
 <p>Yoichiro Hirano Chief Executive Officer</p>	Asteria Corporation (3853)
	

## Company Information

Marketing	TSE 1st Section
Industry	Information and telecommunications
President& CEO	Yoichiro Hirano
HQ Address	19F Ebisu Prime Square Tower, 1-1-39 Hiroo, Shibuya-ku, Tokyo 150-0012, Japan
Year-end	March
Homepage	<a href="https://www.asteria.com/jp/en">https://www.asteria.com/jp/en</a>

## Stock Information

Share Price	Share Outstanding		Market Cap.	ROE (Act.)	Trading Unit
¥886	17,491,265 shares		¥15,497 million	15.7%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
NYD	-	¥121.44	7.3x	¥330.25	2.7x

\*The share price is the closing price on February 2. Share outstanding and DPS are based on the results in the second quarter of the term ended March 2022. EPS is based on the revised earnings estimates released on January 2022. ROE is the profit margin of equity attributable to the owners of the parent company, and BPS is equity attributable to owners of parent per share. The values of ROE and BPS are the results of the previous term.

## Earnings Trends

Fiscal Year	Net Sales (million yen)	Operating Income (million yen)	Pre-tax \Income (million yen)	Net Income (million yen)	EPS (yen)	DPS (yen)
Mar. 2018 (Act.)	3,110	577	444	197	11.90	6.00
Mar. 2019 (Act.)	3,478	389	463	271	16.39	4.00
Mar. 2020 (Act.)	2,677	-262	-159	-176	-10.66	4.00
Mar. 2021 (Act.)	2,688	820	1,026	807	49.02	4.50
Mar. 2022 (Est.)	2,900	3,400	3,400	2,000	121.44	NYD

\* The forecast is from the company. IFRS is applied. Net income is net income attributable to owners of parent.

This report includes the outline of Asteria Corporation, the trend of its business performance, its Mid-Term Management Plan, and the interview with CEO Hirano.

## Table of Contents

### [Key Points](#)

#### [1. Company Overview](#)

#### [2. The Second Quarter of the Fiscal Year Ended March 2022 Earnings Results](#)

#### [3. Fiscal Year Ending March 2022 Earnings Forecasts](#)

#### [4. Mid-Term Management Plan “STAR”](#)

#### [5. Interview with CEO Hirano](#)

#### [6. Conclusions](#)

#### [<Reference: Regarding Corporate Governance>](#)

## Key Points

- Under the concept of “connecting the world with software,” the company develops software to meet various needs for “connectivity” based on its software and Internet technologies. The number of enterprises that have adopted its core product “ASTERIA Warp” exceeded 9,000 in 2020. The company has been occupying the largest market share for the 15th straight year through 2021. The characteristics and strengths of the company include the capability of developing products based on the excellent “foresight,” competent human capital developed by diffusing its unique corporate culture, the large market share, new technologies, and active measures for developing solutions.
- The sales in the second quarter of the term ended March 2022 were 1,368 million yen, up 2.1% year on year. As Western countries, especially the U.S. and the U.K., were affected by the spread of COVID-19, the sales of the Design Business declined year on year, but the Software Business, whose core product is “ASTERIA Warp,” grew. Operating income was 862 million yen, up 155.6% year on year. As the company increased employees and implemented marketing measures in accordance with the Mid-Term Management Plan “STAR,” SG&A increased, but it was offset by the sales growth of the Software Business and income from the Investment Business. Consequently, operating income, pre-tax income and net income increased considerably, hitting record highs for the first half.
- The full-year earnings forecast for the term ending March 2022 has been revised upwardly. After comprehensively considering that gain on valuation is expected to be posted through the listing of Gorilla Technology Group Inc. on the NASDAQ market and the company will use the valuation gains to conduct active marketing, including TV commercials, mainly for the Software Business, it was forecast that operating income and other incomes will exceed the full-year forecast disclosed on September 30, 2021. The estimated dividend is unchanged. The interim dividend will be 0.00 yen/share, and the term-end dividend is still to be determined.
- In the Mid-Term Management Plan “STAR”, the company aims to achieve the goals for the term ending March 2024, that is, sales of 4.5 billion yen and an adjusted EBITDA of 1 billion yen, under the vision of “offering services for creating a new autonomous, decentralized, collaborative society.”
- We interviewed CEO Yoichiro Hirano about his aspiration infused into the corporate ethos, the business’s competitive advantage, challenges, his message toward shareholders and investors, etc. He said, “We pursue an ‘autonomous, decentralized, and collaborative’ society as a 100-year theme, and will release software and services one after another to realize such a society. We strongly hope that future-oriented investors will understand our ethos and vision, and we would like to create an ideal society together with them.”
- According to the interview with President Hirano, the company concentrates on product development by incorporating advanced technologies and future needs rather than focusing on the current needs, and releases new products. It seems that they release products they want to sell, but packaged software makers need to develop software while predicting demand. From its corporate history, it can be considered that the company is a future customer-oriented enterprise that develops products and conducts marketing actively from the early days. We would like to pay attention to the activities of Asteria Corporation, which keeps releasing unique products while looking ahead to the future under the theme of an “autonomous, decentralized, and collaborative” society, and the progress of the Mid-Term Management Plan “STAR.”

# 1. Company Overview

Embracing the concept of “connecting the world with software,” Asteria Corporation develops software products that meet the needs for “connectivity” using mainly the software technology and the Internet technology. The number of companies that have adopted its mainstay product, ASTERIA Warp, reached 9,000 in 2020. The company had the largest share in the Japanese data integration software market for the 15th consecutive year through 2021. With the vision: “To provide services to create an autonomous, decentralized, and collaborative society worldwide,” the company aims to achieve net sales of 4.5 billion yen and an adjusted EBITDA of 1 billion yen, the targets for fiscal year March 2024, in its Mid-Term Management Plan “STAR”.

## 1-1. Corporate History Leading up to Listing

Mr. Yoichiro Hirano (current president and chief executive officer of Asteria Corporation), who began to take an interest in computers even when he was a junior high school student and has been devoted to software development, entered a university with an aspiration to learn more about the world of computers. However, he left the university because of his high ambition and set up a software company with one of his friends. He worked as an engineer and developed software for word processors which proved popular, and later joined Lotus Software, which is a global software manufacturer.

While the Internet was spreading rapidly in the mid-1990s, Mr. Hirano foretold the future in which systems and software would certainly be required to be connected even when they were manufactured by different manufacturers, and he suggested that it was essential to make the data formats and communication protocols of Lotus Notes, the major groupware product of Lotus Software, open to the public so that the software could be connected with other manufacturers’ groupware products; however, Lotus rejected his suggestion because it had already occupied a large market share.

Mr. Hirano deeply felt the need and importance of data integration and believed that, by using the common language of computers, XML, a future in which systems would be connected with each other regardless of whether they were used inside or outside companies and myriad business operations were executed would surely follow, and thus, he established Infoteria Corporation (currently Asteria Corporation) in September 1998 with one of his co-workers, Mr. Yoshiyuki Kitahara.

Thinking that it was necessary to firmly focus on product development, President Hirano raised a fund of about 2.7 billion yen, which was an unusually large amount raised by Japanese startup companies at that time, and was engaged in development soon after the establishment of his company.

In 2002, he released ASTERIA R2 (current ASTERIA Warp), which is software for data integration.

ASTERIA Warp is a product that integrates data without the need for coding (no-code) even when companies that have adopted the software are not fully capable of programming, which was innovative at that time, and has been growing as the company’s mainstay product that has taken the largest market share for many years.

Data integration using the common language of computers, XML, created a new trend firstly in the field of electric commerce and garnered attention of several leading companies, such as Sony Corporation and KYOCERA Corporation, which adopted it. Then, companies that understood the significance of data integration steadily grew in number, and over 200 companies adopted ASTERIA Warp in 2005, three years after the release of the software. In 2006, the company gained the largest share with the software in the Japanese market of Enterprise Application Integration (EAI) software (it had held the top share for 15 years in a row up to 2021 since then).

The growth trend of the company began as just described, and the company further expanded its business and got listed on the Market of the High-Growth and Emerging Stocks (Mothers) of the Tokyo Stock Exchange (TSE) in June 2007.

Since then, the company has released products and services one after another that enhance the value of “connectivity”, including Handbook, a management system for mobile content launched in June 2009, Platío, a mobile application creation tool released in October 2016, and Gravío, an AI-based IoT integrated edgeware made available in June 2017, by predicting the trend of the times.

The company changed its listing market from the Mothers to the first section of the TSE in March 2018 and renamed it Asteria Corporation in October of the same year (The word “asteria” means constellations in the Greek language. The company has adopted the corporate name in the hope that it can create new forms and new values by connecting a myriad of shining things that exist all over the world like constellations).

## 1-2. Management Philosophy

Asteria continues to take on new challenges in order to provide value worldwide with the following three core management principles:

<b>Challenge for Ideas</b>	We value freedom of ideas and the spirit to challenge. New ideas give birth to innovation that leads the future. For its realization, we take risks to challenge and to explore new possibilities.
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**BRIDGE REPORT**



<b>Global Perspective</b>	We always eye the global market. We provide products and services that have unique and special meaning of existence in the world.
<b>Chain of Happiness</b>	We lead a chain of happiness. We perform the activities that we feel happy about and proud of in order to contribute to the happiness of our customers and then to the happiness of society.

