

# COMPANY RESEARCH AND ANALYSIS REPORT

## for Startups, Inc.

7089

Tokyo Stock Exchange Growth Market

12-Jul.-2022

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## Summary

### A hybrid capital company that supports startups for both “human resources” and “financial resources”

for Startups, Inc. <7089> (hereafter, also “the Company”) is a hybrid capital\*2 company that supports the growth of startups\*1 and other companies for both their support for “human resources” and “financial resources.” Based on its business vision of “We are for Startups,” the Company is striving to strengthen the ecosystem of growth industries by further expanding services and enhancing existing services to dedicate itself to Japan’s renewed growth.

\*1 Refers to rapid-growth companies. The Company targets startups (rapid-growth companies) and human resources at the management level, which differentiates it from existing companies providing human resources services.

\*2 The Company’s own term, indicating support for a company’s growth by simultaneously providing support for its human resources and financial support.

#### 1. Outline of results for FY3/22

In FY3/22 consolidated results\*, net sales were ¥2,348mn, operating income was ¥602mn, ordinary profit was ¥606mn, and profit attributable to owners of parent was ¥461mn. Also, the Company achieved its forecast in every item compared to the upwardly revised results forecasts announced in February 2022, with net sales at 102.1%, operating income at 100.4%, ordinary profit at 101.0%, and profit attributable to owners of parent at 102.6%. Against the backdrop of the strong needs for recruitment, results were driven by the Talent Agency service and net sales set a new record high, while Open Innovation’s sales also grew steadily, mainly from Public Affairs orders. Operating income also set a new record high, and while there were various factors behind this, such as the elimination of personnel expenses due to a delay in the recruitment schedule, the main factor was sales growth. In May 2021, the Company established for Startups Capital, Inc., and through this subsidiary, newly established the for Startups No.1 Limited Liability Investment Partnership. Following this, it changed to reporting consolidated results from 2Q FY3/22.

\* Since it changed to reporting consolidated results from 2Q FY3/22, YoY comparisons are not shown.

The Company has set “building infrastructure to support growth industries” as its medium- to long-term goal, and in addition to support for human resources, has also started financial support. Since orders are trending strongly due to the stable growth of demand for employee placements, while its active investment in human resources is progressing as planned, we at FISCO expect it to achieve further growth. A feature of the Company is that it is highly profitable and in FY3/22, the operating profit margin was 25.6%. The market environment is also excellent and growth potential is high. The Company plans to actively conduct upfront investment for reasons such as increasing personnel and expanding office space, but we at FISCO still expect it to be highly profitable when looking from a medium- to long-term perspective.

#### 2. Outlook for FY3/23

For the FY3/23 consolidated results, the Company is forecasting net sales of ¥2,800mn (up 19.2%YoY), operating income of ¥570mn (down 5.4%), ordinary profit of ¥570mn (down 6.0%), and profit attributable to owners of parent of ¥400mn (down 13.3%). The outlook is for demand for employee placements to continue to grow stably and also for orders to continue trending at a high level. However, profits are expected to decrease because of the impact of the active investment in human resources, including for recruitment on the largest ever scale. Talent Agency, which is the main service, is achieving continuous sales growth, so for this and other reasons, we at FISCO believe it is highly likely that it will achieve the full fiscal year forecasts.

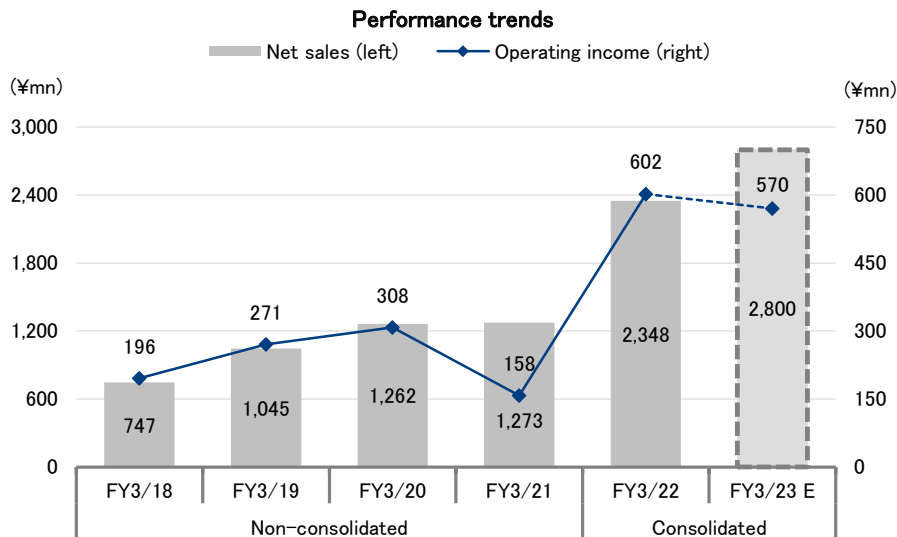
Summary

3. Medium- to long-term growth strategy

In Japan, government-led measures to support startups have advanced, growing momentum for open innovation in recent years has been increasing, and the awareness and significance of startups has been rising. According to the Company, in the domestic startup financing market, the increase in startups raising funds on a large scale is accelerating and this trend is expected to continue in the future. In many cases, much of the funds raised by startups is allocated to recruiting human resources, which can be said to be an excellent environment for Talent Agency, the Company’s main service. In this sort of situation, it has set “building infrastructure to support growth industries” as its medium- to long-term goal, and is aiming for consolidated net sales of ¥5,000mn and a compound annual growth rate (CAGR) of 30% in FY3/25. The Company has positioned investing in human resources as the growth investment to achieve these goals, and it will also invest for expansion in the main support areas. As specific growth strategies, the Company’s policy is to move ahead on measures including (1) Building an autonomous growth cycle by forming a startup ecosystem; (2) Ensuring sustainable competitive advantages; (3) Improving productivity by reforming operations; and (4) Utilizing its core competencies to expand business areas. The Company’s strengths, including its network and database, are elements that serve as assets when expanding the areas it enters, so we at FISCO think that these strengths can reduce the entry-related risks. The likelihood of a new entry succeeding is high because it uses existing assets and can be expected to lead to higher earnings and growth.

