

BRIDGE REPORT



President Toyoshi Nagata

Showcase Inc. (3909)



Company Information

Exchange	1 st section of Tokyo Stock Exchange
Industry	Information and Communications
President	Toyoshi Nagata
Address	14th Floor, Roppongi First Building, 1-9-9, Roppongi, Minato-ku, Tokyo
Year-end	End of December
Homepage	https://www.showcase-tv.com/en/

Stock Information

Share Price	Number of Shares issued		Total Market Cap	ROE (Actual)	Trading Unit
¥426	8,566,700 shares		¥3,649million	2.7%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
-	-	-	-	¥254.51	1.7x

*The share price is the closing price on February 22. Each value is taken from the brief financial report for the FY ended December 2021. Earnings forecasts for the FY ending December 2022 are to be decided.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
December 2018 Act.	2,002	352	323	16	2.48	0.00
December 2019 Act.	1,508	92	-14	-183	-27.02	5.50
December 2020 Act.	1,530	45	58	25	3.75	6.00
December 2021 Act.	1,594	12	77	93	6.98	6.50
December 2022 Est.	-	-	-	-	-	-

*Unit: million yen, yen. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply. Earnings forecasts for the FY ending December 2022 are to be decided.

This report outlines Showcase Inc.'s earnings results for the fiscal year ended December 2021.

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Key Points

- Based on their core value, “Make People Happy with Our OMOTENASHI (Hospitality) Technology,” the company operates business, with a focus on development and provision of cloud-type SaaS systems from the viewpoint of users. The company has set up the term ended Dec. 2019 as the “Second Start-up” period. It upholds their new business concept, “DX cloud service that connects companies and customers,” and supports enterprises in promoting DX. Its strengths include an excellent customer base, plenty of SaaS development technologies with operation knowledge, and high customer satisfaction level.
- In the term ended Dec. 2021, sales increased 4.2% year on year to 1,594 million yen. The sales of the mainstay SaaS business grew. The sales of the cloud integration business and the advertising/media business also increased. Operating income decreased 71.8% year on year to 12 million yen. Gross profit also grew due to the increase in sales. However, SG&A expenses such as alliance-related costs and aggressive investment in development, advertising, and personnel expenses increased 12.5% and could not be absorbed. Ordinary income rose 32.2% year on year to 77 million yen. A provision of allowance for doubtful accounts of 37 million yen was recorded. Neither sales nor operating income reached the lower end of the forecast range.
- The company concluded a capital and business alliance with Nippon Telephone Inc. making Nippon Telephone a subsidiary of Showcase. Nippon Telephone, a company that specializes in hardware and has cultivated the business know-how and sales/marketing network in the telecommunication industry and acquired human resources responsible for sales activities, and Showcase, which excels in software and possesses website analysis and improvement technologies and DX support development technologies including operational efficiency improvement and platform construction, have agreed that the fusion of their business foundation would contribute most to the sustainable business growth of both companies.
- Since there are many uncertainties regarding the impact of the conclusion of a capital and business alliance agreement with Nippon Telephone on the business results for the term ending Dec. 2022, the business forecast will not be disclosed. The company will announce it as soon as a reasonable forecast becomes possible.
- Neither sales nor operating income reached the forecast for the term ended Dec. 2021, but the number of accounts and MRR (Monthly Recurring Revenue: monthly revenue from continuous billing, not including temporary sales such as initial costs) of the online identification/eKYC service in the fourth quarter, which is the company's growth driver, increased rapidly by 481% and 469%, respectively, year on year.
- Although the earnings forecast for the current fiscal year has not been disclosed, we would like to see whether the various measures outlined in the medium-term growth strategy and the synergy with Nippon Telephone will progress as expected and whether all the products and services listed in the schedule will be released on time.

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1. Company Overview

Based on the core value, “Make People Happy with Our OMOTENASHI (Hospitality) Technology,” Showcase Inc. operates business, with a focus on development and provision of cloud-type SaaS systems from the viewpoint of users. The company has set up the term ended Dec. 2019 as the Second Start-up period, it upholds the new business concept, “DX cloud service that connects companies and customers,” and supports enterprises in promoting DX. Its strengths include the excellent customer base, plenty of SaaS development technologies and operation knowledge, and high customer satisfaction level.

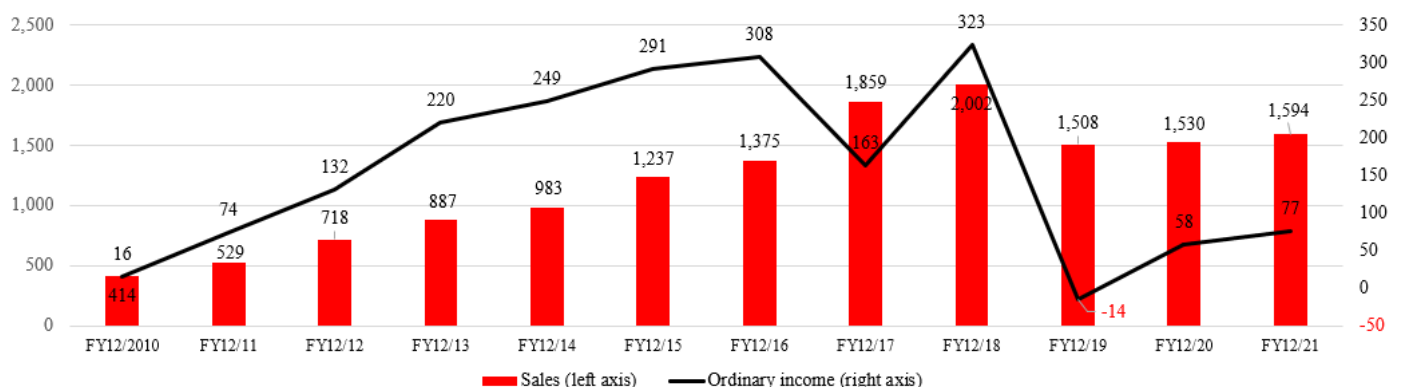
【1-1 Corporate History】

In 1996, Futureworks CORP was established for the purpose of supporting sales promotion and public relations activities. In 1998, it was reorganized into a joint stock company, and in 2005, it absorbed Smart Image Inc., which engaged in promotion utilizing the Internet, Web videos, etc. with Futureworks Co., Ltd. being the surviving company, for the purpose of expanding business and improving the efficiency of use of managerial resources, and the corporate name was renamed to Showcase-TV Inc. The company changed its business model from the commissioned production of sales promotion goods for marketing to the creation of original products and services.

Meanwhile, the Web Form Optimization service, Form Assist, which is the current core service developed with reference to the clients’ opinions, was highly evaluated. At first, it was adopted mainly by EC sites, real estate firms, etc., but the number of financial institutions that consider Showcase’s high-level system for maintenance and operation as attractive increased, and formed the current stable customer base. As a result, its business performance grew steadily, and it was listed in Mothers of Tokyo Stock Exchange in 2015, and then listed in the first section of TSE in 2016.

