	18.5%	22.2%	40.4%	42.2%
SG&A expenses	938	1,882	3,239	4,673	7,019
SG&A ratio	22.7%	21.3%	23.9%	45.6%	52.8%
Other income		16	518	559	2,325
Gain on revaluation of shares in affiliates		-	232	-	1,759
Gain on sale of shares in affiliates		-	146	-	124
Change in fair value of contingent considerations		-	101	188	177
Gain on sale of crypto currency		-	-	328	1
Other		16	38	44	264
Other expenses		101	53	258	3,567
Impairment losses		83	-	74	3,516
Loss on retirement of fixed assets		-	-	48	19
Loss on acquisition of in-house crypto currency		-	-	70	-
Other		19	53	66	32
Share of profit (loss) of investments accounted for using equity method		5	18	21	-339
<b>Operating profit</b>	<b>-320</b>	<b>-333</b>	<b>251</b>	<b>-214</b>	<b>-2,990</b>
YoY	-	-	-	-	-
Operating profit margin	-	-	1.8%	-	-
Finance income		2	89	1	4
Finance expenses		240	63	106	166
<b>Pre-tax profit</b>	<b>-358</b>	<b>-571</b>	<b>278</b>	<b>-319</b>	<b>-3,152</b>
YoY	-	-	-	-	-
Pre-tax profit margin	-	-	2.0%	-	-
Income taxes	30	97	14	108	481
Implied tax rate	-8.4%	-17.0%	5.0%	-33.9%	-15.3%
<b>Profit</b>	<b>-388</b>	<b>-668</b>	<b>264</b>	<b>-427</b>	<b>-3,633</b>
Profit attributable to non-controlling interests	3	49	4	28	-772
<b>Profit attributable to owners of the parent</b>	<b>-391</b>	<b>-718</b>	<b>260</b>	<b>-454</b>	<b>-2,861</b>
YoY	-	-	-	-	-
Profit margin	-	-	1.9%	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Balance sheet

Balance sheet (consolidated) (JPYmn)	FY08/15 JGAAP	FY08/16 IFRS	FY08/17 IFRS	FY08/18 IFRS	FY12/19 IFRS
<b>ASSETS</b>					
Cash and cash equivalents	7,783	6,273	6,650	7,054	4,683
Trade and other receivables	720	4,399	6,749	6,193	9,752
Inventories	-	-	-	426	81
Other financial assets	-	187	187	205	412
Other current assets	259	307	378	916	332
<b>Total current assets</b>	<b>8,762</b>	<b>11,342</b>	<b>13,964</b>	<b>14,793</b>	<b>15,259</b>
Tangible fixed assets	41	106	165	389	205
Goodwill	-	2,617	3,371	4,582	2,302
Customer-related intangible assets	-	933	1,125	1,045	217
Other intangible assets	403	659	604	969	360
Investments accounted for using equity method	-	45	270	312	1,787
Deferred tax assets	-	-	31	86	145
Other financial assets	56	164	215	438	560
Other noncurrent assets	-	51	41	73	50
<b>Total noncurrent assets</b>	<b>533</b>	<b>4,577</b>	<b>5,822</b>	<b>7,893</b>	<b>5,625</b>
<b>Total assets</b>	<b>9,295</b>	<b>15,919</b>	<b>19,786</b>	<b>22,686</b>	<b>20,884</b>
<b>LIABILITIES</b>					
Bonds and borrowings	-	862	1,278	379	883
Trade and other payables	660	5,478	7,358	7,520	11,130
Other financial liabilities	603	15	562	864	248
Income taxes payable	-	66	68	102	116
Provisions	-	40	36	27	27
Other current liabilities	-	454	667	2,189	1,067
<b>Total current liabilities</b>	<b>1,264</b>	<b>6,958</b>	<b>9,968</b>	<b>11,081</b>	<b>13,965</b>
Bonds and borrowings	-	1,142	2,701	2,466	1,460
Other financial liabilities	-	30	66	430	248
Provisions	8	24	4	74	57
Deferred tax liabilities	2	171	187	237	604
Other noncurrent liabilities	3	38	39	48	33
<b>Total noncurrent liabilities</b>	<b>11</b>	<b>1,405</b>	<b>2,996</b>	<b>3,254</b>	<b>2,403</b>
<b>Total liabilities</b>	<b>1,274</b>	<b>8,363</b>	<b>12,964</b>	<b>14,335</b>	<b>16,367</b>
<b>EQUITY</b>					
Capital stock	4,628	4,663	4,691	5,420	5,444
Capital surplus	4,617	4,820	3,699	4,552	4,557
Other components of equity	32	-246	-85	-11	-117
Retained earnings	-1,260	-2,000	-1,723	-2,175	-4,984
Equity attributable to owners of the parent	7,956	7,237	6,582	7,787	4,899
Non-controlling interests	28	319	240	563	-383
<b>Total equity</b>	<b>8,021</b>	<b>7,556</b>	<b>6,822</b>	<b>8,350</b>	<b>4,517</b>
Working capital	60	487	1,160	1,772	2,927
Total interest-bearing debt	-	1,151	3,126	2,600	2,343
<b>Net debt</b>	<b>-7,783</b>	<b>-5,122</b>	<b>-3,524</b>	<b>-4,454</b>	<b>-2,340</b>