**1-3. Business Description**

The company develops and sells software that satisfies various “connectivity” needs mainly with the software technology and the Internet technology, and conducts related businesses by embracing the concept of “connecting the world with software.” The segments to be reported are the Software Business and the Investment Business.

**1-3-1. Software Business Segment**

This business segment consists of the Software Business and the Design Business.

**(1) Software Business**

The Software Business is the leading business of Asteria Corporation.

This business is specialized in product development that offers packaged services and cloud services for an unspecified and large number of people, not in custom development of software for individual companies. The company develops software for “connecting” corporate information systems, cloud services, hardware devices, and other relevant items and provides products to the market.

Asteria’s leading products are ASTERIA Warp, Handbook, Platío, and Gravío.

**(Data integration)**

The fundamental concept of Asteria Corporation is “connectivity.” It is to offer easy, efficient, and safe data integration and system coordination within a company or between companies, and enhance the value of data.

**\*Necessity of data integration**

Systems and software, in principle, are developed by different vendors and based on different programming languages and protocols (standards, procedures, and rules).

This makes it difficult to coordinate data used in, for instance, the sales department and the product planning or marketing department if the departments use different systems and tools even within a company, which means that data obtained from other departments cannot be used unless it is processed by a relevant department itself. Furthermore, it requires time and effort in the same manner for sending data to other companies.

It is data integration technology that settles these issues.

Data integration will prevent the loss of business opportunities because necessary data will be readily available in a timely manner, while business productivity will significantly improve because data integration will cut down on the time and cost that a relevant department or company has been required to spend for processing data, which has conventionally been treated in different formats in different departments or companies, in order to treat it with its own system.



(Taken from the reference material of the company)

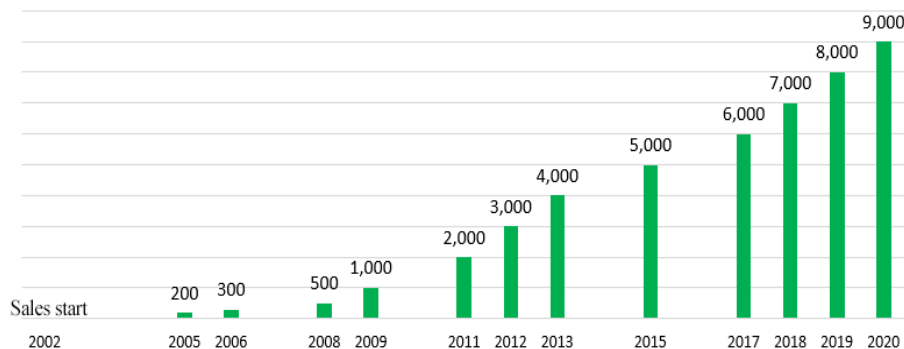
## BRIDGE REPORT

**(Main software products)****① Data integration middleware, ASTERIA Warp**

It is ASTERIA Warp that President Hirano released as the first product with the aim of further raising the value of data through easy data integration.

The number of companies that have adopted ASTERIA Warp reached 9,000 in 2020. Asteria took the largest share in the Japanese data integration software market with the product for 15 straight years up to 2021. The product's market share is about 1.5 times larger than that of the product with the second largest share, indicating that ASTERIA Warp enjoys overwhelmingly stronger support than other products in the field.

Number of companies which have introduced ASTERIA Warp users



\*Prepared by Investment Bridge based on the company's history

ASTERIA Warp is a data integration middleware product for companies, which was designed and developed originally by Asteria, and is aimed at easily and swiftly coordinating systems used inside and outside companies through provision of general-purpose data integration functions as a package.

As described in Corporate History above, the noteworthy feature of ASTERIA Warp is that it helps companies that adopt it with no-code data integration, that is, even if companies are not fully capable of programming, all they need to do is to complete data integration by arranging icons without the coding process.

**(Forms of data integration)****\*Data integration inside companies**

When coordinating systems within a company, ASTERIA Warp does not connect one system to another system individually, but plays a central role in connecting multiple systems to other systems. Systems can be swiftly and efficiently coordinated in a highly extensible and flexible manner with a minimum number of connections through use of multifarious data formats, communication procedure formats, and operational systems that have been made available in advance in ASTERIA Warp.

**\*Data integration between companies**

ASTERIA Warp has such functions as communication protocols and authentications required for communicating various pieces of information between multiple companies that employ different system specifications and operational flows, enabling smooth system cooperation in order processing between companies.

A media organization (news agency), one of the users of ASTERIA Warp, can deliver news throughout Japan without any need for individual settings for the systems adopted by its relevant organizations, such as local newspaper companies.

**\*Connecting with cloud services**

ASTERIA Warp can be connected with various types of cloud services that are gaining popularity lately. Data integration is possible with not only the fundamental cloud services provided by Amazon Web Service (AWS) and Microsoft Azure, but such application services available on cloud as Salesforce and kintone.

While the company has integrated data with a host of Enterprise Resource Planning (ERP) and operational systems, ASTERIA Warp is a product that the company continues to evolve by predicting changes in the future so that it can connect corporate systems with cloud services and new technologies, such as blockchains, IoT, AI, Robot, and Fintech, through the API without the need for coding.

**(Marketing method)**

ASTERIA Warp is sold by Asteria Corporation's sales partners (agencies) called ASTERIA Master Partners, which are mainly system integrators. There were 28 sales partners as of February 13, 2022.

The ASTERIA Master Partners sell ASTERIA Warp to end users primarily by incorporating the software into their own



systems.



(Taken from the reference material of the company)

Regarding ASTERIA Warp Core, which is a subscription version of the software available at monthly usage charges and was released in 2016, ASTERIA Subscription Partners (ASPs) sell it as the company’s partners, As of February 13, 2022, there were 62 ASPs.

Technological support (responses to inquiries) and other support services that help operate the products, such as product updates (dealing with new operating systems, expanding functions, and fixing bugs) are also provided to companies that have adopted the product. The price of the support services is 15% of the license fee. Revenues from the support services increase on a recurring basis every year as with the license, and this is one of the factors behind the stable sales growth of ASTERIA Warp.

The support services are offered, in principle, via the sales partners.

② Handbook

Handbook is a service that enables users to register, distribute, and share various items of information arising within organizations via smart devices (such as smartphones and tablet devices) while ensuring security. It is composed of an application that is available to download on smart devices and an editing and management tool provided on cloud.

Users can use the product right after they have concluded contracts because it is offered for subscription available at monthly usage charges.

Over 1,600 users, including companies and educational institutions, have adopted the product, and it brings about significant effects for smoothly conducting online meetings, remote learning or training during the COVID-19 pandemic using smartphones and tablet devices.

According to ITR Market View: SFA/Integrated Marketing Support Market 2021, which is a market survey report prepared by ITR Corporation, a market survey and consulting company, Handbook took the largest share in two categories (the sales amount share and the cumulative number of companies adopting the product) of the sales enablement tool market.



(Taken from the reference material of the company)

### ③ Platio

Platio is an application creation tool that helps everyone easily create and utilize mobile applications which fit their business operations.

The no-code concept is its distinctive feature like ASTERIA Warp.

The product has a function of inputting manually entered information, as well as location information and camera and video information all together obtained through mobile devices. Information entered via the applications will be shared immediately on the mobile devices of business team members. Other functions include outputting shared data in the CSV format and connecting with other systems through the API.

The product comes equipped with over 100 types of templates. It has a flexible customization function, allowing users to create mobile applications suited for on-site operations with no code required.

The iOS version (for iPhones and iPads) and the Android version of the product is offered for subscription at monthly usage charges through a partner program.

It is employed in a wide range of industries, including not only companies but also local municipalities.



(Taken from the reference material of the company)

### ④ Gravio

Gravio is AI-based middleware for edge computing developed for simply realizing effective data collection and usage in IoT solutions at offices, buildings, and shops.

The product can easily realize edge integrated AI/IoT systems that use camera and AI-based image recognition and various sensor data without the need for coding while making the most of the knowhow and information resources cultivated through operation of existing computers because it works on Windows and MacOS, which are operating systems widely used throughout the world.

Six features

- 1: Sensor data processing. Data obtained through IoT devices can be processed and coordinated uniformly at the edge.
- 2: Capability to control various devices. Operations can be controlled (commands are issued) to IoT devices.
- 3: Equipped with AI (machine learning). Cameras can be used as sensors for such purposes as face recognition and weather identification.
- 4: No-code. High operability is offered through the intuitive and flowing interface.
- 5: Layout view. The condition of the IoT devices installed in areas can be checked on the screen.
- 6: Capability to work on Windows, MacOS, and Linux. Operation, management, and maintenance are easy, and tight security is ensured.

The Windows version, the MacOS version, and the Linux version of the product are offered for subscription (at monthly or annual usage charges). The company plans to continue adding both hardware and software functions.

There are a growing number of cases in which Gravio is adopted for automation and remote control.



3 Dense Avoidance Solution with AI Camera



Detecting the number of people in the waiting room



Real-time website display of waiting room capacity



CO2 concentration visualization solution



Layout of CO2 concentration visualization solution



Scenes of Gravio use at the Outpatient Reception



In addition to improved quality and efficiency, decarbonization is also achieved



Automatic measurement of shoe sole and other component thicknesses



Real-time environmental measurements (notified by Gravio lights in case of anomalies)

(Taken from the reference material of the company)

**(2) Design Business**

The Design Business was started in 2017 after Asteria acquired U.K.-based This Place.