Key Points

- A hybrid capital company that supports startups both for “human resources” and “financial resources”
- In FY3/22, stable growth of demand for employee placements drove results, and both net sales and operating income set new record highs
- The business environment is excellent. Growth investment, centered on investment in human resources, to continue aiming for net sales of ¥5,000mn in FY3/25



Note: Consolidated results from 2Q FY3/22  
 Source: Prepared by FISCO from the Company’s financial results and results briefing materials

## Company profile

### A hybrid capital company that supports startups both for “human resources” and “financial resources”

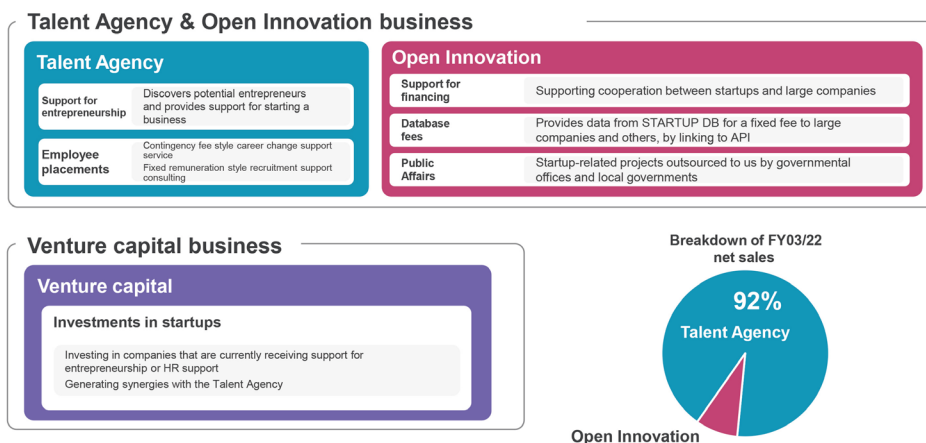
#### 1. Company profile

The Company is a hybrid capital company that supports startups both for their “human resources” and “financial resources.” Based on its business vision of “We are for Startups,” the Company strives to strengthen the ecosystem of growth industries and achieve the regrowth of Japan by aiming to further expand services and enhance existing services. The Company started in 2013 from the establishment of the NET jinzai bank division to provide human resources support service for startups within its predecessor Saint Media, Inc. (currently WILLOF WORK, Inc.), a subsidiary of the Will Group <6089>. After this, in order to expand its business scope and to flexibly and responsively provide services to rapidly-changing startups, NET jinzai bank, Inc., was established through a company split of this business division in 2016. The Company’s name was changed to its current name, for Startups, Inc., in March 2018.

#### 2. Business description

The Company conducts the Talent Agency & Open Innovation business and the Venture Capital business. Also, in terms of the business areas, the Talent Agency & Open Innovation business operates in the talent agency and open innovation areas, while the Venture Capital business operates in the venture capital area. To create synergies with Talent Agency and to further solidify the support for growth industries, it launched an investment business in FY3/22. Also, due to the change to the internal management structure alongside this launch, it changed its reporting segments from the previous single segment of the Growth Industries Support business to the two segments of the Talent Agency & Open Innovation business and Venture Capital business.

#### Business overview

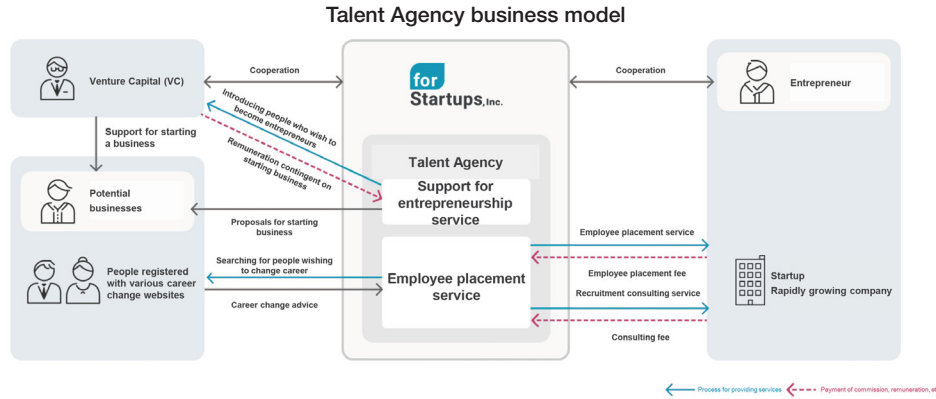


Source: The Company's results briefing materials

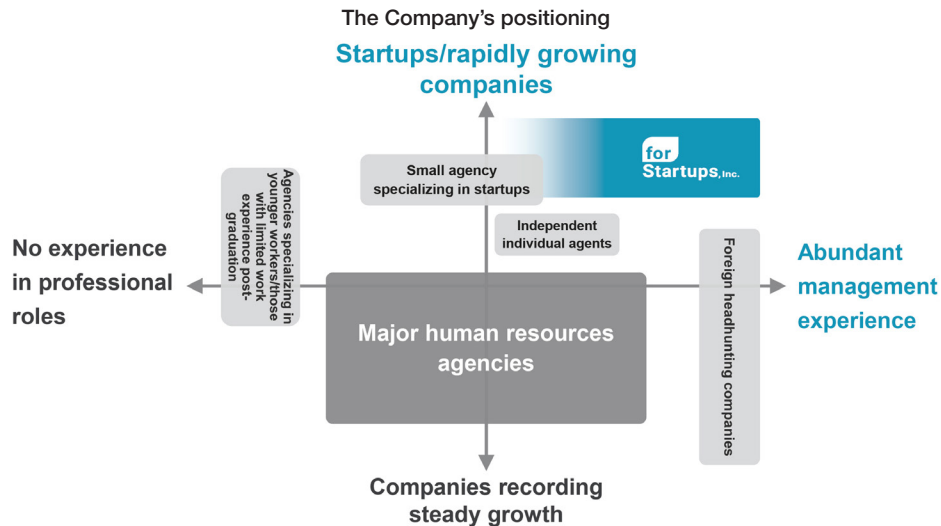
Company profile

(1) Talent Agency

Talent Agency provides a human-resources referrals service to startups and a service to support entrepreneurship for venture capitals. Specifically, it is divided into “employee placements” and “support for entrepreneurship.”



