

Improve clients' KPI by making web services easier to understand and more user-friendly

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For inquiries concerning the report, please contact info@stock-r.org

【 4170 Kaizen Platform 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)
Dec. 2018	988	-	-472	-	-454	-	-459	-	-75.6	-359.8	0.0
Dec. 2019	1,354	37.1	-162	-	-150	-	-162	-	-26.8	-388.8	0.0
Dec. 2020 f	1,653	22.0	2	-	-21	-	-31	-	-4.1	-	0.0

Note: Consolidated basis. Figures for the fiscal year ending December 2020 are the company's forecasts.

Developing Website Solution and Kaizen Video Businesses

Kaizen Platform group conducts the website solution business, which supports the growth of clients' web businesses by improving the user experience (UX) on the clients' websites and improving the conversion rates. In addition, it also provides video solutions, which provides a video creation platform, in its Kaizen Video business. The sales composition ratio for the nine months to September 2020 was 65.5% for the website solution business and 34.5% for Kaizen Video business (Figure 1).

Figure1: Sales by Segment

Segment	Fiscal year ended Dec. 2019		Nine months to Sep. 2020	
	Net sales (thousand yen)	Composition (%)	Net sales (thousand yen)	Composition (%)
Website solution business	969,579	71.6	781,658	65.5
Kaizen Video business	385,367	28.4	411,273	34.5
Total	1,354,946	100.0	1,192,932	100.0

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

Website Solution Business

The group provides a UX solution and digital transformation (DX) solution, which supports the DX of companies. Since the DX solution was fully launched in May 2020, the UX solution accounts for most of net sales in the website solution business.

In the UX solution, the group supports continuous improvement of client website user interfaces through the Kaizen Team, a full-remote team of digital professionals in various fields that find clients' issues and implement measures to solve them, and Kaizen Engine, internal and external data platforms as well as SaaS for measures execution and management.

Kaizen Video Business

In the Kaizen Video business, the group provides video solutions that enable the making of ideal creative items from materials according to the intended purpose. By utilizing the growth hacker network of the group, it can deliver not only website contents, but also catalogs, leaflets and other paper medium contents in a minimum of five business days. The cost is a minimum of 50,000 yen per video.

Figure2: Financial Statements

Statement of income	Fiscal Year	Dec. 2018		Dec. 2019		Nine months to Sep. 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		988	100.0	1,354	100.0	1,192	100.0
Cost of sales		720	72.9	772	57.0	642	53.8
Gross profit		267	27.1	582	43.0	568	47.7
Selling, general and administrative expenses		740	74.9	744	54.9	567	47.6
Operating profit		-472	-47.8	-162	-12.0	0	0.1
Non-operating income		18	1.9	16	1.2	27	2.3
Non-operating expenses		0	-	4	0.3	7	0.6
Ordinary profit		-454	-46.0	-150	-11.1	21	1.8
Profit before income taxes		-461	-46.7	-164	-11.8	15	1.3
Net profit		-459	-46.5	-162	-12.0	12	1.0

Balance sheet	Fiscal Year	Dec. 2018		Dec. 2019		Nine months to Sep. 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		555	76.9	1,145	82.7	1,239	77.0
Cash and deposits		381	52.8	930	67.1	1,012	62.9
Accounts receivable-trade		150	20.8	179	12.9	190	11.8
Non-current assets		166	23.0	239	17.3	369	22.9
Property, plant and equipment		7	1.0	7	0.5	5	0.3
Intangible assets		139	19.3	211	15.2	297	18.5
Investments and other assets		20	2.8	20	1.4	66	4.1
Total assets		722	100.0	1,385	100.0	1,609	100.0
Current liabilities		231	32.0	232	16.8	228	14.2
Accounts payable-trade		44	6.1	54	3.9	62	3.9
Non-current liabilities		-	-	-	-	250	15.5
Net assets		491	68.0	1,152	83.2	1,130	70.2
Owners' equity		488	67.6	1,151	83.1	1,130	70.2

Statement of cash flows	Fiscal Year	Dec. 2018	Dec. 2019
		(mn yen)	(mn yen)
Cash flows from operating activities		-448	-68
Depreciation		48	69
Cash flows from investing activities		-70	-142
Cash flows from financing activities		75	762
Dividends paid		-	-
Net increase in cash and cash equivalents		-447	549
Cash and cash equivalents		381	930

Note: Consolidated basis.

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

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