However, the policy for diversification of business through M&A, which was adopted in 2015, did not generate assumed synergetic effects, and sales dropped significantly, and impairment loss was posted in the first quarter of the term ended Dec. 2019. In this situation, that term was defined as the Second Start-up period, and Mr. Toyoshi Nagata, who had led business as vice-president since the inauguration of business, was appointed as representative director and president in March 2019. It was renamed to Showcase Inc., while conducting organizational reform to shift to a new business execution system in April 2019.

Trends in sales and ordinary income [unit: million yen]



【1-2 Corporate Philosophy, etc.】

Its core value is “**Make People Happy with Our OMOTENASHI (Hospitality) Technology.**”

Since its business start-up, the company has been offering business services focused on users’ happiness by using easy-to-adopt, easy-to-use, hospitality-oriented technologies, intending to solve problems and create value from the users’ viewpoint.

For the Second Start-up, the company started upholding “**DX cloud service that connects companies and customers**” as a new business concept in 2020, and clearly reports its business domains to investors.

【1-3 Market Environment】

(1) The DX market, which is expected to grow rapidly, and the 2025 Digital Cliff

According to “Digital Transformation: Overcoming of ‘2025 Digital Cliff’ Involving IT Systems and Full-fledged Development of Efforts for Digital Transformation” (Study Group for Digital Transformation) announced by the Ministry of Economy, Trade and Industry in September 2018,

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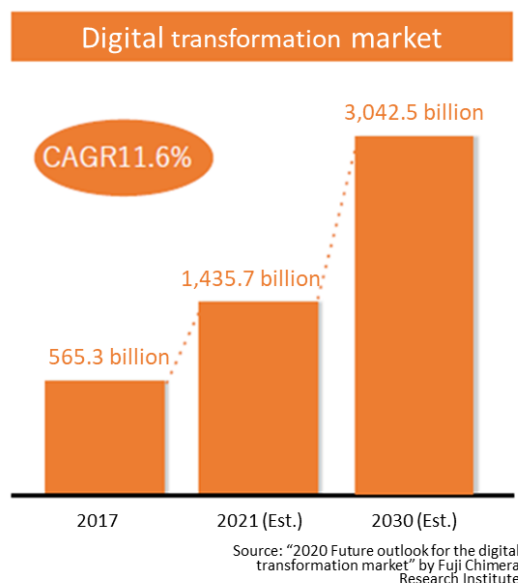


In all industries, new entrants are emerging to develop unprecedented business models using new digital technologies, and become game-changers. Under these circumstances, it is necessary for all companies to proceed with digital transformation (DX) speedily to maintain and improve their competitiveness. On the other hand, the following problems have been pointed out.

- ☆ Since existing IT systems are closely linked to business processes, it is necessary to renew the business processes to solve the problems with the existing systems. Accordingly, on-site workers are reluctant.
- ☆ Unless the problems with existing IT systems are solved, it is impossible to create new businesses and reform business models swiftly. Namely, it is difficult to carry out DX on a full-scale basis.
- ☆ A lot of funds and human resources are allocated to the operation and maintenance of existing systems, so it is impossible to allocate resources to IT investments for utilizing new digital technologies.
- ☆ If this problem is left unaddressed, the costs for operation and maintenance will skyrocket further, the so-called technical debt will augment, the staff who can operate and maintain existing systems will become scarce, and security risk will increase.

Especially, if existing systems that are complicated, decrepit, and obscure remain, the economic loss due to the rise in risk caused by the resignation of IT personnel, the termination of support, etc. by 2025 is estimated to reach up to 12 trillion yen/year (about 3 times today's loss) in 2025 or later. This is called the problems with the existing IT systems, the 2025 Digital Cliff.

If many enterprises work on DX to survive, the DX market will grow rapidly, but the growth of service vendors depends on whether they can offer services and solutions for overcoming the 2025 Digital Cliff.



(Taken from the reference material of the company)

(2) eKYC, which is expected to grow steeply

As the demand from housebound consumers grew amid the COVID-19 pandemic, we have entered the era of full-scale online procedures and non-face-to-face transactions and eKYC, which is a tool for online non-face-to-face identification, is rapidly distributed.

eKYC stands for electronic Know Your Customer, meaning online identification.

In order to prevent international money laundering and disrupt the provision of funds to criminal organizations, such as drug rings and terrorists, financial institutions, etc. are obligated to identify customers and check their purposes of transactions when their accounts are created, in accordance with the Act on Prevention of Transfer of Criminal Proceeds. The damage due to illegal remittance amounted to about 2.5 billion yen in fiscal 2019, so financial institutions were requested to check transactions more strictly.

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On the other hand, for non-face-to-face identification using conventional mails, the following problems have been pointed out:

- * Necessity to submit documents by mail for each financial institution is causing 1.7 million people per year to give up creating an account in the middle.
- * The identification process at financial institutions is cumbersome, and its cost amounts to about 2 trillion yen per year.
- * Japanese financial institutions bear the cost of about 4 billion yen per year for sending receiver-specified mails to identified customers.
- * Even after creating accounts, customers need to log in to respective financial institution's websites with different IDs when making transactions.

The current identification process is not convenient for users, extremely costly for financial institutions, and many opportunities are lost. Accordingly, the identification process needs to be swifter and more efficient, thus, eKYC is rapidly distributed.

Through the amendment to the Act on Prevention of Transfer of Criminal Proceeds in November 2018, The Method for Checking Items for Identifying an Individual Online, in which each user sends identification documents and their images via the Internet, was added. Until 2023, both the conventional identification method using paper and the online one can be used, but from 2023, online identification will become mandatory.

It will become unnecessary to send identification documents by mail, so the identification process will become convenient for users and less costly for financial institutions. Accordingly, eKYC will become more common.

Since identification is not just for financial field, but also for other various fields, online identification is expected to become common in the fields of insurance, credit cards, communications carriers, trade of antiques (recycling), etc.

The unauthorized access incident at a leading communications carrier that occurred in 2020 could have been prevented with online identification, so it is likely that online identification will be popularized rapidly before 2023.

According to the company's reference material, the market scale of the eKYC service will expand from 480 million yen in 2019 to 4.4 billion yen by 2024. Substantial growth with an average yearly growth rate of 55.8% is anticipated.

【1-4 Business Contents】

(1) Business form

Utilizing the SaaS development technology with high usability, the company offers high-value services to eliminate the insufficiencies in society.

In addition, under the new business concept, "**DX cloud service that connects companies and customers,**" the company develops SaaS and platforms around interfaces connecting enterprises and customers and supports DX for co-creation, to offer services for overcoming the 2025 Digital Cliff.