Source: The Company's results briefing materials



Source: The Company's results briefing materials

a) Employee placements

The Company mainly refers candidates to startups with no fixed recruitment period, and when a referred candidate joins a startup, it receives a consulting fee as a success-based commission. The Company's Human Capitalists (the Company's consultants dealing with human resources) receive job-offer information from startups and use other companies' human resources databases to search for and head hunt candidates that meet the startups' requirements. Also, in addition to success-based commission, the Company provides consulting services, including proposals of a certain number of candidates each month and setting the targeted human resources. At the end of FY3/22, the Company had 76 Human Capitalists, many of whom have an abundance of industry knowledge, and they are one of the Company's strengths. Going forward, the Company's policy is to continue to secure human resources and it plans to have around 200 Human Capitalists by FY3/25.

Company profile

**b) Support for entrepreneurship**

The support for entrepreneurship service is divided into two categories. First, it is advancing a program to create entrepreneurs\*2 in cooperation with venture capital\*1. Specifically, the Company refers those potential entrepreneurs it has discovered to venture capital, and the relevant venture capital company provides consultations and entrepreneurship support. In the event that a potential entrepreneur referred by the Company actually starts a company, the Company receives success-based commission from the capital venture company and provides ongoing human-resources support to the newly established company.

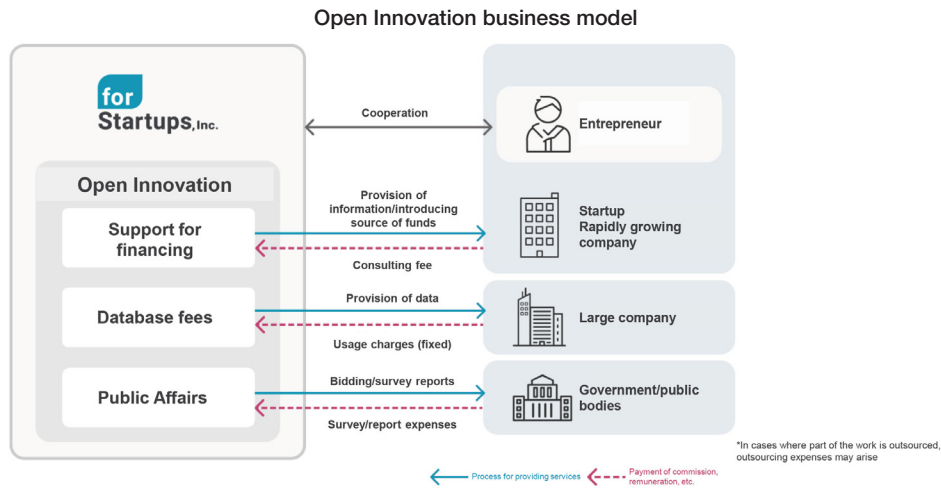
\*1 Companies that invest in unlisted companies with growth potential and other such companies.

\*2 Managers, including the founders of startups.

The Company also collaborates with venture capital and universities to create entrepreneurs. Many research institutes (universities, etc.) in Japan have excellent ideas and human resources based on their advanced technological capabilities. However, there are only a few cases where they are able to convert these ideas into actual businesses. Therefore, the Company collaborates with university-affiliated venture capitals to provide entrepreneurship support, including human resources support, for managers and others. In the event that a manager supported by the Company actually starts a company, it receives success-based commission from the research institute and provides ongoing human-resources support to the newly established company.

**(2) Open Innovation**

Open Innovation utilizes STARTUP DB (startup database) managed by the Company to provide a service to promote cooperation between major companies, government ministries and agencies, local governments and startups. Specifically, it is divided into the three services of Support for financing, Database fees and Public Affairs.



Source: The Company's results briefing materials

**a) Support for financing**

For startups that need to raise funds, the Company mainly refers funding providers, such as major companies, and receives fees according to the scale of the funds raised.

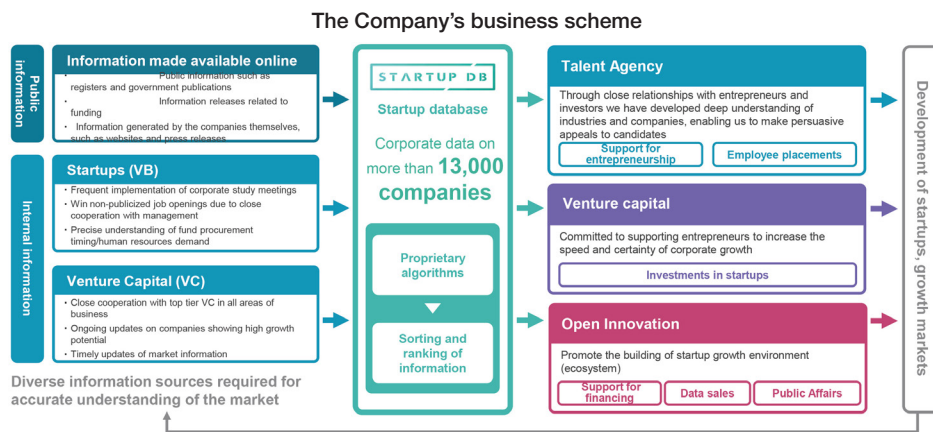
Company profile

**b) Database fees**

This involves providing the data in STARTUP DB, the database managed by the Company, to corporations. It collects a fixed usage fee for this, while also obtaining income from external sales of data depending on customers' needs. STARTUP DB is a database of startups and an information platform specializing in growth industries that integrates the Company's proprietary research content, including interview content on entrepreneurs, and investors, and analyses of industries and companies. Information is collected and integrated through its internal engineer organization and cooperation with startups and venture capital.