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

- ▷ Total assets stood at JPY20.9bn in FY12/19 (-JPY1.8bn YoY). This mainly reflected a JPY3.6bn increase in trade and other receivables, a JPY2.4bn decline in cash attributable to redemption of bonds, and a decline of JPY2.3bn in goodwill due to the booking of impairment losses. Trade payables and receivables mainly comprise accounts receivable for credit card companies in connection with payment processing services provided by Metaps Payment.
- ▷ Total liabilities amounted to JPY16.4bn at end-FY12/19 (+JPY2.0bn YoY). This was primarily due to a decline of JPY1.1bn in other current liabilities (revenue recognition for deferred revenues accompanying initial coin offerings), and a rise of JPY3.6bn in trade payables and other liabilities.
- ▷ Total equity was down JPY3.8bn YoY to JPY4.5bn. This was mainly attributable to the booking of a loss of JPY3.6bn.

Initial coin offering (ICO): A method of raising funds by selling digital assets (electronic tokens) that have a certain exchange value like digital currency to the market. ICOs became a popular fundraising method after the value of bitcoin rose around 2018. The company's subsidiary Metaps Plus, which is headquartered in South Korea, conducted an ICO from September 26 to October 10, 2017. It issued PlusCoin (PLC) tokens on the Ethereum blockchain platform, and these were made available on cryptocurrency exchanges in South Korea. According to the ICO White Paper for PLC, the company aimed to sell a minimum of 30,000 ETH in tokens, corresponding to JPY1.2bn. Metaps Plus was founded in June 2016 as a subsidiary of Metaps in South Korea. In October 2016, it acquired the prepaid card and prepaid electronic money business Smartcon.

## Cash flow statement

Cash flow statement (JPYmn)	FY08/15 JGAAP	FY08/16 IFRS	FY08/17 IFRS	FY08/18 IFRS	FY12/19 IFRS
<b>Cash flows from operating activities (1)</b>	<b>-2</b>	<b>-1,114</b>	<b>-311</b>	<b>396</b>	<b>-644</b>
Pre-tax profit	-358	-571	278	-319	-3,152
Depreciation	64	213	373	508	695
Impairment losses		-	-	74	3,516
Share of profit (loss) of investments accounted for using equity method		-5	-18	-21	339
Gain on revaluation of shares in subsidiaries and associates		-	-	-	-1,759
Increase in inventories		-	-	-425	308
Increase in trade and other receivables		-882	-2,250	740	-3,638
Increase in trade and other payables		219	1,746	-260	4,017
Other		32	-274	392	-870
Interest and dividend income		2	2	1	3
Interest expenses		-28	-29	-23	-34
Income taxes refund		-	-	52	179
Income taxes paid	-	-94	-139	-325	-246
<b>Cash flows from investing activities (2)</b>		<b>-1,927</b>	<b>-931</b>	<b>-378</b>	<b>-946</b>
Purchase of tangible/intangible fixed assets		-234	-143	-576	-528
Proceeds from sale of tangible/intangible fixed assets				789	2
Acquisition of subsidiaries		-2,116	-939	-277	-
Proceeds from sale of subsidiaries		424	-	-	-
Proceeds from sale of subsidiary accompanying loss of control		-	300	-	-
Reduction accompanying loss of control in subsidiary				-	-483
Other		-1	-149	-315	63
<b>Free cash flow (1+2)</b>	<b>-2</b>	<b>-3,041</b>	<b>-1,242</b>	<b>18</b>	<b>-1,590</b>
<b>Cash flows from financing activities</b>		<b>1,680</b>	<b>1,595</b>	<b>374</b>	<b>-761</b>
Net increase in short-term borrowings		-	365	-299	788
Net increase in long-term borrowings	-	1,613	-853	-928	-277
Proceeds from issuance of, and redemption of, bonds	-	-	2,371	-	-1,025
Other		67	112	196	-3
Other (change in forex, other)					
<b>Increase (decrease) in cash and cash equivalents</b>		<b>-1,360</b>	<b>352</b>	<b>392</b>	<b>-2,351</b>

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

### Cash flows from operating activities

Net cash used in operating activities totaled JPY644mn. This mainly reflected a pre-tax loss of JPY3.2bn, an impairment loss of JPY3.5bn, a JPY1.8bn loss on revaluation of shares in affiliates, and a JPY3.6bn decline in trade and other receivables and a JPY4.0bn increase in trade and other payables.