The company believes that design of software for companies comes before anything else, that is, not just functions but design with emphasis on usability and ease of understanding will become important, and this business is aimed at helping companies with digital transformation (DX). The Design Business provides such services as consulting for developing clients' digital branding strategies, formulation of DX strategies and support for implementing the strategies for customer companies, consulting related to design of websites and mobile applications, and development support.

This Place offers services mainly for major companies in the United Kingdom, the United States, and Hong Kong. It plans to start providing services by establishing a business base in Japan by the end of the period of the current Mid-Term Management Plan.

**1-3-2. Investment Business Segment**

This business segment is a corporate investment business run by Asteria Vision Fund Inc., a wholly owned subsidiary set up in 2019 in the United States.

Defining the priority investment areas as 4D, it strives to discover targets for investment.

Area	Concept	Specific products and services
Data	Only data will be corporate IT assets.	AI, big data, etc.
Device	Devices will constitute an essential infrastructure.	IoT, Smart devices, etc.
Decentralized	An era centered on individuals where they are dispersed but can collaborate will come.	Blockchains, DApps, etc.
Design	The design-first era will come.	Design Thinking, DX, etc.

As of January 2022, it invests in a total of five companies,-- a company in Japan, Australia, and Taiwan, respectively, and two companies in the United States. The fund's assets under management stands at 220,000 US dollars in total.

**1-4. Characteristics, Strengths, and Competitiveness**

(1) Product development capabilities based on superior foresight

The company operates in the "IT industry," primarily focusing on software product development.

Product development for an unspecified number of users makes it easier to expand sales, unlike custom development, which involves developing systems that meet the needs of individual clients. In addition, once the initial development cost is covered by selling a certain volume of products and the break-even point is reached, sales and profits become nearly equal. Hence gross margin ratio is very high compared to custom development.

The gross margin ratio of ASTERIA Warp is 80-90%, and Handbook has already exceeded the break-even point. The two new products, Platiao and Gravio, have yet to contribute to profits, but the company expects them to expand sales and contribute to profits in the future.

Of course, there is a great risk if the sales volume of a developed product does not expand as expected, so foresight and design concepts in product development are important. However, the company has been providing highly competitive

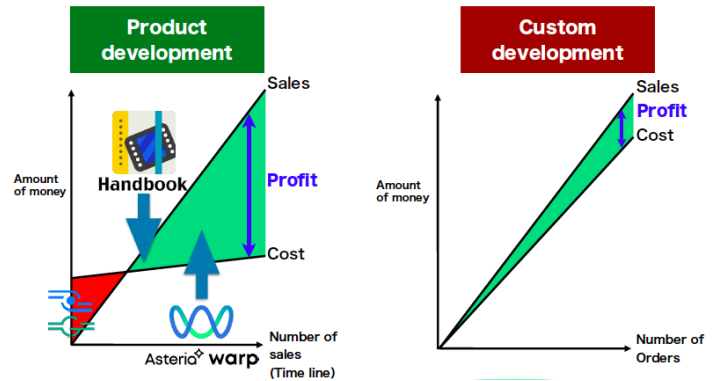


products to the world one after another with its excellent ability to forecast forward to the future, as in the case of ASTERIA Warp, which is the company's main product and was developed by quickly predicting the importance of "connecting" data inside and outside the company.

## Two Types of Software Development Models

Product development		Custom development
Unspecified large number	Customers	Only one
High (More than 80%)	Gross margin ratio	Low (Less than 20%)
High	Scalability	Low

## Profit Models Are Very Different



(Taken from the reference material of the company)

### (2) Strong human capital built through the spread of a unique corporate culture

The company's unique corporate culture, represented by the aforementioned management philosophy, has been instilled throughout the company and has become the basis for its actions.

In particular, instead of following precedents like Japanese companies often do, the company has adopted the slogan "Challenge for Ideas: Respecting free and open-minded ideas and challenges. Innovation that leads the times is born from new ideas. To achieve this, the company is willing to take risks and constantly endeavor to find new possibilities" as the most important evaluation item.

This is related to the above section (1), but at the time of the company's founding, President Hirano "foresaw" a world in which everything would be "connected" via the Internet, and with the vision of "producing world-class software from Japan," he worked on product development for about 20 years, nurturing the software development capability up to the point of being able to develop products without coding.

By sharing this philosophy and vision with all employees, the company has been introducing new products with new ideas one after another even after the launch of ASTERIA Warp, and the strong human capital centering on engineers built through the promotion of its unique corporate culture is the source of the company's competitive advantage.

### (3) Significant market share

The company's products, developed based on (1) and (2) above, have been highly evaluated by users for their usefulness and ease of use, and have become the No. 1 products.

As of 2021, ASTERIA Warp has held the largest share of the domestic market for EAI/ESB products (based on shipment volume) for 15 consecutive years. Handbook also has the largest share in two categories of the sales enablement tools market.

### (4) Proactive measures for new technologies and solutions

The company, which has "Ideas and Challenges" at the top of its management philosophy, is actively working to promote, commercialize, and offer services based on new technologies and solutions.

President Hirano served as vice-chairman of the XML Consortium, an organization for the promotion and awareness of XML, a common computer language (activities ended in March 2010). In 2015, the company became the first listed company to start working on a blockchain, which is its current focus. In April 2016, President Hirano led the establishment of the Blockchain Collaborative Consortium (BCCC), an organization that promotes the widespread use of the blockchain technology, for which he serves as CEO.

Regarding the blockchain technology, which the company is currently focusing on, the "Attendance-based Virtual Shareholders Meeting Solution" developed by Asteria while leveraging the blockchain technology was adopted by Meiji Yasuda Life Insurance Company for its "General Meeting of Shareholders" held on December 1, 2020.

The key points that led Meiji Yasuda Life Insurance to adopt the "Attendance-type Virtual Shareholders Meeting Solution" were: "Avoiding the three Cs (closed spaces with poor ventilation, crowded and close-contact settings) at the general meeting to be held on December 1 was essential due to the rapid increase in COVID-19 cases," "the blockchain technology was brought to attention to ensure the fairness of vote counting and questions even when the meeting is held virtually," and "the interface is easy to operate despite the use of the latest technology, even for elderly people."

In addition, at Asteria's 23rd Annual Shareholders Meeting held on Saturday, June 26, 2021, a "Hybrid Attendance-type Virtual Shareholders Meeting" was held as a measure to prevent the spread of COVID-19.

For this general meeting of shareholders, Quorum\*, which is attracting attention as a blockchain for corporations, was applied as the infrastructure technology to realize the motion handling required for a virtual-only general meeting of shareholders in a virtual environment. This completes the virtual handling of all actions (votes, questions, and motions) by shareholders entitled to vote at the meeting.

Shareholders can easily vote from the browsers of their PCs, smartphones, etc. by following the instructions on the voting form, and companies can also accept voting or questions even during the shareholders' meeting, and the votes are instantly counted in real time. In addition, the voting results are recorded in a blockchain so that even the organizer cannot falsify the votes, making this an unprecedented and revolutionary shareholders' meeting.

※Quorum

An Ethereum-based smart contract platform developed by JP Morgan Chase & Co. in the U.S. and currently owned by ConsenSys, Inc. in the U.S. It is developed as a blockchain for enterprises in the financial sector.

In the future, the company plans to develop this service for companies, mainly those listed on the stock exchange, as well as to expand it into a system that can ensure fairness in the way votes are counted and the results in the government and even entertainment fields.

### **(5) Governance and management system that emphasizes diversity**

Based on the idea that diversity is extremely important in the pursuit of world-class manufacturing, outside directors were appointed with an emphasis on diversity (gender and nationality).

Since the company's founding in 1998, when the term "corporate governance" was not still widely known, the company has continuously appointed at least two outside directors, and currently, three of the five directors are outside directors.

In addition, the company has adopted a system that separates management from execution, with only President Hirano and Vice President Kitahara serving concurrently. The company has established a global management structure with two of its eight executive officers, who have strengths in a variety of fields, being non-Japanese.

### **1-5. ESG/SDGs**





In order to meet the trust and expectations of society, the company aims to contribute to the sustainable development of society by conducting the business activities while actively communicating with all stakeholders, including customers, shareholders, employees, business partners, and local communities.

The following basic policies have been established.

Asteria endeavors to constantly maintain a customer-oriented perspective and create value through "connectivity."
Asteria will meet shareholders' expectations and provide justifiable reasons for all of its judgements.
Asteria will respect diversity, rights, and individuality, while valuing the pride and sense of purpose of employees.
Asteria will strive toward its goal of "connecting the world," while making positive progress alongside our business partners.
Asteria will contribute to society by generating utility and value for all.

The company views the Sustainable Development Goals (SDGs), adopted by the United Nations General Assembly in 2015, as an important issue required by society.

With the SDGs as a common global goal, the direction in which companies should work has become clearer, and many companies have begun to take the initiative, and the company is also working on business activities with an awareness of the SDGs. The company has already covered 11 of the 17 goals and will continue promoting them further. The main ideas and initiatives are as follows.