**c) Public Affairs**

The Company receives orders from government ministries and agencies and local governments through competitive bidding, such as for startup industry-related survey projects. It is independently advancing industry-academia-government cooperation and providing a service (Public Affairs) to outsource startup-related projects.



**(3) Venture Capital**

Venture Capital involves investing in growth companies up to a maximum investment amount of ¥1.5bn via the for Startups No.1 Limited Liability Investment Partnership established by the subsidiary for Startups Capital. The investee companies are mainly companies supported by Talent Agency in their middle to late stages, while the Company is also building a diversified portfolio through seed investment in companies launched through support for entrepreneurship.

**3. Risk factors**

Business-related risk factors are as follows.

**(1) Talent Agency service**

The Talent Agency service's risk factors include a deterioration of the progress made in securing human resources in recruitment activities and changes to the market's portfolio balance. To move forward in securing human resources in recruitment activities, the Company aims to flexibly change recruitment policies to increase productivity. Also, through close communication with venture capitals, it has an environment in place in which it can always acquire the latest information, so we at FISCO think it can respond to changes in the market's portfolio balance ahead of time.



Company profile

**(2) Open Innovation service**

The Open Innovation service's risk factors include the intensification of competition with competitors and difficulties in securing human resources. Also, the loss of the balance with competitor companies could have an impact on the business environment. Securing human resources is also essential because there are limits to improving productivity.

## Results trends

### In FY3/22, the steady growth of demand for employee placements drove results, and net sales and operating income set new record highs

**1. Outline of results for FY3/22**

In FY3/22 consolidated results, net sales were ¥2,348mn, operating income was ¥602mn, ordinary profit was ¥606mn, and profit attributable to owners of parent was ¥461mn. Also, every item was higher compared to the upwardly revised results forecasts announced in February 2022, with net sales at 102.1%, operating income at 100.4%, ordinary profit at 101.0%, and profit attributable to owners of parent at 102.6%. Against the backdrop of the strong needs for recruitment, results were driven by Talent Agency and net sales set a new record high, while Open Innovation's sales also grew steadily, mainly from Public Affairs orders. Operating income also set a new record high, and while there were several factors behind this, such as the elimination of personnel expenses due to a delay in the recruitment schedule, sales growth was the main factor. In May 2021, the Company established for Startups Capital, and through this subsidiary, it newly established the for Startups No.1 Limited Liability Investment Partnership. Following this, it changed to reporting consolidated results from 2Q FY3/22.

**FY3/22 results**

	FY3/21 (non-consolidated)		FY3/22 (consolidated)		Change		
	Results	% of sales	Revised forecasts	Results	% of sales	YoY (reference)	Compared to the revised forecasts
Net sales	1,273	-	2,300	2,348	-	84.5%	102.1%
Gross profit	1,059	83.2%	-	1,986	84.6%	87.6%	-
SG&A expenses	901	70.8%	-	1,384	59.0%	53.6%	-
Operating income	158	12.4%	600	602	25.6%	281.0%	100.4%
Ordinary profit	161	12.7%	600	606	25.8%	276.0%	101.0%
Profit attributable to owners of parent	95	7.5%	450	461	19.7%	385.0%	102.6%

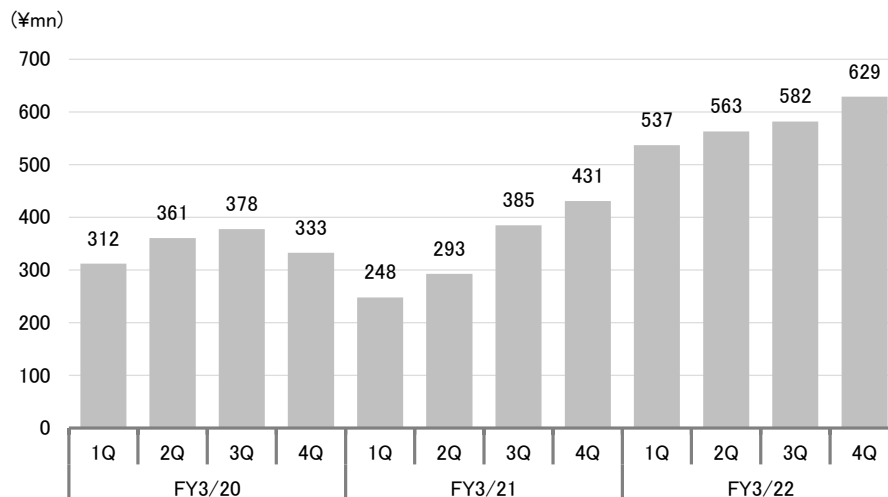
Note: FY3/22 revised forecasts are those announced in February 2022. As it changed to reporting consolidated results from 2Q FY3/22, the YoY change rates are reference values

Source: Prepared by FISCO from the Company's financial results

The Company's high level of profitability is one of its features and in FY3/22, the operating profit margin was 25.6%. Also, as the market environment is excellent and growth potential is high, we at FISCO think it will be highly profitable in the medium- to long-term as well. Orders received have been recovering after bottoming-out during the first declaration of a stage of emergency in April 2020 and are currently trending at a high level against the backdrop of strong needs for recruitment. Going forward, we at FISCO think that the possibility of the Company being affected by the novel coronavirus pandemic (hereafter, COVID-19) is low.

Results trends

Trend in orders received



Source: Prepared by FISCO from the Company's results briefing materials

The Company is also actively investing in human resources. In FY3/22, the number of full-time employees increased by 28 compared to the end of the previous period to 115 employees. Although this was less than the initially targeted increase (of 50 employees), the effects of the various measures implemented from 3Q FY3/22 are starting to appear, so in FY3/23, it is aiming for a net increase of 50 employees by continuing to implement these measures.