### Cash flows from investing activities

Net cash used in investing activities came to JPY946mn. This was mainly attributable to JPY528mn in purchases of intangible assets and a JPY483mn decline from the loss of control of a subsidiary.

### Cash flows from financing activities

Net cash used in financing activities amounted to JPY761mn. This mainly reflected JPY1.5bn in proceeds from issuance of bonds and JPY2.5bn in redemption of bonds.

## Historical results

### 1H FY12/20 results

#### Summary

- ▷ Revenue: JPY4.2bn (-15.9% YoY)
- ▷ Gross profit: JPY2.0bn (-15.5% YoY)
- ▷ Operating loss: JPY414mn (versus operating profit of JPY1.7bn in 1H FY12/19)
- ▷ Loss\*: JPY531mn (versus profit of JPY1.0bn in 1H FY12/19)

\* Loss attributable to owners of the parent.

In 1H FY12/20, the domestic operations in the Finance segment—the core business—recorded a temporary but considerable decline in revenue due to impact from the COVID-19 pandemic, but the Marketing segment remained strong. In the three months of Q2, revenue was down YoY due to the pandemic, but held steady at the level recorded in Q1, when the impact of the pandemic was limited. GPM also remained at a high level. EBITDA adjusted for restructuring and other costs remained in positive territory, coming to JPY149mn. In May 2020, the company absorbed Metaps Links and launched the DX support business.

#### Finance (47.0% of total revenue)

- ▷ Revenue from external customers: JPY1.8bn (-20.7% YoY)  
Of which domestic revenue made up JPY787mn (-1.0% YoY) and overseas revenue JPY1.0bn (-31.4% YoY)
- ▷ Gross profit: JPY1.5bn (-18.8% YoY)
- ▷ Segment profit: JPY9mn (-97.1% YoY)

From March 2020, domestic revenue in the Finance segment gradually declined, and transaction value for payments related to travel, hotel, and events fell sharply. Revenue bottomed in May and recovered in June, and segment profit accordingly reversed from a loss in Q1 to a profit in Q2. Another factor contributing to the tough YoY comparisons was the absence of the JPY310mn in cryptocurrency revenue booked in 1H FY12/19. In overseas operations in the Finance business, the booking of cryptocurrency expenses weighed heavily on earnings. Overseas corporate customers also temporarily cut their sales promotion budgets from March. Despite these downturns, overseas earnings are gradually recovering as the impact of the COVID-19 pandemic appears to subside.

#### Marketing (52.4% of total revenue)

- ▷ Revenue from external customers: JPY2.4bn (-9.2% YoY)  
Of which domestic revenue made up JPY1.6bn (-1.1% YoY) and overseas revenue JPY820mn (-21.5% YoY)
- ▷ Gross profit: JPY532mn (-0.8% YoY)
- ▷ Segment profit: JPY176mn (+66.0% YoY)

Despite the COVID-19 pandemic, overseas operations bounced back rapidly and domestic operations benefited from a sharp increase in demand. The segment saw a modest drop in customer demand due to the pandemic, but demand rapidly recovered led by the game publishing field. The company also successfully reduced costs in the segment, which helped drive profit above forecast. Metaps One also reported higher-than-forecast earnings thanks to major contributions from an increase in usage of online services as the general public refrained from going out, strong data feed operations, and growth in ads posted by customers, especially in the e-commerce field. In June, Metaps One launched a data feed for LINE Shopping through its BFP data feed service.

## Q1 FY12/20 results

### Summary

FY12/19 was an irregular 16-month accounting period as the company changed its fiscal year end from August to December. Consequently, Q1 FY12/20 covered the period from January 1, 2020 to March 31, 2020, while Q1 FY12/19 spanned the period from September 1, 2018 to November 30, 2018.

- ▷ Revenue: JPY2.1bn (-10.8% YoY)
- ▷ Gross profit: JPY1.1bn (+12.6% YoY)
- ▷ Operating loss: JPY186mn (versus profit of JPY1.5bn in Q1 FY12/19)
- ▷ Loss\*: JPY228mn (versus profit of JPY947mn in Q1 FY12/19)

\* Loss attributable to owners of the parent.