<p>Environment</p>	<p><b>Initiatives for the Environment</b></p> <p>In addition to building a good "eco-system" with business partners and end-users, we will also focus on developing an "eco-system" to realize "coexistence and co-prosperity" in the natural environment, thereby contributing to the construction of a sustainable society. Through these activities, we will develop various measures to build an "eco-system" between "the global environment/nature" and "society/industry" from a medium- to long-term perspective, aiming to realize a sustainable society.</p> <p>-Promoting paperless operations -Asteria Green Activity*</p> 
<p>Social</p>	<p><b>Initiatives for Social Contribution</b></p> <p>Asteria is engaged in social contribution activities that work to support the next generation of young citizens and that seek to realize the richness, health, and sustainable development of society.</p> <p>-Supporting the Kamonohashi Project -Participation in a charity marathon -Pangaea (startup support)</p>  <p><b>Response to Diverse Needs</b></p> <p>Asteria actively promotes the creation of a workplace environment that supports diverse styles of work, so that people from a variety of backgrounds can continue to be actively productive.</p> <p>-Promoting diversity -Telework -Sabbatical leave and birthday leave -Supporting childrearing</p> 
<p>Governance</p>	<p>-Corporate governance -Internal control systems -Exclusion of anti-social forces</p> 

(\* ) What is Asteria Green Activity?

An activity to contribute to the creation of a sustainable social and natural environment that was launched in 2015 to commemorate the fact that more than 5,000 companies had installed ASTERIA Warp, the company's main product (the name at the time of the launch was "Infoteria Green Activity").

To date, the following achievements have been made :

### ◎Regional Revitalization Plan with Oguni Town, Kumamoto Prefecture

Since 2015, the company has been conducting forest conservation activities for the Oguni cedar, a brand-name timber in Oguni Town, Kumamoto Prefecture, promoting the use of thinned wood and revitalizing the forestry and forestry industry. In addition to producing toys and novelties made from Oguni cedar and providing them to employees and user companies, Oguni cedar is also used in the company's office to create a warm space where people can feel the warmth of wood.

### ◎Regional Revitalization Plan with Senboku City, Akita Prefecture

Since 2016, the company has been collaborating with Senboku City in Akita Prefecture to promote the introduction of ICT for industrial promotion, and has made video content captured by drones available for viewing at each tourist site using the company's product "Handbook," as well as conducting demonstration experiments to enhance tourism services using tablets.

### ◎The corporate version of hometown tax payment to Oguni Town in Kumamoto Prefecture and Senboku City in Akita Prefecture

The business plan for the town of Oguni, named "Make more use of Oguni cedar for a long time " and the business plan for the city of Senboku, cherry blossom conservation and tourism promotion activities, both of which are funded from Asteria by 1 million yen per year each, have been approved by the Cabinet Office as projects eligible for the "Taxation System for Supporting Regional Development (Corporate Version of Hometown Taxation).

The company has been making donations to the corporate version of hometown taxation for the past five years, and has used the donations as an opportunity to build new partnerships through dialogues and study sessions on public relations with the local governments to which the company donates. In 2022, the company received the "2021 Minister's Award for the Taxation System for Supporting Regional Development (Corporate Version of Hometown Taxation)" from the Cabinet Office in recognition of its efforts to contribute to the local community, including the development and free provision of an application for managing the body temperature of city employees by utilizing the company's strengths.

### ◎Holding an Annual Shareholders Meeting Using Carbon Offsetting

At the company's annual meeting of shareholders held in June 2021 in a virtual hybrid format, CO<sub>2</sub> offsetting was used. In addition to the venue of the meeting, the CO<sub>2</sub> emitted by the electricity consumption at the homes of the 14 executives who participated in the meeting from a telework environment has been reduced to virtually zero.

This offset is in accordance with the J-credit system\* operated by the Japanese government, and was implemented by purchasing 1 ton of forest absorption credits generated from CO<sub>2</sub> absorption in Oguni Town, Kumamoto Prefecture, and other areas from more trees, a general incorporated association (Tokyo). Since 2015, Asteria has been conducting forest conservation activities under an agreement with the town of Oguni, Kumamoto Prefecture, and has selected the general incorporated association more trees, which includes the town's forest as a CO<sub>2</sub> offset destination.

J-credit system (\*): A system under which the government certifies the amount of reduction or absorption of greenhouse gas emissions such as CO<sub>2</sub> as "credits" through initiatives such as the introduction of energy-saving equipment and forest management. It is jointly managed by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Ministry of Agriculture, Forestry and Fisheries.



## 2. The Second Quarter of the Fiscal Year Ending March 2022 Earnings Results

### 2-1 Business Results

	2Q FY3/21	Ratio to Sales	2Q FY3/22	Ratio to Sales	YoY
Net Sales	1,340	100.0%	1,368	100.0%	+2.1%
Gross Income	1,089	81.3%	1,143	83.5%	+4.9%
SG&A	796	59.4%	965	70.5%	+21.2%
Operating Income	337	25.2%	862	63.0%	+155.6%
Pretax Income	326	24.4%	889	65.0%	+172.5%
Net Income	238	17.8%	559	40.8%	+134.7%

\*Unit: million yen. Net income is net income attributable to owners of parent. The same applies below.

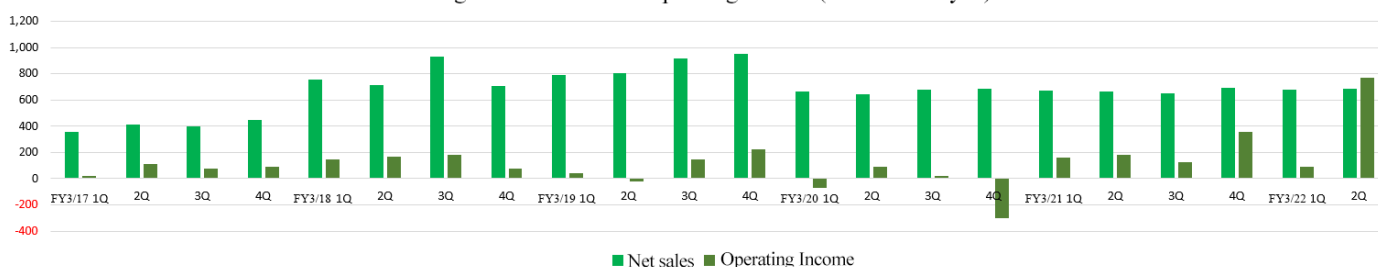
**Sales grew, and operating income, pre-tax income and net income rose significantly, hitting record highs after listing.** Sales grew 2.1% year on year to 1,368 million yen.

As Western countries, especially the U.S. and the U.K., were affected by the spread of COVID-19, the sales of the Design Business declined year on year, but the Software Business, whose core product is “ASTERIA Warp,” grew.

Operating income was 862 million yen, up 155.6% year on year.

As the company increased employees and implemented marketing measures in accordance with the Mid-Term Management Plan “STAR,” SG&A increased, but it was offset by the sales growth of the Software Business and the income from the Investment Business. Consequently, **operating income, pre-tax income and net income rose significantly, hitting record highs** for the first half.

Changes in Net Sales and Operating Income (Unit: million yen)



### 2-2 Trend by Segments

	2Q FY 3/21	2Q FY 3/22	YoY
Software Business	1,340	1,368	+2.1%
Investment Business	-	-	-
<b>Consolidated Sales</b>	1,340	1,368	+2.1%
Software Business	302	192	-36.4%
Investment Business	-10	641	-
Adjustment	0	0	-
<b>Consolidated profit</b>	292	833	+184.8%
<b>Investment Business: Change in valuation</b>	-	656	-

## BRIDGE REPORT



\*Unit: million yen. “Sales” means the sales to external customers. The profit in each segment is calculated by subtracting cost of goods sales and SG&A from net sales. The change in valuation in the Investment Business is included in “other income” in the profit-and-loss statement.

**(1) Software Business Segment**

	2Q FY 3/21	2Q FY 3/22	YoY
Software Business	1,070	1,197	+11.9%
Design Business	270	171	-36.4%
<b>Total</b>	<b>1,340</b>	<b>1,368</b>	<b>+2.1%</b>

**① Software Business**

The sales of each product grew steadily. Monthly recurring revenue (MRR) increased 6.7 times in 24 months for “Platio” and 31 times in 24 months for “Gravio.” On the other hand, cancellation rate is low for every product.

**\* ASTERIA Warp**

The needs for new data linkage through the establishment of in-house systems for telework, etc. have been growing, and the sales of the entire product series are strong. In particular, the sales of the license version, which is a flagship product, increased 22.9% year on year. The sales from subscription services grew over 30% year on year. They are contributing to the overall performance of the Software Business.

**\* Gravio**

The needs for systems for avoiding the 3 Cs (Closed spaces, Crowded places, and Close-contact settings) amid the coronavirus pandemic remained strong, sales partners increased, and this product was adopted in a broad range of industries. Then, sales increased about two times year on year.

**\* Platio**

The no-code development tools, which facilitate DX in each workplace and enable the in-house production of business apps, attracted attention, so the company received many business inquiries from the tourism, retail, and other sectors that hope to improve business operations through digitalization. The company also conducted sales promotion in local areas, etc. together with the sales partners for ASTERIA Warp, and sales grew about two times.