(2) Business segment

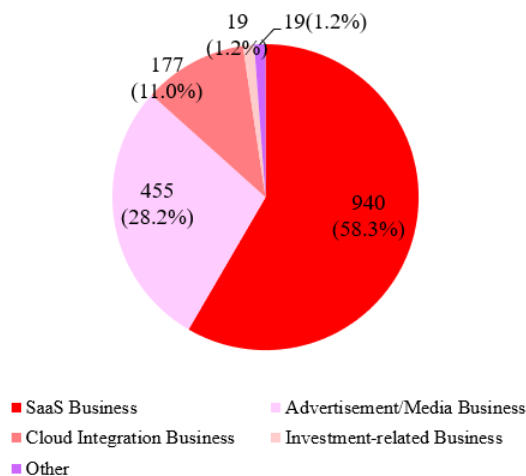
There are four segments to be reported: SaaS Business, Advertisement/Media Business, Cloud Integration Business, and Investment-related Business.

Cloud Integration Business is a new segment established in the term ended Dec. 2020, under the new business concept.

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Sales composition by segment [FY Dec. 2021, unit: million yen]



*From first quarter of FY 12/21, Marketing SaaS Business was renamed as SaaS Business

① SaaS Business

It offers mainly Form Assist, which is a cloud service for increasing conversion rate based on the Entry form optimization technology, and ProTech Series, which is a cloud service related to security.

◎ Form Assist

Administrators of websites for offering services, including EC sites, hope that visitors to their websites (potential customers) will not only browse their contents, but also input their personal information, send an inquiry, and purchase their products or services. They need to avoid a case in which a user accesses a Web form, but leaves the webpage because of the difficulty or cumbersomeness of inputting.

A measure for reducing such opportunity loss cases and increasing the ratio of customers who fill in forms for maximizing the results is called Web Form Optimization.

Form Assist is the first Web Form Optimization tool released in Japan.

It has been adopted for over 5,000 forms, meeting various needs. The company offers original knowledge based on the accumulation of experience for over 10 years.

Among financial institutions, which are their major clients, leading megabanks, local banks, non-life insurance companies, etc. have installed it. It boasts the largest share in the financial Web Form Optimization market.

Financial institutions, such as megabanks, major regional banks, and non-life insurance companies, which are the company's core customers, have installed it. As a result, the company proudly possesses the largest share in the financial industry's EFO market and has maintained the largest share in the entry form optimization market for seven consecutive years. ^{*1}

*1: From ITR "ITR Market View: Email/Web Marketing Market 2021"



(Taken from the reference material of the company)

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It has more than 40 types of assist functions that make it easier for users to input, and it does not require large-scale repairs and has a function that can optimize the input form simply only by installing tags.

In addition to the ease of use, easy installation thanks to the fact that Showcase does not need access to personal information is a major benefit for financial institutions in particular.

In addition, dedicated staff that possesses a wealth of web marketing knowledge and skills, including a WACA-certified Web Analyst certification, conducts analyses for better conversions and clarify website's issues. The company also provides measures suitable for each customer's goals based on accumulated success cases and failure cases that other companies do not have.

The conversions rates of the companies that have implemented this service have improved steadily on average, and especially for companies that are not familiar with UI betterment, it has led to a 10% improvement and even more in some cases.

Many major financial institutions have their own development companies, and although these development companies may compete with each other in the adoption of Web form optimization, they lack the know-how in web marketing which gives a great competitive advantage to Showcase.

Enterprises that adopted Form Assist



(Taken from the reference material of the company)

◎ Online identification/eKYC service, ProTech ID Checker

ProTech Series is a cloud service for maximizing the benefits of orders from customers. It specializes in the prevention of unauthorized logins to websites, impersonations, losses of leads due to typing errors and such, fortification of security in general.

In addition to License Reader, which allows users to take a picture of their driver's license with their smartphone and automatically insert their personal information in form inputs using OCR technology, the company is focusing on expanding sales of ProTech ID Checker, an online identity verification/eKYC service released in 2019, as a future growth driver.

As mentioned in the Market Environment section, eKYC is expected to be adopted not only by financial institutions but also by a wide range of industries and business categories.

The company's "ProTech ID Checker" also allows users to complete online identity verification by simply taking a photo of themselves and their identification documents.

Like the web form optimization service, it is easy to install, requiring only the embedding of a tag. The service is attracting attention as a solution to the rapidly growing need for non-face-to-face transactions due to the spread of the new Coronavirus infection and the social problem of identity fraud. It has received industry acclaim, including the Nikkei x TECH EXPO AWARD 2019 Semi-Grand Prix Security Award.

In addition, in a survey comparing the perceptions of websites conducted by General Research Inc. in 2021, it came in first in the three categories: "eKYC solution that you think is easy to use," "usability of the identification service that consumers choose," and "eKYC solution price satisfaction."

Since 2020, the number of companies that have adopted it has increased in a wide range of industries due to the growing demand for non-face-to-face and online transactions.

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【Main enterprises that adopted the online identification tools】



(Taken from the reference material of the company)

In addition to ProTech ID Checker, which complies with the revised Act on Prevention of Transfer of Criminal Proceeds, in March 2021, the company released ProTech AI Masking, which provides an automatic masking service for health insurance cards at the time of identification. ProTech AI Masking responds to the restrictions on notification requests for the medically insured person's codes and numbers. In May 2021, the company also released the multi-factor authentication service, ProTech MFA by SMS, using SMS. The company plans to continue to increase its service lineup in line with social trends such as law revisions and fraud prevention.



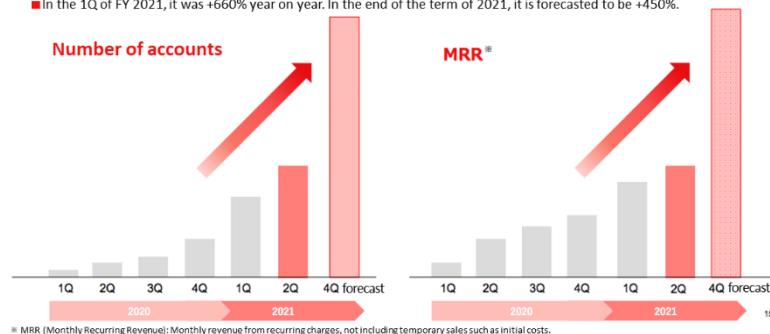
ProTech
ID Checker

ProTech
AI Masking

ProTech
MFA by SMS

Changes in KPI for online identification (eKYC) services

- Number of accounts and MRR since service launched in November 2019
- In 2020, inquiries rapidly increased due to the expansion of non-face-to-face transactions for COVID-19 and actual results increased after 4Q.
- In the 1Q of FY 2021, it was +660% year on year. In the end of the term of 2021, it is forecasted to be +450%.



※ MRR (Monthly Recurring Revenue): Monthly revenue from recurring charges, not including temporary sales such as initial costs.

(Taken from the reference material of the company)

◎ Omotenashi (Hospitality) Suite Series

Omotenashi Suite is platform that enables the creation of all kinds of user interfaces and data linkages of business systems between companies and customers, all in a single integrated manner. In November 2021, the multi-channel contact tool Omotenashi (Hospitality) Suite CX was released, and in January 2022, the low-code online tool Omotenashi Suite DX was released as well.