Revenue fell 10.8% YoY due to the withdrawal from the cryptocurrency business as the company restructured its business portfolio. The COVID-19 pandemic caused a decline in overseas revenues. Excluding earnings from the exited cryptocurrency business, domestic operations held strong, and gross profit rose to a trailing twelve month high (+12.6% YoY). Domestic operations in the Finance and Marketing segments were both strong. Gross profit came to JPY1.1bn thanks to the revision of the business portfolio, with the Finance business contributing 76% and the Marketing business 23%. Domestic operations accounted for 53% of gross profit and overseas operations for 47%. Adjusted EBITDA (= operating profit + depreciation and amortization + IFRS-related expenses + organizational restructuring expenses + M&A-related expenses) came to JPY70mn.

### Finance (47.0% of total revenue)

- ▷ Revenue from external customers: JPY981mn (+6.5% YoY)  
Of which domestic revenue made up JPY420mn (+6.6% YoY) and overseas revenue JPY561mn (+6.5% YoY)
- ▷ Gross profit: JPY809mn (+19.9% YoY)
- ▷ Segment loss: JPY10mn (versus segment loss of JPY102mn in Q1 FY12/19)

The Finance segment was minimally affected by the COVID-19 pandemic in Q1 FY12/20. Metaps Payment turned in strong performance. In March 2020, the company completed the sale of cryptocurrency operator Upside. Domestic operations were affected by cancellations of online payments related to events and travel from around mid-March 2020, but earnings appear to have finished in line with forecasts. Overseas, the pandemic affected some services from February, particularly in South Korea, but revenue surpassed forecasts.

In January 2020, Metaps started a collaboration with Seven Bank in the Finance segment. Under the alliance, the Metaps group and the Seven Bank group will aim to strengthen their relationship, and jointly develop new businesses. As their first initiative, the two groups will work to improve the real-time salary payment service CRIA.

### Marketing (52.4% of total revenue)

- ▷ Revenue from external customers: JPY1.1bn (-18.8% YoY)  
Of which domestic revenue made up JPY809mn (+7.9% YoY) and overseas revenue JPY284mn (-52.3% YoY)
- ▷ Gross profit: JPY246mn (+3.4% YoY)
- ▷ Segment profit JPY56mn (+56.1% YoY)

Domestic operations in the Marketing segment were hardly affected by the COVID-19 pandemic in Q1, and earnings accordingly outstripped forecasts. In overseas operations, the Greater China business was hurt by city lockdowns, resulting in a larger impact on earnings in Q1 than in other regions. Impact of the pandemic also persisted in the electronic money business in South Korea, which has major restaurant chains among its key customers. However, economic activity resumed both in China and South Korea from May.

## Full-year FY12/19 results (irregular 16-month accounting period)

### Summary

As FY2019 was an irregular 16-month accounting period, YoY comparisons have been omitted.

- ▷ Revenue: JPY13.3bn
- ▷ Gross profit: JPY5.6bn
- ▷ Operating loss: JPY3.0bn
- ▷ Loss\*: JPY2.9bn

\* Loss attributable to owners of the parent.

Gross profit expanded at a CAGR of 73% in 2015–2019 driven by earnings growth in domestic operations in the Finance segment. At the same time, the Marketing business transformed from a growth business to a stable earnings pillar. Metaps decided to withdraw from the cryptocurrency business, including the cryptocurrency exchange UpXide (formerly CoinRoom)—hitherto a major focus area—due to growing uncertainty in the market and the realization that expenses related to regulations, security, and audits were not commensurate with returns. Metaps posted a sharp operating loss as it recorded other expenses in connection with the withdrawal, including a goodwill impairment loss of JPY2.2bn and an impairment loss on other intangible assets of JPY1.0bn for the South Korea business, and an impairment loss on other intangible assets of JPY269mn for MCG Asia. However, the company’s financial position was unaffected as the one-time loss did not involve cash outflows. Metaps will formulate a new medium-term management plan in August 2020.

### Initiatives in FY12/19

In an effort to speed up management, the company restructured its group companies, clearly delineated core and non-core operations, and scrapped or sold some businesses.