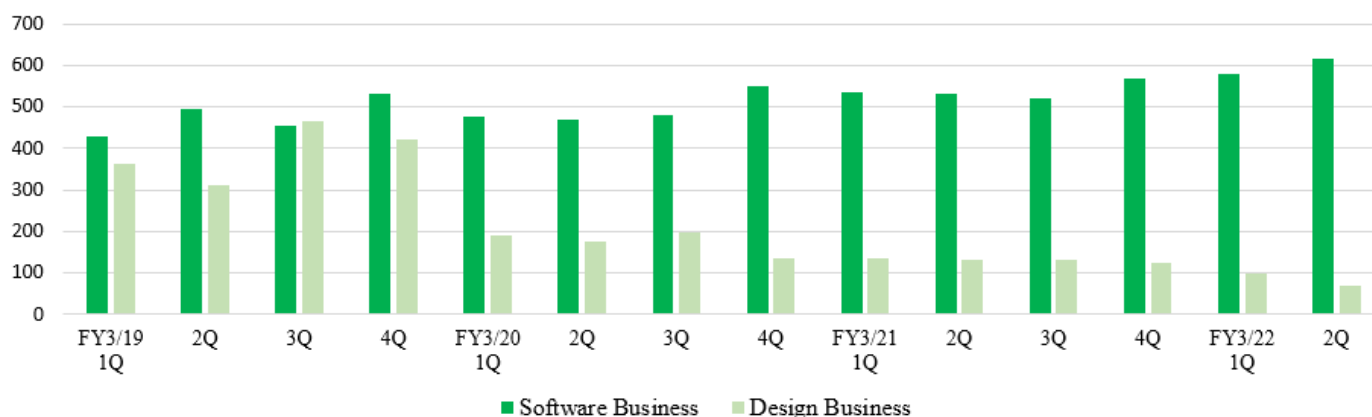
**\* Handbook**

The needs for paperless operations in each company grew, so this product sold well as it was used among existing customers more frequently and for online meetings, etc.

**② Design Business**

The company received additional orders from existing customers in the U.K. and the U.S. and enhanced its efforts to increase new customers, but the spread of COVID-19 forced some customers in the retail field to revise their projects. Consequently, sales dropped.

Software Business Segment Sales Trends (Unit : million yen)



**(2) Investment Business Segment**

This is the business of investing in enterprises via Asteria Vision Fund I,L.P.(AVF-1), which started in 2019.

Its performance remained healthy, and a valuation gain of 656 million yen was posted. Among the investees of AVF-1, the valuation of Gorilla Technology (Taiwan) increased, while the valuation of Imagine Intelligent Material (Australia) declined.

**2-3 Financial Position and Cash Flows****◎ Balance Sheet Summary**

	End of March 2021	End of September 2021	Increase/Decrease		End of March 2021	End of September 2021	Increase/Decrease
Current Assets	2,787	2,879	+92	Current Liabilities	1,213	1,431	+218
Cash and cash equivalents	2,451	2,051	-400	Operating payables	182	304	+121
Operating Receivable	256	348	+91	Non-current Liabilities	973	1,291	+318
Non-current Assets	5,120	6,198	+1,078	Deferred Tax Liabilities	101	309	+208
Tangible fixed assets	181	483	+302	Borrowings (noncurrent)	643	571	-71
Goodwill	1,015	1,003	-11	Total liabilities	2,186	2,723	+536
Intangible assets	69	78	+8	Total capital	5,721	6,355	+633
Investments and others	3,855	4,634	+778	Retained Earnings	1,487	1,952	+465
Total assets	7,907	9,077	+1,170	Total Liabilities and Net Assets	7,907	9,077	+1,170

\*Unit: million yen. "Operating receivable" is composed of "operating and other receivables." "Investments and others" is the sum of "investments posted with the equity method," "other financial assets," and "other non-current assets." "Operating payables" is composed of "operating and other payables." "Shareholders' equity" is "total equity attributable to owners of parent."

Total assets increased 1,170 million yen from the end of the previous term to 9,077 million yen, due to the decline in cash & cash equivalents and the increases in tangible assets and investments & other assets. Total liabilities augmented 536 million yen to 2,723 million yen, due to the decreases in accounts payable and deferred tax liabilities, etc. Total net assets grew 633 million yen to 6,355 million yen, due to the rise in retained earnings, etc.

The ratio of equity attributable to owners of parent decreased 2.7 points from the end of the previous term to 67.4%.

**◎ Cash Flow**

	2Q FY 3/21	2Q FY 3/22	Increase/Decrease
Operating CF	495	196	-299
Investing CF	-123	-375	-252
Free CF	373	-178	-551
Financing CF	-204	-210	-6
Cash and Cash Equivalents	2,665	2,051	-614

\*Unit: million yen.

The cash inflow from operating activities decreased, as income before taxes increased, but other income declined and accounts receivable rose. The cash outflow from investing activities expanded due to the expenditure for lending, and free CF turned negative.

The cash position declined, but the company's cash is ample at 2 billion yen.

## 2-4 Topics

### ① Selected the Prime Market as a new market category

In July 2021, the company received a notification “regarding the results of the first screening for the compliance with the criteria for remaining listed in the new market category” from the Tokyo Stock Exchange, and confirmed that it satisfies the criteria for remaining listed on the Prime Market, which is a new market category.

In response, the company decided to select the Prime Market as a new market category in September 2021.

From now on, the company will proceed with the specified procedure for applying for the selection of a new market category, following the schedule set by the Tokyo Stock Exchange.

### ② ASTERIA Warp has occupied the largest share in the domestic enterprise data integration software market for 15 years.

According to the results of a survey conducted by Techno Systems Research Co., Ltd., a private research firm headquartered in Chiyoda-ku, Tokyo, in November 2021, the core product ASTERIA Warp had the largest share (in terms of shipment quantity) in the domestic EAI/ESB\* software market for the 15<sup>th</sup> consecutive year in 2020.

According to “Overview of software marketing in 2021—the EAI/ESB market edition” published by Techno Systems Research, the size of the market of EAI/ESB products in 2020 was about 15 billion yen.

In this situation, the shipment quantity of ASTERIA Warp reached 1,150 sites, the market share in terms of shipment quantity was 44.0%, and the company has occupied the largest market share for 15 years. The share is about 1.5 times that of the second product, indicating the continued overwhelming popularity of ASTERIA Warp in this field.

\*EAI/ESB: Enterprise Application Integration / Enterprise Service Bus

### ③ At the IR Award2021, ASTERIA received “Best IR Award for Encouragement” for the first time.

In November 2021, the company received the “Best IR Award for Encouragement,” one category of the IR Award 2021, which was hosted by Japan Investor Relations Association for commending enterprises that have produced excellent results in IR activities.

#### Primary reason for nomination

“Astera’s President & CEO has a high level of communication skill and is carrying out IR activities with a strong message. His explanations are based on the overall IT industry and have been praised as easy to understand. The company has attracted great attention, as it holds a study group on blockchains, and the CEO also serves as the president of the Blockchain Collaborative Consortium (BCCC). The IR Department is also striving for better disclosure and has been highly noted for its easy-to-understand business explanations.

Since last fiscal year, Astera has also been focusing on the development of overseas institutional investors..”

### ④ Gorilla, which is a portfolio company of the Investment Business, to be listed on the NASDAQ market

In December 2021, Gorilla Technology Group Inc. (Taiwan), which is an edge AI development company and a portfolio company of the Investment Business, and Global SPAC Partners Co. (listed on the NASDAQ market), which is a special purpose acquisition company (SPAC), announced that Gorilla is scheduled to be listed on the NASDAQ market in the first quarter (Jan. to Mar.) of 2022 with the ticker symbol “GRRR” through the merger of the two companies.

This will be the first stock listing of a portfolio company of the Investment Business. Even after the listing, Mr. Yoichiro Hirano, who is CEO of Astera, is scheduled to be appointed as an outside director of Gorilla.



### 3. Fiscal Year Ending March 2022 Earnings Forecasts

#### 3-1 Earnings Forecasts

	FY 3/21	Ratio to Sales	FY 3/22 (Est.)	Ratio to Sales	YoY	Correction Rate	Progress Rate
Net Sales	2,688	100.0%	2,900	100.0%	+7.9%	0%	47.2%
Operating Income	820	30.5%	3,400	117.2%	+314.8%	+240%	25.4%
Pretax Income	1,026	38.2%	3,400	117.2%	+231.5%	+240%	26.2%
Net Income	807	30.0%	2,000	69.0%	+147.7%	+135.3%	27.9%

\*Unit: million yen. The forecasted values were provided by the company.

#### Earnings forecast revised upwardly

The earnings forecast has been revised upwardly. After comprehensively considering that gain on valuation is expected to be posted through the listing of Gorilla on the NASDAQ market and the company will use the valuation gains to conduct active marketing, including TV commercials, mainly for the Software Business, it was forecast that operating income and other incomes will exceed the full-year forecast disclosed on September 30, 2021.

The estimated dividend is unchanged. The interim dividend will be 0.00 yen/share, and the term-end dividend is still to be determined.

### 4. Mid-Term Management Plan “STAR”

In June 2021, the company announced the Mid-Term Management Plan “STAR” for three years from April 2021 to March 2024.