2. Trends by service

(1) Talent Agency & Open Innovation business

In the Talent Agency & Open Innovation business, net sales were ¥2,348mn and segment profit was ¥606mn.

a) Talent Agency

Talent Agency net sales were ¥2,156mn (net sales ratio, 91.8%). Due to seasonality, sales tend to be concentrated in 2Q and 4Q, but against the backdrop of the strong needs for recruitment, sales of both employee placements and the recruitment support service increased significantly. For orders received, the service realized high growth against the backdrop of the strong needs for recruitment, although the increase in personnel was less than targeted, as explained earlier. The Company realized continuous sales growth by working to continuously strengthen support for high-demand positions, such as for companies with strong needs for recruitment, management-level executives and engineers. Also, the number of human-resources referrals transactions and the unit price trended at high levels against the backdrop of the rises in the offer amounts proposed to startups and the referral fee rate.

## Results trends

**b) Open Innovation**

Open Innovation net sales were ¥191mn (net sales ratio, 8.2%). Triggered by COVID-19, the previous open innovation-related investment by major companies is undergoing a general review, but budgets continue to trend solidly in major companies that prioritize and are highly orientated toward creating new businesses, reforming existing businesses and implementing DX for existing operations. Sales of the Company's own event FUSE and of Public Affairs were concentrated in 4Q FY3/22, so net sales increased significantly. The Company increased its sales partners through active cooperation, such as with the incubation programs initiated by local governments, while contributions also came from the start of sales of "support for financing," which supports startups' financial resources, and other factors. FUSE has become a global conference from the most recent event, and the increase in sponsor income from overseas open innovators and global investors contributed to sales. For Public Affairs, sales grew through steadily acquiring orders for persuasive proposals. The Company has been highly regarded by governments as a leading company in Japan for acquiring startup-related people and data, so it has excellent relations with government ministries and agencies.

The Company continues to build the STARTUP DB database, in which it has accumulated an abundance of data, as well as its network of venture capitals and entrepreneurs, and the market is trending solidly. In addition, its policy is to further promote companies' growth by providing support for financing, so we at FISCO expect this service's contribution to results to increase even more in the future. Also, alongside the growth of this service, the Company will strengthen its relations with major companies and with government ministries and agencies, which we think is highly likely to lead to an increase in options and potential in the medium- to long-term.

**(2) Venture Capital business**

In FY3/22, the Company invested in FEZ INC., which conducts a DX-related business in the retail industry, and YOURMYSTAR, Inc., which conducts a service e-commerce platform business.

**3. Financial condition**

At the end of FY3/22, total assets were ¥2,564mn. Breaking this down, cash and deposits were ¥1,717mn, accounts receivable - trade were ¥272mn, operational investment securities were ¥154mn, and investments and other assets were ¥262mn. Total liabilities were ¥866mn. Breaking this down, accounts payable - other were ¥291mn, current portion of long-term borrowings was ¥116mn, income taxes payable was ¥178mn, and accrued consumption taxes was ¥78mn. Total net assets were ¥1,698mn. Breaking this down, capital was ¥224mn, the capital surplus was ¥224mn, retained earnings were ¥1,082mn, and non-controlling interests were ¥165mn. Following the consolidation of for Startups Capital, non-controlling interests and operational investment securities were generated. The investment amount from venture capital was recorded in operational investment securities, while from within the amount invested by venture capital, the part that belongs to external investors was recorded as non-controlling interests. The ratio of cash and deposits to total assets is 67.0% and the equity ratio is 59.7% and the Company is highly financially sound, so we at FISCO do not see any major causes for concern financially.

## Results trends

## Balance sheet

	End-FY3/20 (Non-consolidated)	End-FY3/21 (Non-consolidated)	End-FY3/22 (Consolidated)
	(¥mn)		
Current assets	953	1,252	2,167
Cash and deposits	816	1,042	1,717
Non-current assets	177	148	397
Investments and other assets	136	108	262
<b>Total assets</b>	<b>1,130</b>	<b>1,400</b>	<b>2,564</b>
<b>Total liabilities</b>	<b>248</b>	<b>358</b>	<b>866</b>
<b>Total net assets</b>	<b>882</b>	<b>1,042</b>	<b>1,698</b>
Shareholders' equity	881	1,041	1,530

Note: Changed to consolidated results from 2Q FY3/22, so the previous year's values are for reference purposes  
 Source: Prepared by FISCO from the Company's financial results

At the end of FY3/22, the balance of cash and cash equivalents at the end of the period was ¥1,717mn. Cash flow from operating activities was ¥605mn. This was mainly due to increases of ¥154mn in operational investment securities, ¥81mn in notes and accounts receivable – trade, ¥116mn in accounts payable – other and recording of ¥606mn in income before income taxes. Cash flow used in investing activities was ¥168mn. This was mainly due to purchase of property, plant and equipment of ¥48mn, payments for lease and guarantee deposits of ¥97mn and purchase of investment securities of ¥30mn. Cash provided by investment activities was ¥237mn. This was mainly due to proceeds from long-term borrowings of ¥100mn, proceeds from share issuance to non-controlling shareholders of ¥176mn and proceeds from issuance of shares resulting from exercise of subscription rights to shares of ¥27mn in addition to repayments of long-term borrowings of ¥66mn.

## ■ Outlook

### For the FY3/23 results, the outlook is for the growth trend to continue under an excellent business environment, but profits to decline due to active investment in human resources

#### 1. Outlook for FY3/23

For the FY3/23 consolidated results, the Company is forecasting net sales of ¥2,800mn (up 19.2% YoY), operating income of ¥570mn (down 5.4%), ordinary profit of ¥570mn (down 6.0%), and profit attributable to owners of parent of ¥400mn (down 13.3%). Against the backdrop of the excellent business environment, the outlook is that the growth trend will continue and sales will increase, but that profits will decrease due to the active investment in human resources. The Company's measures to secure and train human resources include "increase the inflow," "strengthen recruitment capabilities" and "develop human resources," and by steadily implementing these measures, it is aiming for a net increase of 50 employees, which will be the highest ever. On the other hand, current changes to the macro environment include the strengthening of the startup ecosystem, which is an important pillar of the government's national strategy. The government has formulated a startup development five-year plan, and the Japan Business Federation (known as Keidanren) has announced its Vision for Startup Breakthrough, which may have a positive effect on the Company's results forecasts, depending on the status of their specific measures. In such ways, the business environment is favorable, and the Company is aiming for even further growth by continuing to invest in growth, mainly investment in human resources.