- ▷ Management buyout for Timebank (to support major investment and agile management)
- ▷ Removed pring Inc. from the scope of consolidation (became equity-method affiliate following capital increase)
- ▷ Established Metaps Entertainment Limited to oversee the Greater China business
- ▷ Founded Metaps One Inc. by consolidating three domestic marketing companies
- ▷ Removed VSbias from the scope of consolidation (stake declined following capital increase)
- ▷ Closed US and UK bases operated in the Marketing segment overseas
- ▷ Sold shares in Torchlight Inc., a company with which Metaps has collaborated through the D.A.C. Consortium and joint ventures
- ▷ Sold Upside and withdrew from the cryptocurrency business
- ▷ Parent company completed absorption-type merger of Metaps Links (May 2020)

### Finance (39.6% of total revenue)

- ▷ Revenue from external customers: JPY5.3bn  
Of which domestic revenue made up JPY2.3bn and overseas revenue JPY3.0bn
- ▷ Gross profit: JPY4.0bn
- ▷ Segment loss: JPY391mn

The domestic operations of the Finance segment registered steady expansion in online payment services. Among new businesses, real-time salary payment service CRIA and subscription-type payment service Kaihi Pay enjoyed rapid growth, with the number of participating businesses rising at the compound monthly growth rate of 24% since launch.

### Marketing (58.8% of total revenue)

- ▷ Revenue from external customers: JPY7.8bn  
Of which domestic revenue made up JPY4.2bn and overseas revenue JPY3.6bn

- ▷ Gross profit: JPY1.5bn
- ▷ Segment profit: JPY142mn

In domestic operations of the Marketing segment, Metaps One narrowed down its target markets and concentrated on the provision of services to mid-tier customers. Overseas, the Greater China business secured stable advertising revenue as Chinese game developers continued to actively expand into countries outside China.

#### Earnings impact of conservative valuation of cryptocurrency holdings

The company had hitherto assessed the market value of its cryptocurrency held for trading purposes on a quarterly basis, and recorded valuation gains/losses as revenue. Consequently, cryptocurrency valuation gains/losses have had a major impact on the company's earnings. With the withdrawal from the cryptocurrency business, the company wrote off its low-liquidity cryptocurrency holdings, which means the risk of future volatility has been removed.

#### Financial position

Total assets stood at JPY20.9bn, down JPY1.8bn YoY. This mainly reflected a JPY3.6bn increase in trade and other receivables, a JPY2.4bn decline in cash attributable to redemption of bonds, and a decline of JPY2.3bn in goodwill attributable to the booking of impairment losses. Total liabilities amounted to JPY16.4bn, increasing by JPY2.0bn YoY. This was primarily due to a decline of JPY1.1bn in other current liabilities (revenue recognition for deferred revenues accompanying ICO), and an increase of JPY3.6bn in trade payables and other liabilities. Total equity was down JPY3.8bn from end-FY2018 to JPY4.5bn. This was mainly attributable to the booking of a loss of JPY3.6bn.

## Cumulative Q4 FY12/19 results

### Summary

- ▷ Revenue: JPY11.5bn (+12.4% YoY)
- ▷ Gross profit: JPY5.9bn (+42.6% YoY)
- ▷ Operating loss: JPY2.8bn (versus operating loss of JPY214mn in cumulative Q4 FY12/18)
- ▷ Profit: JPY1.6bn (versus loss of JPY454mn in cumulative Q4 FY12/18)

\* Profit attributable to owners of the parent.

In cumulative Q4 FY12/19, the company reported record-high earnings with revenue of JPY11.5bn (+JPY1.3bn YoY), operating profit of JPY2.8bn (+JPY3.0bn), and profit attributable to owners of the parent of JPY1.6bn. Revenue remained at high levels aided by accelerating new domestic businesses in the Finance segment and by a recovery in the Marketing business.

#### Finance (48.4% of total revenue)

- ▷ Revenue from external customers: JPY5.6bn (-2.9% YoY)  
Of which domestic revenue made up JPY1.7bn (-48.5% YoY) and overseas revenue JPY3.9bn (+57.0% YoY)
- ▷ Gross profit: JPY4.7bn (+61.1% YoY)
- ▷ Segment profit: JPY1.5bn (+573.0% YoY)

In domestic operations in the Finance segment, which were expected to deliver stable growth, the number of orders for the new Kaihi Pay service expanded, and Metaps began operating the real-time salary payment service CRIA in earnest. The company announced it had raised roughly JPY3bn in tandem with business expansion for the new services. Revenue declined YoY due to the absence of a large project booked in cumulative Q4 FY03/18 (in the electronic money business). However, earnings received contributions from growth in existing businesses such as online payments and electronic money, and from higher cryptocurrency value and market expansion at cryptocurrency exchange UpXide in South Korea.