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Omotenashi Suite CX

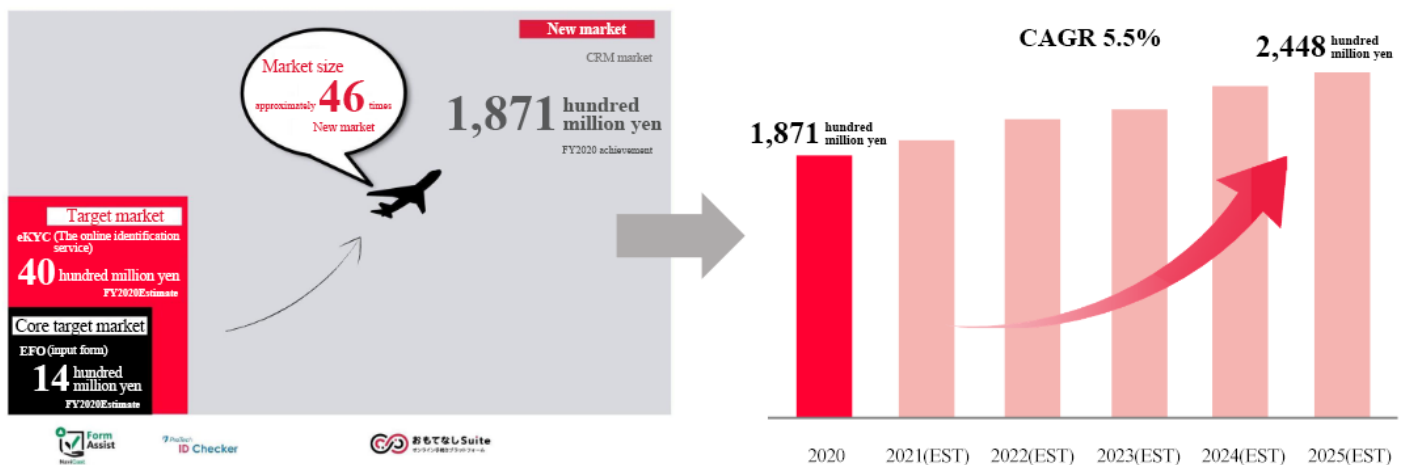
A service that lets companies and their customers perform smooth text communication via a browser chat, LINE, and +Message. The service has a full range of functions, from AI chat-bot, auto-response to manned chat. Initial setup is simply done by pasting a tag.

Omotenashi Suite DX

Form creation service that allows users to immediately start linking data from online forms to existing systems. It's also a low-code editor that enables form creation with intuitive operations, even without specialized knowledge of programming or Web production. In the future, the company plans to provide more extensive linkage with other external systems such as SFA and CRM tools, as well as add-on functions such as eKYC and OCR.

(Expansion of the target market)

The main markets that the company has targeted so far are the Web form optimization market (about 1.4 billion yen) and the eKYC market (about 4 billion yen). The Omotenashi Suite targets the high-growth CRM market, which manages customers in the cloud and is estimated to be about 190 billion yen. Thus, it aims to grow in a unique position that leverages its strengths. The company aims to make it a platform that can provide all the required functions for all situations to connect companies and customers by gradually adding new functions.



※Source : from ITR Mail/Web marketing market 2021/Entry form optimization market

※Source : from Yano Research Institute Ltd. "eKYC market transition and forecast" July 2021

※Source : from IDC JAPAN domestic CRM market forecast July 2021

(Taken from the reference material of the company)

② Advertisement/Media Business

The company operates its own media and offers advertisement-related services.

◎ Operation of its own media

The business is growing with smartphone-related media, bitWave, as its primary content. Showcase is one of the prominent companies in Japan for leading customers to online contracts of major domestic carriers such as docomo and au. By making Nippon Telephone a consolidated subsidiary, we can expect to see the impact of this synergy with the company's reused mobile business.

In addition, by utilizing the customer base composed of financial institutions, which was developed through the SaaS business, the company is striving to increase the revenues from affiliate advertising, such as leading customers to credit-card companies. The company launched Finance Lab., a financial information media for providing simple-to-understand-information regarding money. It distributes information on credit cards, stock investment, asset operation, insurance, loans, etc. As of February 2022, the number of subscribers to the video media was over 49,000.

Going forward, the company plans to continue to invest in the smartphone-related and financial product areas actively.



(Taken from the reference material of the company)

◎ Advertisement-related service

In addition to the conventional operational advertising-related services provided so far, the company provides SNS advertising operation services that meet customers' needs.

③ Cloud Integration Business

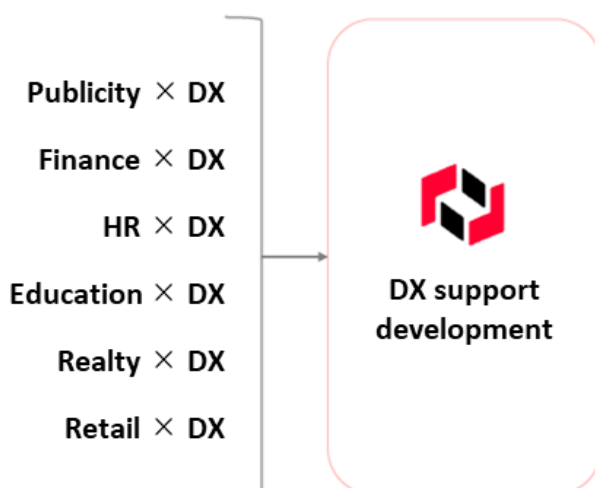
The company operates the industry-specific DX support and development business by combining the accumulated knowledge to develop SaaS products and the business knowledge of leading companies.

It conducts the SaaS business actively in various fields, and supports enterprises in adopting cloud computing for information systems in the DX market, which is in the midst of a structural reform.

As mentioned in the Market Environment section, the DX market is expected to grow rapidly, as many companies will work on DX to survive. But the “2025 Digital Cliff” still needs to be dealt with.

The company plans to use the technology and know-how it has cultivated to date to release a platform that will greatly reduce the time and efforts required by corporate system staff involved in DX, thereby contributing to the promotion of DX by corporations and local governments.

Support for DX in each field



(Taken from the reference material of the company)

(Concrete measure (1): To support DX in the fields of publicity and PR)

The advertising and PR support cloud tool “PR Automation” operated by PRAP node Inc., which is a joint venture with PRAP Japan Inc. (TSE JQS: 2449), a major public relations firm, continues to grow with regard to the number of companies using the service and its recognition. The service has been adopted by more than 300 companies in one year from its start in September 2020 and received an incentive award at the PR Award Grand Prix 2021 organized by the Public Relation Society of Japan. The company is expanding its support for DX in the advertising/PR industry by developing additional functions.

(Concrete measure (2): To support DX in the financial field)

The Bank of Yokohama has developed a cloud-based system for confirming the contractual details of its loans, allowing customers to check the details online.

