

Providing cashless services and other sales promotion solutions for corporate customers

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[4015 Arara Sector : Information & Communication]

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Aug. 2019	1,042	1.4	105	58.3x	111	8.5x	114	-	20.2	48.7	0.0
Aug. 2020	1,201	15.2	136	29.3	142	27.1	143	25.4	25.3	74.0	0.0
Aug. 2021 f	1,472	22.6	263	92.2	246	73.8	222	54.3	36.8	-	0.0

Note: Non-consolidated basis. Figures for the fiscal year ending August 2021 are the company's forecast.

It conducted 1-to-100 stock split on September 2,2020. Par share indices are adjusted retroactively.

Providing sales promotion solutions

Arara's businesses are categorized into the four businesses of cashless service business, messaging service business, data security service business and other business (figure 1). The cashless service business and messaging service business play central roles in sales promotion solutions, and the two businesses account for over 80% of net sales.

Figure1 : Segment Information

FY ended August 2020	Net sales		Segment profit	
	Amount (million yen)	Composition (%)	Amount (million yen)	Profit margin (%)
Cashless service	488	40.6	50	10.3
Messaging service	528	44.0	144	27.3
Data security service	137	11.4	-9	-
Other	46	3.9	-47	-
Total	1,201	100.0	136	11.4

Source: Prepared by Stock Research Center based on the notifiable prospectus

Cashless Service Business

The company provides customer companies operating retail stores, restaurants and other stores with in-house electronic money and point systems that end users use. Other than electronic money and point functions, it also provides sales promotion functions including messaging services which send mails based on accumulated customer information. This business moved into the black in fiscal year ended August 2019 and has started to contribute to profit on a full scale in the fiscal year ended August 2020.

Messaging Service Business

Mainly for the purpose of sales promotion, this business provides services to send mass e-mails.

Data Security Service Business and Other Business

The data security service business provides services for customer companies to manage personal information they hold by themselves in an appropriate manner. In addition, the company develops services related to augmented reality (AR) as its other business.

Figure2: Financial Statements

Statement of income	Fiscal Year	Aug. 2018		Aug. 2019		Aug. 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		1,027	100.0	1,042	100.0	1,201	100.0
Cost of sales		457	44.5	395	3709.0	427	35.6
Gross profit		570	55.5	647	62.1	773	64.4
Selling, general and administrative expenses		568	55.3	541	51.9	636	53.0
Operating profit		1	0.2	105	10.2	136	11.4
Non-operating income		13	-	8	-	8	-
Non-operating expenses		1	-	2	-	3	-
Ordinary profit		13	1.3	111	10.7	142	11.8
Profit before income taxes		-112	-11.0	99	9.6	141	11.8
Profit		-113	-11.0	114	11.0	143	12.0

Balance sheet	Fiscal Year	Aug. 2018		Aug. 2019		July 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		313	72.8	383	69.0	844	80.0
Cash and deposits		212	49.3	252	45.4	700	66.4
Accounts receivable - trade		89	20.7	116	21.1	133	12.7
Inventories		-	-	4	0.8	0	0.1
Non-current assets		117	27.2	172	31.0	210	20.0
Property, plant and equipment		33	7.9	26	4.8	22	2.1
Intangible assets		58	1.6	77	14.0	102	9.7
Investments and other assets		24	5.8	68	12.3	85	8.1
Total assets		430	100.0	555	100.0	1,054	100.0
Current liabilities		244	56.7	272	49.1	634	60.1
Accounts payable - trade		23	5.5	30	5.4	21	2.0
Non-current liabilities		24	5.7	6	1.1	-	-
Net assets		161	37.6	276	49.8	420	39.9
Owners' equity		161	37.6	276	49.8	420	39.9

Statement of cash flows	Fiscal Year	Aug. 2018		Aug. 2019		Aug. 2020	
		(mn yen)	(mn yen)	(mn yen)	(mn yen)	(mn yen)	(mn yen)
Cash flows from operating activities		90		145		416	
Depreciation		45		26		27	
Cash flows from investing activities		-50		-63		-42	
Cash flows from financing activities		-36		-42		74	
Dividends paid		-		-		-	
Net increase in cash and cash equivalents		3		39		448	
Cash and cash equivalents		212		252		700	

Note: Non-consolidated basis

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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