#### (1) Vision

Based on the founding vision: “to develop software for realizing computing beyond the boundaries of organizations and supply it globally,” the company set a medium-term management vision: **“To provide services to create an autonomous, decentralized and collaborative society worldwide.”**

#### (Regarding the Mid-Term Management Plan “STAR”)

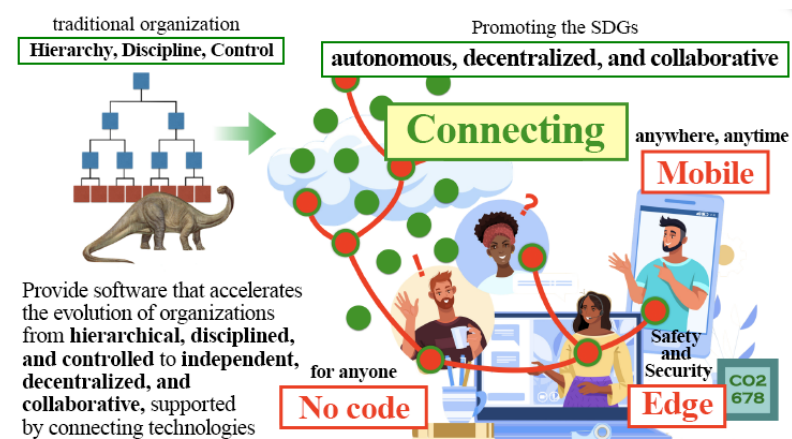
This plan was named STAR, by taking the initials of the following priority items.

<b>S</b> ustainable	To ensure our businesses are conducive to building a sustainable society
<b>T</b> op-line	To aim for sales expansion through the creation and provision of value
<b>A</b> cquisition	To increase growth rate via business and technology acquisitions
<b>R</b> efine	To improve existing products and services and keep ahead of the new era

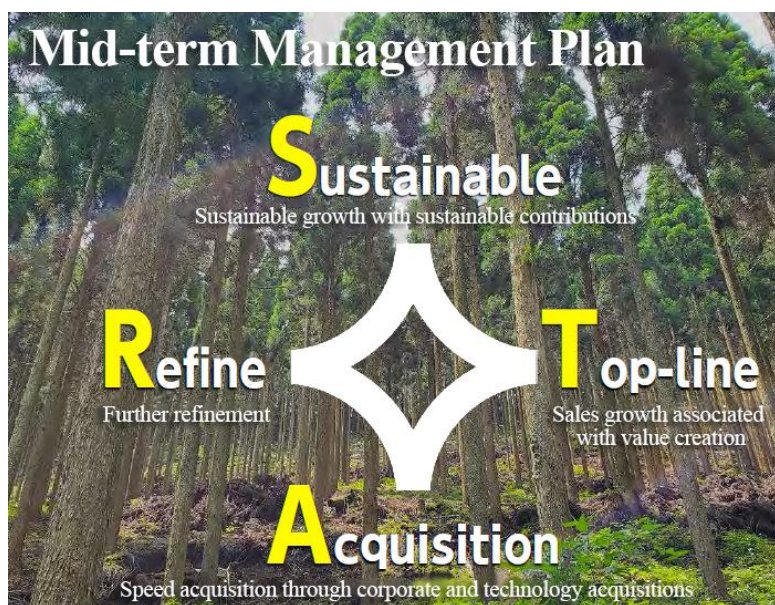
The basic ideas for the vision are as follows.

- ☆ Asteria launched its business with products using XML technologies and has provided products which have advanced “connectivity” for more than 20 years.
- ☆ Since we began supplying ASTERIA R2 in 2002, all Asteria products work without any coding under the concept of “Graphical Language.” While the term “no-code” is gaining wider recognition, this trend will likely continue to grow for decades onwards.
- ☆ Due to the COVID-19 pandemic, the global momentum toward an “autonomous, decentralized and collaborative” type of society, which Asteria has pursued since its founding, is becoming increasingly relevant.

- ☆ In this decentralized environment, mobile devices that can be used whenever and wherever have become commonplace. Moreover, the performance of chips and parts will be enhanced as IPv6 -- the next generation of Internet Protocol -- prevails, while “edge computing” spreads more rapidly so as to prevent cloud security threats.



(Taken from the reference material of the company)



(Taken from the reference material of the company)

**(2) Action plans for each business**

① **Software Business**

◎ **Core products**

Two core products as of FY2020 are as follows:

- \* Warp

Raise the ratio of a recurring revenue model to 70% by increasing the ratio of subscriptions.

- \* Handbook

Begin shipping new products in the latter half of FY2021.

◎ **New products**

The aim is to build four pillars with the two products remaining as core pillars:

- \* Platio

To carry out active marketing activities.

To establish a product category and win the No.1 market share.

- \* Gravio

To commence a global operation in Japan, the U.S., the U.K., and Singapore by March 2022; China by March 2023.

To establish a product category and win the No.1 market share.

### ◎ R&D and consulting

The aim is to promote research and development of technologies that form the basis of long-life products. The subjects of R&D are as follows:

- \* Blockchain: Offer in-house developed blockchain externally

- \* AI: Middleware for robotics handled by Asteria ART

- \* To promote joint ventures with infrastructure service providers as a means of monetization that can expect a high level of growth.

### ◎ M&A

The aim is to reinforce domestic M&A in view of the pandemic.

- \* To launch a unit for domestic M&A (Completed).

- \* To target cloud services which receive a majority of its sales from licenses.

### ② Design Business

#### ◎ Existing market

To continue with the diverse client strategy.

To acquire projects from clients in the U.S. and Europe after they recover from the pandemic.

#### ◎ Japanese market

To set up an operation in Japan as early as possible.

### ③ Investment Business

#### ◎ Asteria Vision Fund (AVF)-1

Constantly recognize unrealized gains through growth of invested companies to achieve an Internal Rate of Return (IRR) target of 10%.

#### ◎ AVF-2

Start considering an establishment of AVF-2 depending on the performance of the AVF.

### ④ Hiring plan

Grow workforce by 50% by March 2024 (124 employees as of end-March 2021).

Continue to focus on diversity in gender and nationality.

Continue to recruit new graduates and expand hiring through internships and other means.

Attract talent from around the world with the benefit of different ways of working, including teleworking and super-flex time.

### (3) Numerical plans and goals

The following numerical plans have been set.

	FY 3/21 (Act.)	FY 3/24 (Est.)	CAGR
Net Sales	2,688	4,500	+18.7%
Adjusted EBITDA	615	1,000	+17.6%
Adjusted EBITDA Margin	22.9%	22.2%	-
Operating Income	820	-	-
Operating Margin	30.5%	-	-

Unit: million yen. Adjusted EBITDA = operating income + depreciation ± other adjustments. Other adjustments include impairment of goodwill, unrealized earn-out cost, and unrealized valuation loss/gain. CAGR was estimated by Investment Bridge with reference to the plan of Asteria.

## 5. Interview with CEO Hirano

We have asked the CEO Yoichiro Pina Hirano about the ideas incorporated in the management philosophy, the competitive advantage of and challenges for the company, his message toward shareholders and investors.

**Q: In recent years, interest in social significance, vision and philosophy has been on a rapid rise when it comes to evaluating a company. What kind of ideas did you incorporate into Asteria’s management philosophy?**

<b>Challenge for Ideas</b>	We value freedom of ideas and the spirit to challenge. New ideas give birth to innovation that leads the future. For its realization, we take risks to challenge and to explore new possibilities.
<b>Global Perspective</b>	We always eye global market. We provide products and services that have unique and special meaning of existence in the world.
<b>Chain of Happiness</b>	We lead a chain of happiness. We perform the activities that we feel happy about and proud of to contribute to the happiness of our customers and then to the happiness of society.

All of these three management principles constitute mindsets vital for our company.

I bring up the management philosophy not only at general meetings, but at every opportunity, such as lectures for new recruits, so it is well-known among all employees.

The first principle is “Challenge for Ideas.”

Although we are a listed company, I hope to never forget the spirit we had as a startup company. We are still in the middle of the way when it comes to our mission of “providing Japan-made software worldwide,” which we have had ever since establishment. If we do not keep taking on challenges and aiming for a great growth, we will not be able to realize it, so I believe that it is important not only for the development department, but for all departments and all employees to continue coming up with open-minded and new ideas and taking on challenges.

The second one is “Global Perspective.”

As we have been aiming for the global market ever since establishment, not only the staff in charge of international related jobs, but all employees in development, sales, marketing, accounting, human resources, etc. need to engage in their work with a viewpoint that takes into account the world standard and level. I think that this is the first step that has to be fulfilled in order to reach out to the world.

The third one is “Chain of Happiness.”

Recently, “well-being” has been talked about and there are more and more companies that try to focus on the happiness of their employees.

This point contains my philosophy: “First of all, let’s do work that makes us happy, and then we can bring happiness to the outside. Let’s spread this happiness around.”

Japan inclines to the mindset of selfless devotion, setting the individual aside and doing something for the society and others above all, but I deny it.

This is because continuity is the most important for business. Doing something for others is great, but it is meaningless if it tires out personnel and brings them down. In order to keep spreading happiness, we need to be happy. Being happy means that we can make customers, client companies and business partners happy, which ultimately leads to bringing happiness to the society as well.

I mentioned that I bring up the management philosophy within the company anytime there is an opportunity. In addition, I send messages to all employees through a communication tool called Slack almost every day.