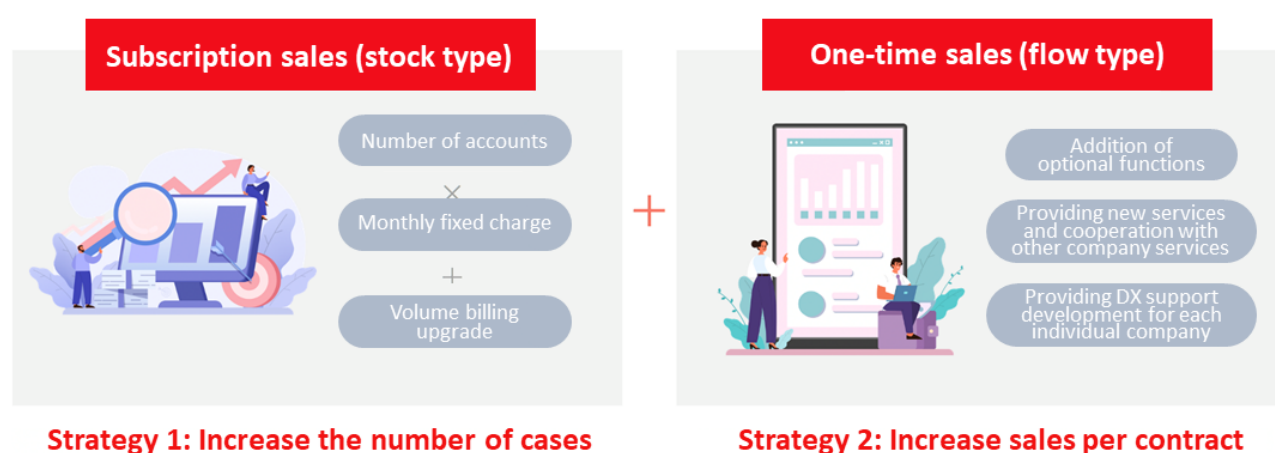
④ Investment-related Business

Consolidated subsidiary Showcase Capital Inc. operates SmartPitch, a matching platform service that matches startups with operating companies, venture capital firms, and corporate venture capital firms online. As of December, 2021, there are more than 320 registered startups and more than 130 investors, including operating companies.

The company provides funding support, such as supporting the business growth of startup companies and listed companies. For example, in December 2021, the company signed an agreement of stock acquisition rights allotment to support the financing of ANAP Inc. (TSE JQS: 3189) and undertook it in January 2022.

(3) Revenue model

The SaaS Business is based on a business model of earning revenues from the pay-as-you-go service in addition to monthly charges.

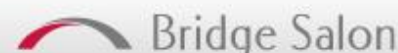


(Taken from the reference material of the company)

KPIs are sales per contract and the number of contracts. The following measures are taken for each KPI.

KPI	Measures
To expand sales per contract	<ul style="list-style-type: none"> * To offer optional functions * To provide new services and services linked with other companies * To support DX development * To expand the pay-as-you-go model
To increase the number of contracts	<ul style="list-style-type: none"> * To enhance digital marketing * To increase sales via partners * To promote regional business operations * To sell products in other fields

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**【1-5 Characteristics and Strengths】****(1) Excellent customer base**

The excellent customer base composed of a total of over 8,000 customers, mainly financial institutions, which was developed through the SaaS Business, has high value as an intangible asset from the viewpoint of reliability. In addition, it led to the monetization of financial media in the Advertisement/Media Business.

(2) High customer satisfaction level thanks to plenty of SaaS development technologies, operation knowledge, and customer-oriented policy

The company has accumulated plenty of SaaS development technologies and operation knowledge. As the company develops products that meet customer needs speedily and offers high-quality products at low cost under the customer-oriented policy, the company is highly evaluated by customers and has a great competitive advantage.

Based on this advantage, it supports the DX in enterprises and governments through the newly launched Cloud Integration Business.

(3) Holding a lot of technological patents

Showcase holds a lot of patents in Japan, the U.S., Singapore, etc.

At present, patents for identification system programs, etc. of ProTech ID Checker are pending.

It will actively develop technologies with the aim of acquiring technological patents.

Technology for optimizing web forms	Japan	Obtained in Feb. 2010
Technology for optimizing smartphone displays	Japan	Obtained in Mar. 2010
Technology for optimizing guides in websites	Japan	Obtained in Aug. 2012
Technology for optimizing smartphone displays	USA	Obtained in Oct. 2012
Technology for optimizing smartphone displays	Singapore	Obtained in Apr. 2013
Technology for optimizing smartphone displays	Brunei	Obtained in Apr. 2013
Technology for optimizing personalized guides	Japan	Obtained in Nov. 2013
Technology for automatically filling in forms of different websites	Japan	Obtained in Oct. 2015
Technology for optimizing smartphone displays	Malaysia	Obtained in May 2016
Technology for encoding personal information with mobile terminals	Japan	Obtained in Jul. 2016
Technology for authentication enabling log-in without inputting information	Japan	Obtained in Jan. 2017

(Taken from the reference material of the company)

【1-6 Business Strategy】

With the above product lineup and competitive advantage, Showcase aims to increase sales and profit with the following growth engines.

◎Growth engine I 【Identification/eKYC service】

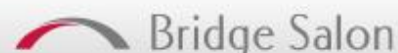
While the social situation is changing rapidly as mentioned above, the company aims to promote this service while advertising its simplicity of adoption.

◎ Growth engine II 【New platform scheme】

In November 2021, the company released the Omotenashi Suite Series. This platform realizes all user interfaces connecting companies and customers as SaaS, and it is a new front-end platform that provides an inlet to all kinds of data.

By linking its core technologies and patented technologies, SaaS development knowledge, and identification technologies with leading enterprises and services, the company will connect users and clients and increase corporate users. The company has positioned it as a strategic product that could determine its fate and has strengthened sales personnel and advertising to improve sales of the Omotenashi Suite Series. The company has announced that it will participate in the Project to Energize Japan from Small and Medium-sized Enterprises and promote it with the official ambassador Christel Takigawa. We would like to pay attention to the growth rate of this company's growth engine.

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Strategic product [Omotenashi Suite]



Participate in the Project to Energize Japan from Small and Medium-sized Enterprises
Promotional activities featuring official ambassador Christel Takigawa

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(Taken from the reference material of the company)

【1-7 Return on Equity (ROE) Analysis】

	FY 12/16	FY 12/17	FY 12/18	FY 12/19	FY 12/20	FY 12/21
ROE (%)	14.8%	1.0%	1.4%	-17.2%	1.7%	2.7%
Net income margin [%]	12.86	0.65	0.84	-12.14	1.69	3.75
Total asset turnover [times]	1.02	0.92	0.78	0.63	0.59	0.57
Leverage [times]	1.13	1.62	2.14	2.24	1.66	1.29

Although the company does not own a lot of assets, ROE has been low, because profitability and efficiency of assets are low.

In the mid-term management strategy, the company aims to achieve an operating income margin of 20% in 2023. The improvement in ROE depends on whether the company will be able to increase profitability by promoting eKYC tools, growing ProTech ID Checker and developing the strategic product Omotenashi Suite.