**Marketing (50.0% of total revenue)**

- ▷ Revenue from external customers: JPY5.8bn (+35.4% YoY)  
Of which domestic revenue made up JPY3.1bn (+30.4% YoY) and overseas revenue JPY2.6bn (+41.7% YoY)
- ▷ Gross profit: JPY1.1bn (+7.3% YoY)
- ▷ Segment profit: JPY212mn (+123.2% YoY)

In line with the ongoing shift to recurring revenue businesses, the company strengthened alliances with external partners, including a strategic partnership with China-based game developer Seasun and a collaboration with ADK Marketing Solutions. The cross-border promotion business remained strong accordingly. In addition to related earnings expansion, valuation gains on shares accompanying the loss of control of subsidiaries also underpinned earnings. Metaps utilized KOL Media Limited and Metaps & Luminous Media International Corporation—both acquired in FY12/17—to enhance cross-border marketing proposals, and this contributed to the strength of the cross-border promotion business.

## Other information

### History

Date	Description
September 2007	Katsuaki Sato established E-factor Inc.; launched marketing consulting services focusing on search engine optimization (SEO)
April 2011	Launched metaps, a service to offer platform for apps monetization
June	Established Singapore subsidiary Metaps Pte. Ltd.
December	Renamed as Metaps Inc. from E-factor Inc.
April 2013	Established South Korea branch Metaps Korea
October	Established Taiwan branch, Metaps Pte. Ltd. Tawan Branch
December	Established China subsidiary Metaps Shanghai Co., Ltd.
April 2014	Launched SPIKE, an online payment platform service
June	Established Metaps Europe Limited in UK, as a subsidiary of Metaps Pte. Ltd.
June 2015	Closed the South Korea branch, and established subsidiary Metaps Korea Inc.
August	Listed shares on the Mothers market of the Tokyo Stock Exchange
October	Made Nextapps Inc. in South Korea a subsidiary
April 2016	Made Paydesign Inc. a wholly owned subsidiary
July	South Korea subsidiary Nextapps Inc. merged with South Korea subsidiary Metaps Korea Inc. through an absorption-type merger
August	Renamed South Korea subsidiary Nextapps Inc. as Metaps Plus Inc.
November	Made Smartcon Co. Ltd. in Korea a subsidiary
December	Established Metaps Links Inc. and transferred rights and obligation on marketing-related services in Japan
September 2017	Made Metaps & Luminous Media International Corporation a subsidiary
December	Renamed domestic subsidiary Paydesign Inc as Metaps Payment Inc.
June 2018	Made KOL Media Limited a wholly owned subsidiary
August	Made As & Co a wholly owned subsidiary
October	Timebank Inc. executed an MBO; sold all of Timebank shares Metaps held
November	pring Inc. increased shares through a third-party allotment, migrating to an equity-method affiliate for Metaps from a consolidated subsidiary
December	Established Metaps Entertainment Limited as an intermediate holding company managing Greater China business
January 2019	Domestic subsidiary Become Co., Ltd. merged with Metaps Interactive Inc. and As & Co Inc. through an absorption-type merger, renamed as MetapsOne Inc.
April	Vsbias Co., Ltd. increased shares through a third-pary allotment, and was excluded out of the scope of Metaps' consolidation
May 2020	Merged with subsidiary Metaps Links Inc. in an absorption-type merger

Source: Shared Research based on company data

### News and topics

## Corporate governance and top management

### Corporate governance (as of April 3, 2020)

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder and parent company	None
Directors and Audit & Supervisory Board members	
Number of directors under Articles of Incorporation	11
Number of directors	5
Directors' terms under Articles of Incorporation (years)	1
Chairman of the Board of Directors	President
Number of outside directors	3
Number of independent outside directors	3
Number of members of Audit & Supervisor Board	3
Number of outside members of Audit & Supervisory Board	3
Other	
Participation in electronic voting platform	Yes
Providing convocation notice in English	None
Implementation of measures regarding director incentives	Stock option plan
Eligible for stock option	Inside director, outside member of Audit & Supervisory Board, employees, directors and employees of subsidiaries
Disclosure of individual director's compensation	None
Policy on determining amount of compensation and calculation methodology	In place
Corporate takeover defenses	None

Source: Shared Research based on company data

## Top management

Yuichiro Yamazaki, representative director and president

	2006	Graduated from the University of California, Berkeley in 2006. Launched social media and other websites as a college student.
June	2006	Joined the investment banking unit of Deutsche Securities Inc.
	2010	Founded an AI company.
	2011	Graduated from the Graduate School of Management at Kyoto University.
	2011	Joined e-Factor Inc. (currently Metaps Inc.).
April	2011	Appointed director at the company.
October	2015	Appointed director at Metaps Plus Inc. (current position)
April	2016	Appointed director at Pay Design Inc. (currently Metaps Payment Inc.) (current position)
November	2016	Appointed director at Smartcon Co., Ltd. (current position)
November	2016	Appointed director and vice president at the company
September	2018	Appointed representative director at Metaps Links Inc. (current position)
November	2018	Appointed director at Metaps Entertainment Limited (current position)
November	2018	Appointed representative director and president at the company (current position)

## Dividends

Metaps has not paid dividends to date because it is still in a growth phase and therefore does not have ample retained earnings. It aims to continue to increase retained earnings and further expand its businesses, and believes this will pave the way for stable and continuous shareholder returns in the future.

## Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
Katsuaki Sato	2,766	20.39%
GMO Click Securities, Inc.	858	6.32%
SBI Securities Co., Ltd.	607	4.47%
Rakuten Securities Co., Ltd.	456	3.37%
Nippon Gas Co., Ltd.	435	3.21%
Yuichiro Yamazaki	406	2.99%
Japan Trustee Services Bank, Ltd. (Trust account)	254	1.87%
Trust & Custody Services Bank, Ltd.	186	1.37%
BBH FOR GLOBAL X FINTECH ETF (Standing proxy: MUFG Bank, Ltd.)	85	0.63%
kabu.com Securities	75	0.55%
<b>SUM</b>	<b>6,128</b>	<b>45.17%</b>

Source: Shared Research based on company data

## Employees

Employee data (JPYmn)	FY08/15	FY08/16	FY08/17	FY08/18	FY12/19
	Act.	Act.	Act.	Act.	Act.
Number of employees (excluding temporary employees)	187	187	246	317	272
App Monetization (old segment up to FY08/17)	88	187	246		
Finance				169	140
Marketing				105	89
Other				43	43
Temporary employees (average)				36	29
Revenue per employee (JPYmn)	22.1	47.1	55.2	32.3	48.9
Finance				34.9	25.7
Marketing				40.5	64.6
Parent company employees (excluding temporary employees)	59	54	38	30	35
Temporary employees (average)	0	0	0	16	9
Average age	32.9	31.7	34.3	36.9	38.7
Average years of service	2.0	2.0	2.3	2.8	2.8
Average annual salary (JPY'000)	6,348	6,500	6,600	7,800	7,000

Source: Shared Research based on company data

## Profile

<b>Company Name</b>	<b>Head Office</b>
Metaps Inc.	Sumitomo Fudosan Azabu Juban Building 3F 1-4-1 Mita, Minato-ku, Tokyo
<b>Phone</b>	<b>Listed On</b>
+81-3-6459-4670	Mothers section of the Tokyo Stock Exchange
<b>Established</b>	<b>Exchange Listing</b>
September 3, 2007	August 28, 2015
<b>Website</b>	<b>Fiscal Year-End</b>
<a href="https://metaps.com/en/">https://metaps.com/en/</a>	December
<b>IR Contact</b>	<b>IR Web</b>
	<a href="https://www.metaps.com/en/ir/highlight">https://www.metaps.com/en/ir/highlight</a>