Outlook

**FY3/23 consolidated results forecast**

	FY3/22		FY3/23		Change	
	Results	% of sales	Forecast	% of sales	Amount	%
Net sales	2,348	-	2,800	-	451	19.2%
Operating income	602	25.6%	570	20.4%	-32	-5.4%
Ordinary profit	606	25.8%	570	20.4%	-36	-6.0%
Profit attributable to owners of parent	461	19.7%	400	14.3%	-61	-13.3%

Source: Prepared by FISCO from the Company's financial results

In addition to Human Capitalists and engineers, an issue for the Company is securing human resources in a wide range of other fields, especially highly skilled executive management talent. Therefore, it is working to strengthen human resources including through education and training both inside and outside of the Company. Increasing the number of employees and developing human resources are factors leading directly to an increase in the scale of sales and an improvement in productivity per employee, so we at FISCO think that working on these measures will lead to the growth of the Company's topline in the medium- to long-term.

## 2. Strengthening results from its network of venture capital and entrepreneurs

New technologies, which are the source of creating innovations, change rapidly, and as a result, startups' needs for human resources also fluctuate greatly. To optimize allocations of human resources into startups, it is important to have a broad and deep understanding not only of the startups themselves but also of the growth industries on the one hand, but on the other hand, a feature is that information catchup costs and candidate matching costs are high. Also, compared to major companies, startups tend to be in the low range for average annual income. To improve profitability in this domain, the Company considers it necessary to have the ability to collect a wide variety of information relating to startups and to have a mechanism to mutually match both companies and candidates.

To resolve these issues, the Company is closely collaborating with venture capitals, entrepreneurs, and others, and building an information-gathering network. As venture capital companies have objective information about startups, such as investment background, and entrepreneurs have internal information, such as information on a company's future prospects and the background to the startup, so close cooperation with venture capital and entrepreneurs will enable the Company to catch up with various information about startups in a timely manner. Specifically, this includes regularly exchanging information with multiple venture capital companies and also periodically holding study sessions with entrepreneurs.

The Company utilizes other companies' databases and does not create everything internally, and due to these strengths, its business is becoming even more difficult to imitate. The aforementioned strengths have been built up since the Company's foundational period and provide the basis for its accumulation of transactions with venture capitals and startups. Moreover, alongside the expansion of the startup-related market, it will further accumulate transactions and update the database with a wide variety of information. Because of this flow, we at FISCO think that the Company's strengths, uniqueness, and difficulty to imitate will only continue to grow.

## Outlook

### 3. Utilizing STARTUP DB

The Company considers that a feature of the startup market in Japan is the lack of objective information on startups. To address this issue, it has integrated the objective information on startups it has gathered and released it for free (charged in parts) in the STARTUP DB database. STARTUP DB lists information including descriptions of the startups' businesses, officer information, financing information, and estimated market capitalization calculated from registry information, while it is also actively disseminating information through cooperation with the mass media. The number of listed companies was more than 13,000 companies (as of April 30, 2022), making it the largest growth-industries database in Japan.

Within the Company, in addition to the information published on STARTUP DB, it uses a proprietary algorithm to quantify the information on each startup, arranges and performs seriation of this information and aggregates the information as an in-house database, based on the information it has collected through its network of venture capitals and entrepreneurs. Based on this, it provides an employee placement service preferentially to those startups considered to have particularly high growth potential (hereafter, leading startups).

Another one of the Company's strengths is that it has an in-house engineer organization "TechLab.," which provides the STARTUP DB CLUB service to support startups and the STARTUP DB ENTERPRISE service to provide data to major companies. It also works on developing work support tools for the in-house Human Capitalists and TALENTSHIP, a support tool for people looking to change jobs. The Company's main operations are supporting startups both in terms of human resources and financial resources, and based on these operations, it has in-house technologies and is actively improving its technological capabilities.

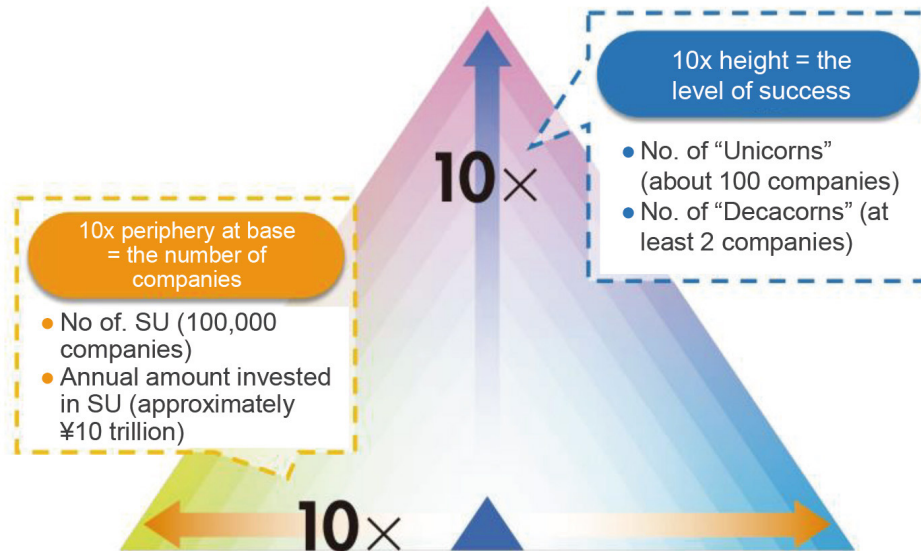
### 4. Business environment

Among the current changes to the business environment, risk factors that could affect the management environments of startups include changes to the financial situation due to the interest-rate hikes in the US and the situation in Ukraine, as well as the lowering level of stock prices on growth markets. However, the demand for funds in venture capital and the funds' available capital are at record-high levels, and for competitive startups in the top 20%, the situation is that large-scale financing is accumulating from both in Japan and overseas. What is particularly noticeable in Japan is that since the beginning of 2022, there have been large inflows of funds from Japan and overseas. The Company's policy is to grow results by focusing its support on competitive startups. Recently, orders trended strongly from April to May, 2022, and we at FISCO think that the impact that these changes to the business environment will have on the Company's results will be negligible.