I hope to share and spread my philosophy and vision by having the employees learn about my way of thinking in reaction to subtle things happening in the world.



**Q: “The Mid-Term Management Plan STAR was announced in May this year. The themes of your company – “autonomy, decentralization and collaboration” are stated in the beginning. Please tell us about these themes.”**

For our company, “autonomy, decentralization and collaboration” are a century themes.

Since its establishment, Asteria has insisted that the era of “autonomy, decentralization and collaboration” will come, and has developed software to support it. Until the 20<sup>th</sup> century, organizations and society had been controlled with hierarchies and regulations. In other words, it was an era of “hierarchy, discipline and control,” but I believe that owing to the spread of the Internet, the 21<sup>st</sup> century will bring an era and society of “autonomy, decentralization and collaboration.”

Small teams and individuals are autonomous, without being dependent on anything. And they are dispersed all over the world. However, they collaborate when required. They connect when it’s needed and disconnect when not. What is important is the part of “disconnecting when not needed.”

Conventionally, organizations became bigger whenever trying to do something big. They continue to connect and as they never disconnect, they keep growing in size. However, when the changes in the society are rapid to this extent, the actions of large organizations become sluggish, which makes it difficult for them to keep up with the changes. There are many companies which try to quickly perform PDCA, but their organizational size is too big and they end up being unable to keep up with the tide of the times, just like dinosaurs.

Therefore, what will be sought from now on are not large organizations, but the ability to connect small autonomous teams when required.

The most significant advantage of “autonomy, decentralization and collaboration” is the speed of action above all. It is possible to form a minimal team when required, which is furthermore optimal thanks to connectivity.

For example, when trying to launch something using a blockchain, the autonomy, decentralization and collaboration model would allow optimal specialists to participate from all over the world and steadily proceed with the work. The system of autonomy, decentralization and collaboration is highly specialized, making it possible to quickly develop quality products at a low cost and at a small scale.

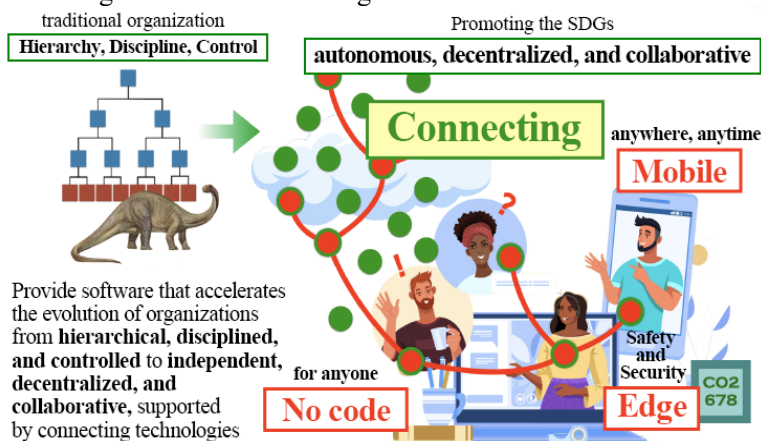
Large corporations (dinosaurs) that have a large organization, are not highly specialized, but have no other choice than to use existing resources are no match for it.

The approach of our company to realize this society of “autonomy, decentralization and collaboration” is advancing “connection” in work through software.

First of all, we connected the system (ASTERIA Warp), next we connected the mobile (Handbook) and now we provide Gravio for connecting devices such as IoT and Platío for connecting worksites. Our company itself also fully switched to telework during the coronavirus crisis and we are in the situation of implementing the workstyle of the future ourselves. Various ideas and realizations came from practice, and I believe that our new products and services will be even more refined from now on.

The large technology corporations in the U.S. may be large in size, but their actions are “autonomous, decentralized and collaborative.” On the other hand, Japan acts in a sluggish way as ever, which resulted in Lost Three Decades, and there is hardly any regeneration occurring in the companies.

We need to change this point. I believe that exactly “autonomy, decentralization and collaboration” is the form which is the most sought and best for creating value.



(Taken from the reference material of the company)

**Q: “Thank you. Next, please let us hear your thoughts on the competitive advantage of your company.”**

If I am to say it in a few words, it would be “a compact organization and powerful human capital.” That is the source of our company’s competitiveness and competitive advantage. We operate in 5 countries/regions with merely less than 150 employees.

As you know, the speed of changes in the IT industry and the software industry is extremely rapid. It would be utterly impossible to catch up with this speed, let alone respond proactively and set up our own business based only on orders from the leader of a large organization.

Therefore, it is indispensable for every and each person on the site to think and get into action on their own.

In case of our company, the first point of the management philosophy I mentioned above: “challenge for ideas” is firmly rooted in the whole organization and all employees. Thanks to the outstanding “foresight” of predicting future trends, open-minded inventiveness and the willingness to take on challenges, “ASTERIA Warp” has maintained the largest market share for 15 consecutive years, and we can also continue to provide products for utilizing the cutting-edge technologies in the business of companies, such as “Handbook,” “Platio,” and “Gravio.” In the Mid-Term Management Plan, we plan to further polish up the competitiveness of our company and products by further reinforcing this “human capital.”

**Q: “In connection with the competitive advantage about which you talked now, could you please elaborate on how cutting-edge products which did not exist in the world were created based on “foresight” and “ideas for challenge”?”**

For example, “Handbook” was released in 2009, but we came up with the development concept in 2005.

In order to stabilize our revenues before listing in 2007, we needed the second and third products instead of being fully reliant on “ASTERIA Warp.” After discussing various things, we decided to proceed with “mobile products,” which had also been stated in the explanation of the business development at the time of the company establishment.

Back then, the leading opinion outside the company and in the surroundings was that mobile products must be compatible with NTT DoCoMo’s “i-mode.” This is because that time was the golden age of “i-mode,” to the point that there were companies who owed its listing to the sale of products compatible with “i-mode.” However, both the vice-president Kitahara and I concluded that “i-mode” would not work.

The reason is clear. It was because from the viewpoint of engineering, the limits of the OS and the limits of the screen control were obvious. We assumed that there was no future for “i-mode,” which used only letters that are not graphic and had an OS incapable of multitasking (running multiple applications at the same time).

On the other hand, we assumed that the currently used laptop PCs, concretely the Apple Mac, etc., would become more and more compact until they fit into a pocket, and forged ahead with R&D heading in such direction.

As we expected, iPhone, incorporating the trend of Mac, was released in the U.S. two years later in 2007 and went on sale in Japan in 2008. Asteria released “Handbook” in 2009.

iPhone around 2009 was still viewed as a kind of a luxurious toy. Despite this, we believed that smartphones would be used in business more and more. And “Handbook” would significantly demonstrate its value in “connecting” as well, but this did not resonate with some of our stakeholders.

Nevertheless, in 2010, the next year, iPad came out, and as it became possible to view A4-sized material, “document/information sharing” which we had been focusing on was finally realized and came to be understood, and drew much attention from our investors.

The valuation of our company turned 180 degrees, as some people who showed no understanding whatsoever one year ago told us “You know, I always thought that Infoteria has a great foresight.”

As demonstrated by this kind of episode, we work on technologies that are so cutting edge that it can be difficult to be understood what we are even doing.

The same applies to a blockchain. Back in 2015, there was not a single company among listed companies which would mention a blockchain, and our company was the first to work with it. We also made investments and launched the Blockchain Collaborative Consortium in 2016, the next year. A blockchain rapidly started to be talked about in the stock market as well. This is the kind of pattern where we deal with products and technologies ahead of everybody else and they are not quite understood in the public when released, but then what we are doing will be understood several years later.

Neither “Platio” nor “Gravio” was understood well, when they were released.

In reality, even our employees often say that they do not understand these products well.

In our company, when it comes to developing new products, we take the approach of not listening to what our customers say. We do not listen to what the market says, and not even to what sales staff say. Only people involved in development and planning think ahead, design, develop and ship out products. Then, from Version 2, we proactively listen to our customers and refine our products.

“Gravio” and “Platio” are now highly evaluated, but sales staff had an immensely hard time selling Version 1, which was not based on the current market demand.

We do not create products based on the present market demand, but develop and release them with the future demand in mind. Afterward, we keep refining them in Version 2 and Version 3 and so on based on customer feedback. This is exactly what Steve Jobs said that it’s not enough to ask people what they want and just give it to them. In many cases, people don’t know what they want until you show it to them.

Nonetheless, we do not mean to be doing anything crazy.

In marketing terminology, there are the words “market-oriented” and “product-oriented.” Our company’s approach seems to be product-oriented, but if you look at the timeline, it is “future market-oriented.” Companies such as Sony and Apple, which may seem to be product-oriented at glance, are actually future market-oriented, or future market creators.

I would be very glad if everyone finds out about this point.

**Q: “Future market-oriented is just the perfect keyword to describe your company. I would like to ask one more question about product development. A significant strength of your products is that they are “no-code.” Why are they no-code, what kind of philosophy lies behind it?”**

We aimed for no-code because in order to create a society of “autonomy, decentralization and collaboration,” which we set as our theme for a century, it is indispensable “for anybody and onsite staff to be able to use products for connecting.”

Not being able to connect unless you request the information system department means that it is impossible to connect when required. In order to connect anytime, it is necessary to provide an environment that allows connecting even without a special person or an engineer, so all products of our company ever since establishment are no-code.