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Aeon Delight Co., Ltd.	Doshisha Corporation	KFC Holdings Japan, Ltd.	Sanrio Company, Ltd.
Aeon Fantasy Co., Ltd.	Dream Incubator Inc.	KI-Star Real Estate Co., Ltd.	SATO HOLDINGS CORPORATION
Ai Holdings Corporation	Earth Corporation	Klab Inc.	SBS Holdings, Inc.
AI inside Inc.	Edion Corporation	Kondotec Inc.	Seikagaku Corporation
AirTrip Corp.	Elecom Co., Ltd.	Kumiai Chemical Industry Co., Ltd.	Seria Co.,Ltd.
and factory, inc.	en-Japan Inc.	Lasertec Corporation	Serverworks Co.,Ltd.
ANEST IWATA Corporation	Estore Corporation.	Locondo, Inc.	SHIFT Inc.
AnGes Inc.	euglena Co., Ltd.	LUCKLAND CO., LTD.	Shikigaku Co., Ltd
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Anritsu Corporation	Ferrotec Holdings Corporation	Media Do Co., Ltd.	SIGMAXYZ Inc.
Apaman Co., Ltd.	FIELDS CORPORATION	Medical System Network Co., Ltd.	SMS Co., Ltd.
ARATA CORPORATION	Financial Products Group Co., Ltd.	MEDINET Co., Ltd.	Snow Peak, Inc.
Artspark Holdings Inc.	First Brothers Col, Ltd.	MedPeer,Inc.	Solasia Pharma K.K.
AS ONE CORPORATION	FreeBit Co., Ltd.	Mercuria Investment Co., Ltd.	SOURCENEXT Corporation
Ateam Inc.	Fujita Kanko Inc.	Metaps Inc.	Star Mica Holdings Co., Ltd.
Aucfan Co., Ltd.	Gamecard-Joyco Holdings, Inc.	Micronics Japan Co., Ltd.	Strike Co., Ltd.
AVANT CORPORATION	GameWith, Inc.	MIRAIT Holdings Corporation	Symbio Pharmaceuticals Limited
Axell Corporation	GCA Corporation	Monex Goup Inc.	Synchro Food Co., Ltd.
Azbil Corporation	Good Com Asset Co., Ltd.	MORINAGA MILK INDUSTRY CO., LTD.	TAIYO HOLDINGS CO., LTD.
AZIA CO., LTD.	Grandy House Corporation	Mortgage Service Japan Limited.	Takashimaya Company, Limited
AZoom, Co., Ltd.	Hakuto Co., Ltd.	NAGASE & CO., LTD	Take and Give Needs Co., Ltd.
Base Co., Ltd	Hamee Corp.	NAIGAI TRANS LINE LTD.	TEAR Corporation
BEENOS Inc.	Happinet Corporation	NanoCarrier Co., Ltd.	Tenpo Innovation Inc.
Bell-Park Co., Ltd.	Harmonic Drive Systems Inc.	Net Marketing Co., Ltd.	3-D Matrix, Ltd.
Benefit One Inc.	HENNGE K.K.	Net One Systems Co.,Ltd.	The Hokkoku Bank,Ltd.
B-lot Co.,Ltd.	Hope, Inc.	Nichi-Iko Pharmaceutical Co., Ltd.	TKC Corporation
Broadleaf Co., Ltd.	HOUSEDO Co., Ltd.	Nihon Denkei Co., Ltd.	TKP Corporation
CanBas Co., Ltd.	H2O Retailing Corporation	Nippon Koei Co., Ltd.	Tsuzuki Denki Co., Ltd.
Canon Marketing Japan Inc.	IDOM Inc.	NIPPON PARKING DEVELOPMENT Co., Ltd.	TOCALO Co., Ltd.
Career Design Center Co., Ltd.	IGNIS LTD.	NIPRO CORPORATION	TOKAI Holdings Corporation
Carna Biosciences, Inc.	i-mobile Co.,Ltd.	Nishinbo Holdings Inc.	Tokyu Construction Co., Ltd.
CARTA HOLDINGS, INC	Inabata & Co., Ltd.	NS TOOL CO., LTD.	TOYOBO CO., LTD.
CERES INC.	Infocom Corporation	OHIZUMI MFG. CO., LTD.	Toyo Ink SC Holdings Co., Ltd
Chiyoda Co., Ltd.	Infomart Corporation	Oisix ra daichi Inc.	Toyo Tanso Co., Ltd.
Chori Co., Ltd.	Intelligent Wave, Inc.	Oki Electric Industry Co., Ltd	Tri-Stage Inc.
Chugoku Marine Paints, Ltd.	ipet Insurance CO., Ltd.	ONO SOKKI Co., Ltd.	TSURUHA Holdings
cocokara fine Inc.	Itochu Enex Co., Ltd.	ONWARD HOLDINGS CO.,LTD.	VISION INC.
COMSYS Holdings Corporation	JAFCO Co.,Ltd.	Pan Pacific International Holdings Corporation	VISIONARY HOLDINGS CO., LTD.
COTA CO.,LTD.	JMDC Inc.	PARIS MIKI HOLDINGS Inc.	World Holdings Co., Ltd.
CRE, Inc.	JSB Co., Ltd.	PIGEON CORPORATION	YELLOW HAT LTD.
CREEK & RIVER Co., Ltd.	JTEC Corporation	QB Net Holdings Co., Ltd.	YOSHINOYA HOLDINGS CO., LTD.
Daichi Kigenso Kagaku Kogyo Co., Ltd.	J Trust Co., Ltd	RACCOON HOLDINGS, Inc.	YUMESHIN HOLDINGS CO., LTD.
Daiseki Co., Ltd.	Japan Best Rescue System Co., Ltd.	Ray sum Co., Ltd.	ZAPPALLAS, INC.
Demae-Can CO., LTD	JINS HOLDINGS Inc.	RESORTTRUST, INC.	
DIC Corporation	JP-HOLDINGS, INC.	ROUND ONE Corporation	
Digital Arts Inc.	KAMEDA SEIKA CO., LTD.	RYOHIN KEIKAKU CO., LTD.	

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### Contact Details

Shared Research Inc.  
 3-31-12 Sendagi Bunkyo-ku Tokyo, Japan  
<https://sharedresearch.jp>  
 Phone: +81 (0)3 5834-8787  
 Email: [info@sharedresearch.jp](mailto:info@sharedresearch.jp)