Also, a main pillar of the government's strategy is supporting startups, and this is also proving beneficial for the Company. In June 2022, the government plans to announce a startup development five-year plan, which suggests the possibility that startups will be strongly supported by the government. Also, Keidanren announced its Vision for Startup Breakthrough and has set the growth targets for increasing the number of startups by 10 times, having 100 unicorn companies and at least 2 decacorn companies in five years' time. Depending on the status of their specific measures, we at FISCO think they could have a positive effect in relation to the Company's results forecasts.

Outlook

Targets in five years' time proposed by Keidanren



Source: Keidanren, from "Vision for Startup Breakthrough: aiming for 10x10x"  
[https://www.keidanren.or.jp/journal/times/2022/0317\\_01.html](https://www.keidanren.or.jp/journal/times/2022/0317_01.html)

Source: The Company's results briefing materials

The broad overview policy announced by the government also discusses green energy and digital, as well as startups, all of which are related to technology and innovation. The government's policy is to strengthen support through public-sector private-sector cooperation, and for the Company, which conducts businesses greatly related to innovation, this is expected to provide a once-in-a-lifetime beneficial opportunity. Precisely for this reason, the Company is currently focusing on growing sales, conducting growth investment in human resources, and building a management system to enter a growth phase. The increase in the Company's topline will lead directly to support for more startups, so we at FISCO think it will also contribute greatly to the future of Japanese society.

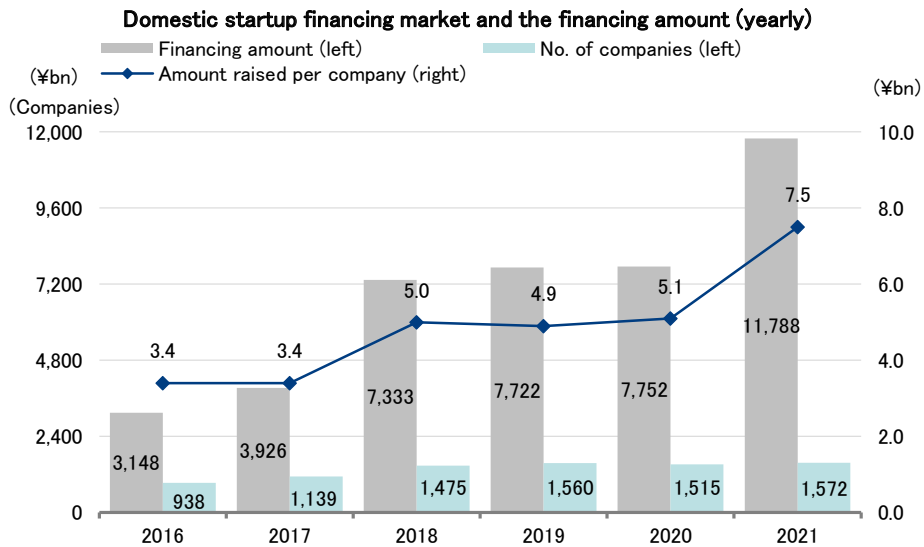
## Medium- to long-term growth strategy

### The business environment is excellent. Is aiming for further growth by continuing growth investment, focusing on human resources

#### 1. Market trends

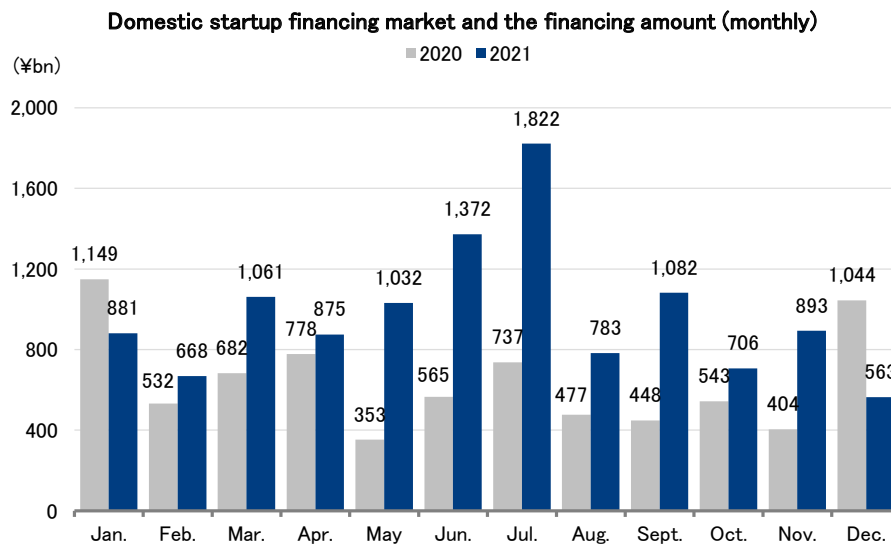
In Japan, government-led measures to support startups have advanced, while momentum for open innovation in recent years has been increasing, and the awareness and significance of startups has been rising. According to the Company, in the domestic startup financing market, the increase in startups raising funds on a large scale is accelerating and this trend is expected to continue in the future. In many cases, much of the funds raised by startups is allocated to recruiting human resources, which can be said to be an excellent environment for Talent Agency, the Company's main service.

Medium- to long-term growth strategy



Note: Calculated by the Company from STARTUP DB. Includes financing from parent companies, borrowing and corporate bonds.