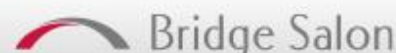
2. Fiscal Year Ended December 2021 Earning Results

(1) Overview of consolidated business results

	FY 12/20	Ratio to sales	FY 12/21	Ratio to sales	YoY	FY 12/21 (Forecasts)
Sales	1,530	100.0%	1,594	100.0%	+4.2%	1,650~2,000
Gross profit	1,109	72.5%	1,210	75.9%	+9.1%	-
SG&A	1,064	69.6%	1,197	75.1%	+12.5%	-
Operating Income	45	3.0%	12	0.8%	-71.8%	60~100
Ordinary Income	58	3.8%	77	4.9%	+32.2%	60~100
Net Income	25	1.7%	59	3.7%	+130.4%	36~60

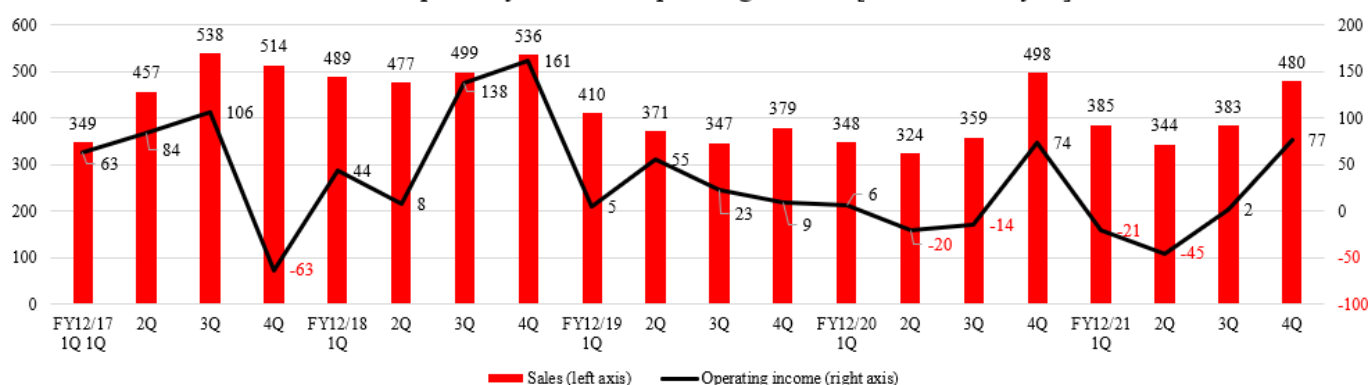
*Unit: million yen. Net income means profit attributable to owners of parent.

BRIDGE REPORT

**Sales grew, while operating income declined**

Sales increased 4.2% year on year to 1,594 million yen. The sales of the mainstay SaaS business grew. The sales of the cloud integration business and the advertising/media business also improved. Operating income decreased 71.8% year on year to 12 million yen. Gross profit also grew due to the increase in sales. However, SG&A expenses such as alliance-related costs and aggressive investment in development, advertising, and personnel expenses increased 12.5% and could not be absorbed. Ordinary income rose 32.2% year on year to 77 million yen. A provision of allowance for doubtful accounts of 37 million yen was recorded. Neither sales nor operating income reached the lower end of the forecast range.

Trends in quarterly sales and operating income [unit: million yen]



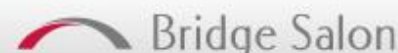
On a quarterly basis, both sales and profits are on a recovery trend after bottoming out in the second quarter.

(2) Trend in each segment

	FY 12/20	Composition ratio	FY 12/21	Composition ratio	YoY
SaaS Business	881	57.6%	940	59.0%	+6.8%
Advertisement/Media Business	434	28.4%	455	28.6%	+4.7%
Cloud Integration Business	119	7.8%	177	11.2%	+49.3%
Investment-related Business	93	6.1%	19	1.3%	-78.7%
Other	1	0.1%	0	0.0%	-58.4%
Total sales	1,530	100.0%	1,594	100.0%	+4.2%
SaaS Business	592	67.3%	600	63.8%	+1.3%
Advertisement/Media Business	65	15.0%	68	15.1%	+5.5%
Cloud Integration Business	-1	-	53	30.3%	-
Investment-related Business	19	20.3%	-9	-	-
Other	7	646.3%	19	3872.8%	+149.3%
Adjustment	-637	-	-719	-	-
Total profit	45	3.0%	12	0.8%	-71.8%

*Unit: million yen. Sales mean those to external clients. The composition ratio of profit means the ratio of profit to sales. Cloud Integration Business was added as a new segment in the term ended Dec. 2020. In the second quarter of term ended Dec. 2021, a revision of management units was implemented in step with organizational changes, and some businesses previously included in the Cloud Integration Business have newly been included in the SaaS Business. Incidentally, the segment information in the second quarter of the previous term is also indicated according to the new classification.

BRIDGE REPORT



◎ SaaS Business

Sales and profit increased

The sales of the core business grew steadily. The online identification/eKYC service, which is the pillar of growth, continues to expand. The number of accounts and MRR (Monthly Recurring Revenue: monthly revenue from continuous billing, not including temporary sales such as initial costs) increased rapidly by 481% and 469%, respectively, year on year in the fourth quarter.

◎ Advertisement/Media Business

Sales and profit increased.

(Advertising related services)

In addition to the operational advertising-related services that the company has provided so far, it is recording stable sales by providing SNS advertising operation services that meet the needs of its customers.

(Owned media)

The mainstay smartphone-related media, bitWave, has contributed significantly to earnings. In particular, the revenue from affiliate advertising of the new iPhone released in September 2021 made a significant contribution to revenue. As of the end of December 2021, the YouTube channel, which explains credit card comparisons, has more than 39,000 subscribers and is contributing to attracting customers as a new inflow channel to existing media.

◎ Cloud Integration Business

Sales and profit grew.

The advertising and PR support cloud tool, PR Automation, owned by PRAP node Inc., a joint venture with PRAP Japan Inc. (TSE JQS: 2449), continues to grow in regards to the number of companies using the service and its recognition. The service has been adopted by more than 300 companies in one year from its start and received an incentive award at the PR Award Grand Prix 2021, organized by the Public Relation Society of Japan.

The dispatching DX support personnel service contributed to earnings, and the company also received orders for contract development projects.

◎ Investment-related Business

As of the end of December 2021, the number of registrations for SmartPitch, a platform for online matching business companies and VC/CVCs with startup companies, is over 320 on the startup company side and over 130 on the investor side, such as business companies.

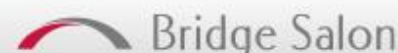
The company has started seeing the results of matching, such as the startup companies supported by Showcase Capital Inc. raising funds and realizing M&A. In December 2021, the company signed a stock acquisition rights allotment agreement to support the financing of ANAP Inc. (TSE JQS: 3189) and undertook it in January 2022.

(3) Financial position and cash flows

◎ Main Balance Sheet

	End of December 2020	End of December 2021	Increase/ Decrease		End of December 2020	End of December 2021	Increase/ Decrease
Current Assets	2,477	2,179	-297	Current Liabilities	480	374	-106
Cash and Deposits	2,198	1,875	-322	Trade Payables	25	25	-0
Trade Receivables	207	223	+16	ST Interest-bearing Liabilities	328	210	-118
Noncurrent Assets	472	504	+32	Noncurrent Liabilities	298	129	-169
Tangible Assets	85	80	-4	LT Interest-bearing Liabilities	298	121	-177
Intangible Assets	125	163	+37	Total Liabilities	779	504	-275

BRIDGE REPORT



Investment, Others	260	259	-0	Net Assets	2,170	2,180	+9
Total assets	2,949	2,684	-265	Total Liabilities and Net Assets	2,949	2,684	-265
				Balance of Interest-bearing Liabilities	627	331	-296

*Unit: million yen.

Cash and deposits decreased, and total assets stood at 2,684 million yen, down 265 million yen from the previous term. There was a drop in interest-bearing liabilities and total liabilities are now 504 million yen, down 275 million yen from the previous term. Net assets were almost unchanged and stood at 2,180 million yen. Capital-to-asset ratio rose 7.6 points from the end of the previous term to 81.2%.

◎ Cash Flow

	FY 12/20	FY 12/21	Increase/ Decrease
Operating Cash Flow	96	92	-4
Investing Cash Flow	-61	-65	-3
Free Cash Flow	34	26	-8
Financing Cash Flow	735	-349	-1,084
Term End Cash and Equivalents	2,198	1,875	-322

*Unit: million yen.

Proceeds from issuance of common shares in the previous fiscal year disappeared, and financial CF turned negative. The cash position has dropped.

(4) Topics

(1) Release of Omotenashi Suite Series, a platform that connects companies and customers

In November 2021, the company released the Omotenashi Suite Series, a platform that realizes all user interfaces as SaaS and connects companies and customers.

See "Company Profile" for details.

Following Omotenashi Suite CX and Omotenashi Suite DX, voice calls and video calls are under development, as the company aspires to make it a comprehensive platform that can provide the functions required for all situations to connect companies and customers.

The company will participate in the Project to Energize Japan from Small and Medium-sized Enterprises and actively promote it.

(2) Making Nippon Telephone Inc. a subsidiary and concluding a capital and business alliance agreement

In January 2022, the company announced that Nippon Telephone Inc. (Securities Code 9425, TSE JQS) would become a subsidiary and has concluded a capital and business alliance with it.

BRIDGE REPORT**(Overview of Nippon Telephone Inc.)**

Since its founding in 1988, Nippon Telephone has expanded its business by continuing to change the products and services it handles along with the growth of the telecommunications industry. Since its listing in 2005, Japan Telephone has been providing products and services that meet customer needs in a time when the telecommunications industry is becoming saturated due to the industry transformation from fixed lines to mobile communication lines and the increase in the penetration rate of mobile communication lines. However, it struggled to create a mechanism to stabilize the profitability of the business model for the reuse business, which it has been working on launching as a new business in 2008, including terminal procurement and sales after the recycling process. Furthermore, Nippon Telephone faced management issues as it could not develop or retain human resources familiar with the reuse business. Moreover, it could not achieve the balance between business expansion and profits or improve the corporate value as it could not launch new products and services that could generate continuous income in order to change the profit structure, which is dependent on receiving orders for short-term spot projects.

Under such circumstances, after the annual general meeting of shareholders held in July 2017, the president was replaced, and a new management philosophy was set up. As the company entered the second founding period, Nippon Telephone embarked on a drastic structural reform with the main improvement goals being closing or transferring unprofitable stores and reducing the consumer business in the reuse-related business. In the mobile communications-related business, Nippon Telephone concentrated its management resources on the profitable docomo shops and au shops and closed the joint sales stores that handle all carriers. In the reuse-related business, the scale of consumer sales was reduced in order to shift to the BtoB market, which was on a growth track. As a result of these efforts, Nippon Telephone achieved profitability and sales and profit growth for the second consecutive term in the fiscal years ended April 2020 and 2021, and the long-standing issue of the important events related to the premise of a going concern was resolved.

(Background of the conclusion of the capital and business alliance)

Nippon Telephone's business environment is centered on smartphones, which are indispensable items for people's lives during the novel coronavirus crisis similar to living infrastructure such as electricity, gas, and water, and Showcase believes that various transformations will be made mainly by the Ministry of Internal Affairs and Communications, the related ministry, leading to swift changes.

In addition, the business domain of Nippon Telephone is not a part of Showcase's business domain. Thus, Showcase believes that business synergies with Nippon Telephone, whose main business is to buy and sell new and reused smartphones, will be useful for accelerating its growth. Therefore, since October 2021, Showcase has been studying the impact of the business synergy achieved by mutually and effectively utilizing the management resources of both companies. The Nippon Telephone, which specializes in hardware and has cultivated the business know-how and sales/marketing network in the telecommunication industry and acquired human resources responsible for its sales activities, and Showcase, which excels in software and possesses website analysis and improvement technologies and DX support development technologies including operational efficiency improvement and platform construction, have agreed that the fusion of their business foundation would contribute most to the sustainable business growth of both companies. Thus, the two companies have concluded a capital and business alliance contract.

(Details of capital and business alliance)**① Capital alliance**

Showcase will acquire 2.31 million new shares (ratio of outstanding shares held: 40.23%) through third-party allotment implemented by Nippon Telephone. The total acquisition amount is about 820 million yen.

In addition, in this capital and business alliance, Showcase can substantially control the board of directors, which is the decision-making body of Nippon Telephone, in some scenarios. Thus, it will be considered a consolidated subsidiary.

② Business alliance

The main contents of the business alliance currently agreed upon between Showcase and Nippon Telephone are as listed below. The companies aim to increase corporate value by demonstrating business synergies by realizing comprehensive solutions by fusing the software domain, which is the specialty of Showcase, and the hardware domain, which is the specialty of Nippon Telephone, and developing the reuse mobile business.

- * Construction and installation of an automatic assessment and purchase system using Nippon Telephone's online purchase service, purchase platform, and AI, which rely on eKYC related technologies
- * Marketing and customer attraction support in collaboration with smartphone-related media
- * Strengthening the subscription model for corporate rental services of Nippon Telephone
- * Promotion of DX conversion for the entire reused mobile business
- * Other matters to be separately discussed and agreed upon by Showcase and Nippon Telephone

BRIDGE REPORT**③ Others**

In this capital and business alliance agreement, Showcase can request that the persons it designates would be included in the company proposal as candidates for directors of Nippon Telephone until they account for the majority of the board of directors of Nippon Telephone. In such a case, Nippon Telephone should submit a proposal for the appointment of directors based on this request.

(3) Selecting the Standard Market as the new market segment

The company has received the results from the Tokyo Stock Exchange, Inc. regarding the status of its compliance with the listing maintenance standards for the new market segment. It has confirmed that the company conforms to the listing maintenance standards of the Standard Market. In December 2021, the company selected the Standard Market as its new market segment and applied for it.

Based on the schedule set by the Tokyo Stock Exchange, Inc., the company will proceed with the prescribed procedures for application for the selection of new market segments.