Source: Prepared by FISCO from the Company's results briefing materials



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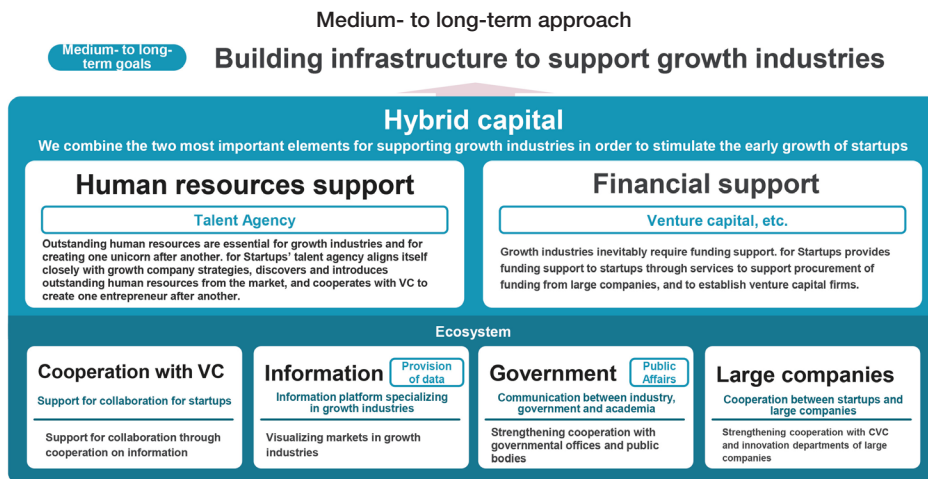
## 2. Management strategy

The Company has set “building infrastructure to support growth industries” as its medium- to long-term goal and is aiming for consolidated net sales of ¥5,000mn and CAGR of 30% in FY3/25. As the growth investment to achieve the targets, it has positioned investing in human resources as the investment for this, and it is also investing for expansion in the main support areas.



Medium- to long-term growth strategy

As its medium- to long-term approach, the Company is building infrastructure to support growth industries to stimulate their growth at an early stage through “hybrid capital” by combining the elements of human resources support and financial support, which are the most important elements for supporting growth industries. Specifically, by collaborating with venture capital, it is providing coordinated support for startups, while it is also focusing on providing an information platform specialized in growth industries. In addition, through the expansion of open innovation, it is building a cooperative structure, including with major companies, government ministries and agencies, and local governments, with the aim of further accelerating the growth of startups, and it is serving as the infrastructure to support growth industries. The Company’s strengths, including its network and database, are elements that serve as assets when expanding the areas it enters, so we at FISCO think that these strengths can reduce the entry-related risks. The likelihood of a new entry being a success is high as it makes use of its existing assets and can be expected to lead to high earnings and high growth.



Source: The Company's results briefing materials

The specific growth strategies are explained below.

**(1) Building an autonomous growth cycle by forming a startup ecosystem**

For the formation of a startup ecosystem, the Company considers the following to be essential: (1) creating entrepreneurs; (2) providing funds; (3) securing excellent human resources; (4) cooperating with large companies and financial institutions, (5) providing support for specialist knowledge, including on accounting, legal affairs, and intellectual property, (6) fostering an entrepreneurship culture, and (7) preparing an EXIT environment. It is particularly focusing on (3) securing excellent human resources.

The Company selects leading startups by using its proprietary algorithms to quantify each startup, and it is building a mechanism to preferentially provide these startups with support services. It encourages the further corporate growth of leading startups by supporting them both for human resources and financial resources, and it is aiming to build an autonomous growth cycle that creates new demand as a result of this.

As previously explained, in the Company’s targeted startups (rapidly growing companies), the targeted human resources include managers, which distinguishes it from existing companies providing human resources services. Through the expansion of the market and the growth of its market share, we at FISCO think that the Company’s presence and brand within its industry are steadily rising.

Medium- to long-term growth strategy

### **(2) Ensuring sustainable competitive advantages**

The Company accumulates quantitative and qualitative information on startups through its business management. It uses its propriety algorithms to make this information visible as “quantified-startups information,” which is a source of the Company’s competitive advantages. The startup industry is changing rapidly, almost on a seemingly daily basis, and information generally tends to easily become obsolete. Therefore, this information functions effectively as a barrier to entry for employee placements and consulting businesses, which have low barriers to entry. Going forward, the Company intends to maintain and secure its competitive advantages through strengthening its proprietary algorithms and close cooperation with venture capital, entrepreneurs, and others.

### **(3) Improving productivity through reforming operations**

In Talent Agency, the same Human Capitalists are allocated to both startups and candidates, and they carry out recruitment through a two-way method of management. On one hand, this two-way method on the one hand has the advantage of improving recruitment speed, but on the other hand has disadvantages for the work-management process, including requiring a certain number of work hours. Therefore, the Company is aiming to improve productivity in the medium- to long-term by employing engineers in-house and continuously conducting activities to improve this process.

As previously stated, the Company’s Human Capitalists acquire job-offer information from startups and use other companies’ databases to discover and head hunt compatible candidates. Therefore, to grow the scale of Talent Agency, the Company thinks it will be necessary to increase the number of Human Capitalists and to improve productivity per employee. To improve productivity, it is stimulating communication between employees and implementing measures to develop human resources, such as education and training. It is also moving ahead on improvements to work efficiency by strengthening the functions of the in-house work management system and reforming work processes. The percentage of total sales provided by Talent Agency is high, so we at FISCO think that improvements to productivity per employee will be worth watching in the future.

### **(4) Utilizing core competencies to expand business areas**

The Company’s policy is to expand its business areas by utilizing its business assets. It is utilizing its talent database to advance the multi-faceted development of its businesses, while it is also aiming to increase earnings opportunities by utilizing STARTUP DB. In addition, it is strengthening cooperation including with startups, venture capital, major companies, and universities and research institutes to establish a brand as the core company for growth-industries support and to increase earnings opportunities.

## ■ Shareholder return policy

### **As business is expanding, the current policy is to allocate profits to necessary investment**

Since its establishment, the Company has not paid a dividend and does not plan to pay one in FY3/23. It considers returning profits to shareholders to be one of its most important management issues, but is currently giving priority to allocating funds to the investments necessary to strengthen its financial structure and expand business in addition to expanding profitability and improving enterprise value. However, in the future, it intends to pay a dividend. As previously explained, for the time being, the situation is that funds are needed for upfront investment, so we at FISCO think that the focus should be placed on the returns that will be obtained in the future from the funds that are currently being invested.



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