3. Fiscal Year Ending December 2022 Earnings Forecasts

Since there are many uncertainties regarding the impact of the conclusion of a capital and business alliance agreement with Nippon Telephone on the business results for the term ending Dec. 2022, the earnings forecast will not be disclosed. The company will announce it as soon as a reasonable forecast becomes possible.

4. Medium-term Growth Strategy

The following three points will be the priority strategies for improving corporate value and returning profits to shareholders over the medium term.

(1) Business growth by aggressively investing in core business's strategic products

Following its online identity verification products to solve the rapidly increasing social issues, the company will hire sales staff and engineers for the online procedure platform Omotenashi Suite and strengthen advertising.

The company will also concentrate investment in growth businesses with high potential, such as financial information media and DX support development.

(2) Active alliances with leading partner companies

The company will consider and implement business alliances and collaborations with leading companies that can develop its core businesses, such as AI inside Inc. and Nippon Telephone Inc.

(3) M&A strategy for business expansion

The company will implement M&A strategies to expand its scale by creating business synergies and securing excellent engineers.

5. Conclusions

Neither sales nor operating income reached the forecast for the term ended Dec. 2021, but the number of accounts and MRR (Monthly Recurring Revenue: monthly revenue from continuous billing, not including temporary sales such as initial costs) of the online identification/eKYC service in the fourth quarter, which is the company's growth driver, increased rapidly by 481% and 469%, respectively, year on year.

Although the earnings forecast for the current fiscal year has not been disclosed, we would like to see whether the various measures outlined in the medium-term growth strategy and the synergy with Nippon Telephone will progress as expected and whether all the products and services listed in the schedule will be released on time.

BRIDGE REPORT



<Reference: Regarding Corporate Governance>

◎ Organization type and the composition of directors and auditors

Organization type	Company with company auditor(s)
Directors	6 directors, including 3 outside ones
Auditors	3 auditors, including 3 outside ones

◎ Corporate Governance Report

Last update date: January 26, 2022

<Basic Policy>

Our company considers that establishing corporate governance is one of the important managerial issues to maximize the profits of many stakeholders, including shareholders, and to improve corporate value while enhancing the efficiency and transparency of management.

In this situation, we will observe related laws and regulations and operate a management organization system while responding to the changes in the business environment swiftly and flexibly.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code>

Principle	Reasons
(Supplementary Principle 3-1-2)	Our company opened the English version of our website to disclose the details of our business around the world. (English website: https://www.showcase-tv.com/en/corporate/) As for material for briefing financial results, convocation notices for general meetings of shareholders, overviews of quarterly results, etc., we will see the trend of ratio of foreign shareholders and consider cost-effectiveness, and if the ratio of foreign shareholders exceeds a certain value, we will consider translating documents and disclosing information in English.
(Supplementary Principle 3-1-3)	We recognize the need to address sustainability issues as an essential element of our management strategy. Thus, in order to enhance our efforts to tackle social issues such as investing in human capital and intellectual property, we will review the existing system and take measures such as managing the progress of goals and deliberating on measures. We will also enhance the effectiveness of the supervision of the Board of Directors by appropriately reporting the evaluation of specific achievements to the Board of Directors.
(Supplementary Principle 4-1-3)	Our company recognizes that a plan for appointing successors to CEO, et al. is important for realizing sustainable growth and improving mid/long-term corporate value. As of now, there are no concrete plans, but considering that it is indispensable to train executives and managers who will support the management in order to achieve sustainable growth and improve mid/long-term corporate value, we will comprehensively discuss requirements for becoming a chief executive and other executives, the policy for training them, etc. while taking into account our business environment and climate, and if necessary, we will discuss how the board of directors should supervise business operations.

BRIDGE REPORT



(Principle 4-11)	<p>We think that the board of directors should be composed of directors who possess knowledge, experience, and skills for fulfilling their roles and duties with good balance for realizing diversity and appropriate scale. Our board of directors is composed of personnel who possess technical knowledge and plenty of experience in the fields of business administration, financial affairs, marketing, systems, etc., being well-balanced. In addition, our auditors include certified public accountants and tax accountants who possess appropriate knowledge of financial accounting. However, we recognize that there are problems regarding gender diversity and internationality. From now on, we will have discussions for securing female and foreign personnel to be appointed as directors.</p>
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<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle	Description of disclosure
<p>【Principle 1-4 Strategically Held Shares】 (Supplementary Principle 1-4-1) (Supplementary Principle 1-4-2)</p>	<p>We do not currently possess strategically held shares. Our company may hold some shares of listed companies, if the cost of capital of shareholding is reasonable, from the viewpoints of fostering stable, long-term transactions and concrete cooperation in business activities with business partners and alliance partners. We have the basic policy of disposing of or reducing the strategically held shares that are considered to be not worth holding as soon as possible, by considering the situation as of the end of the latest fiscal year. Hence, we will discuss the effects of shareholding from the viewpoints of mid/long-term economic rationality and the maintenance/strengthening of comprehensive relationships with business alliance partners, and the board of directors will pass a resolution. We will exercise the voting rights of the listed shares appropriately after examining the contents of bills at general meetings of shareholders and checking whether the exercise will contribute to the improvement in corporate value and benefits for shareholders.</p>
(Supplementary Principle 2-4-1)	<p>Since the current number of staff members in the group is relatively small and the population is limited, we have not set a target value for ensuring diversity in recruiting core human resources. However, as of December 2021, female managers account for 13%, and mid-career managers account for 73% of the total personnel. Thus, we already have a track record in this matter. As of now, we have not promoted foreigners to managerial positions yet, but our basic policy is to conduct personnel evaluations according to their abilities and achievements regardless of nationality and gender. Moreover, as we expand our business domains and the scale of our company in the future, we will aim to operate an organization that has secured and improved diversity.</p> <p>We also recognize the importance of human resources strategies for improving corporate value over the medium to long term. Hence, we will consider developing human resources and improving the internal environment so that the ratio of female, foreign, and mid-career hires to managerial positions will increase as our core human resources.</p>

BRIDGE REPORT



(Supplementary Principle 4-11-3)	<p>The internal audit division conducted a questionnaire survey to all directors and auditors, on the composition and operation status of the board of directors, to evaluate the effectiveness of the operation, deliberation, etc. of the board of directors. The evaluation results indicate that the board of directors can exert its supervision function with the current composition, operation, and deliberation systems, and participants in meetings of the board of directors is able to express their opinions actively and to have unfettered discussions.</p> <p>On the other hand, in order to improve the effectiveness of the board of directors further, it is important to enrich information to be offered to directors and auditors. With this recognition, our company will make continuous efforts to increase the effectiveness of the board of directors.</p>
[Principle 5-1]	<p>To continuously grow our company and improve corporate value over the medium to long term, we have set up a dial-in for shareholders and a contact point by email to respond to the shareholders' inquiries as a way to promote constructive dialogue with shareholders. The contact point is disclosed on our website.</p> <p>https://www.showcase-tv.com/ir/inquiry/</p>

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