As engineers, we harbor a strong desire to spread the advantages of computers and software to every corner of the world, not make them something special for someone special, and we believe that this will lead to the society and future of “autonomy, decentralization and collaboration.”

**Q: “Please tell us about concrete initiatives of the Mid-Term Management Plan STAR.”**

In the past three years, we have focused on “no-code” so that anybody can create, “mobile” so that products can be used anytime anywhere, and safe and reliable “edge,” and we have engaged in R&D concerning new technologies such as blockchains and AI.

STAR, the title of the Mid-Term Management Plan, consists of the capital letters of the 4 key points.

Sustainable	To ensure our businesses are conducive to building a sustainable society
Top-line	To aim for sales expansion through the creation and provision of value
Acquisition	To increase growth rate via business and technology acquisitions
Refine	To improve existing products and services and keep ahead of the new era

**\* Sustainable**

I assume that everybody is now aware of the importance of sustainability even if we do not mention it anew, but the meaning of stating it here lies in the fact that we are going to incorporate sustainability into our business activities. While we have been working on CSR and SDGs for some time now, this means that we are going to incorporate this sustainability into each and every business as part of the Mid-Term Management Plan.

**\* Top-line**

Growth is indispensable for realizing sustainability. As growth is also a proof of increase of the value we give to society, we shall make sure to boost our top-line (sales). It is not our objective to merely boost the numbers, and we imply that this increase should be an outcome of creating value.

**\* Acquisition**

I have also written this in the founding philosophy, but we will not be trapped by the principle of self-sufficiency. Japanese companies tend to do everything within the company whenever they can, but this makes speed slower. We keep increasing partners to acquire speed. We shall buy technologies and have more and more members as well as partners, and this is what acquisition is. We will earn speed to compete in the global market.

**\* Refine**

While we intend to pursue creating new value, this means that we will further refine our existing products, services and skills.

**Q: “Could you please tell us which points especially you would like investors to hear and find out about in regard to the Mid-Term Management Plan?”**

This term, we defined the three pillars: Software Business, Design Business and Investment Business as business categories to report.

A particularly significant point is the Investment Business, which was launched in 2019. As the extent of its growth was unclear until now, we labelled it as a kind of other business, but it has started to make significant achievements since the last term. As we estimate that we can hold substantial expectations from this term on as well, we made it into one of the business segments.

In the Mid-Term Management Plan, we set our goals for the term ending March 2024 – sales of 4.5 billion yen (2,690 million yen in the term ended March 2021) and an adjusted EBITDA of 1 billion yen (620 million yen in the term ended March 2021). While these targets are challenging as their growth rates both exceed 60%, this term is for investment, the next term for gains and the last term ending March 2024 will be for completion.

As our company releases completely new products based on new ideas, we are currently in the process of creating a market for the new products “Platio” and “Gravio” by ourselves. This is a strategy of acquiring recognition of the new product category, establishing a market and getting hold of the leading market share.

Both products are rapidly growing.

At this point we are in the mode of making profit with “ASTERIA Warp” and “Handbook” and investing in “Platio” and “Gravio,” but we believe that by the end of the Mid-Term Management Plan, we will have reached a phase in which both products will be contributing to the profit, on top of which we will invest in the next new product.

**Q: “On the other hand, what parts require reinforcement and what kind of resources are insufficient when it comes to realizing the theme for a century which you have mentioned, and your company achieving an even greater growth?”**

First of all, it is important to improve the presence of our company outside Japan.

Quite a number of employees with foreign nationalities now work at our company and there has been a progress in diversity, but people who join our company tend to be interested in Japan in most cases.

Instead, as there are numerous excellent people in respective markets in the world, the improvement of our presence abroad is indispensable so that excellent professionals would be happy to join our company even if they are not especially interested in Japan.

The spread of our products and an approach toward international investors are important for improving our global presence. We intend to expand IR activities targeted at countries abroad more proactively than ever before.

Otherwise, we recognize that it is important to figure out how to succeed management in order to become a company that will be successful over the 21<sup>st</sup> century.

Labor shortage is now a significant issue in every industry. There are currently few people flexible enough to adapt to this era of changes and few people with outstanding experience, and even in our company, it is now difficult to recruit excellent people we want.

As almost all staff of our company are teleworking, we are able to provide an attractive working environment for outstanding people who also have the ability to manage working anywhere.

Fortunately, this point gives us an advantage in recruitment.

**Q: “Lastly, please give us your message toward shareholders and investors.”**

I have received substantial investments since the company’s establishment and made the company grow along with all investors.

Investment is an endeavor toward the future. While it carries a risk, this also means that there may be a great return. As I said earlier, we state “autonomy, decentralization and collaboration” to be our theme for a century, and we shall keep releasing software and services which will allow for realizing such a society.

I would be happy if all future-oriented investors understand our philosophy, vision and business, and I strongly hope that we will contribute to create a society which will bring happiness to many people together.

## 6. Conclusions

An “autonomous, decentralized, and collaborative” society, which was foreseen by the president Hirano since the establishment of the company and which is a 100-year theme, has not been predicted by customers. Its various software products, including ASTERIA Warp for “connectivity,” have been adopted by a broad range of users to satisfy the needs of the times since the time when customer needs were still to become apparent and clear. These facts prove the capability of developing products based on excellent “foresight,” which is the forte of Asteria.

According to the interview with the president Hirano, the company concentrates on product development by incorporating advanced technologies and future needs, and releases new products. It seems that they release products they want to sell, but packaged software makers need to develop software while predicting demand. From its corporate history, it can be considered that the company is a future customer-oriented enterprise that develops products and conducts marketing actively from the early days. We would like to pay attention to the activities of Asteria, which will keep releasing unique products while looking ahead to the future under the theme of an “autonomous, decentralized, and collaborative” society, and the progress of the Mid-Term Plan “STAR.”



## <Reference: Regarding Corporate Governance>

### ◎Organization Type and the Composition of Directors and Auditors

Organization type	Company with auditors
Directors	5 directors, including 3 outside ones
Auditors	3 directors, including 3 outside ones

### ◎Corporate Governance Report

Updated on December 10, 2021.

#### <Basic Policy>

The management goal of our company is to widely contribute to our stakeholders, including our shareholders, customers, and employees, and society through continuous business growth. In order to achieve this goal, we aim to implement highly transparent and sound business management, while committing to strengthening corporate governance by inviting outside directors since the foundation of the corporation. We strictly observe applicable laws and regulations, and practice fair and equitable corporate activities without ethical misconduct, positioning thorough compliance among our executives and employees as our basic principle of management.

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

We have followed all of the principles of the Corporate Governance Code.

#### <Disclosure Based on the Principles of the Corporate Governance Code>

Principles	Disclosure contents
【Principle 1-4. Strategically held shares】	Our corporate policy is to hold shares strategically if we determine that such shareholding would contribute to improving the medium- and long-term corporate value of our company from the perspective of maintaining and strengthening stable and long-term relationships with our business partners, and we may reduce such strategically held shares if we determine that contemplated effects cannot be expected. With respect to the shares held by our company strategically, the board of directors shall meet regularly to examine whether our strategic shareholding contributes to improving medium- and long-term corporate value of our company, taking the above perspectives, return and risk into account. For voting rights related to strategically held shares, we evaluate the exercise of such rights from the standpoint of improving medium- and long-term corporate value of our investees, and from the viewpoint of whether it meets social demand.
【Supplementary Principle 3-1-3 Disclosure regarding sustainability】	For our initiatives on sustainability, please visit our website. <a href="https://www.asteria.com/jp/en/company/csr/">https://www.asteria.com/jp/en/company/csr/</a>

## BRIDGE REPORT



<p>【Supplementary Principle 4-11-1 Views on the balance of knowledge, experience, and capability of the board of directors, as well as its diversity, and size】</p>	<p>Our company’s Articles of Incorporation stipulates that the board of directors shall consist of up to 8 members, and we adopt a policy to select those who are considered to be the best fit for the director’s position as candidates for directors, regardless of their nationality, sex, and age. At present, 5 members with rich knowledge and experience in Information Technology, Corporate Management, Corporate Investment and Finance serve on the board. We developed a skills matrix of directors and executive officers, which is attached to the convening notice for general shareholder meetings as a reference for a proposal to appoint board members. Out of the five directors, one is female, one is a foreign national, and three of them meet requirements to assume as independent outside directors stipulated by the Tokyo Stock Exchange, who can make vibrant debates at meetings of the board of directors.</p>
<p>【Principle 5-1 Policy for constructive dialogue with shareholders】</p>	<p>We recognize that it is important for us to hold positive dialogues with shareholders in order to achieve sustainable growth and to improve medium- and long-term corporate value. Therefore, we developed an IR system, and our president attends presentation meetings for individual investors, for constructive dialogue with shareholders, to provide clear explanations, in order to obtain their understanding of our management strategy and business conditions. PR and IR departments handle dialogues with shareholders, and if a shareholder submits a request individually, the representative director(s) and the executive officer(s) will hold a dialogue to a reasonable extent. Shareholders’ opinions identified through the dialogue are conveyed to the board of directors to assist their management decisions. As a measure to manage insider information when engaging in dialogues, we implement “Regulations for Prevention of Insider Trading” and manage insider information, to enforce information management to prevent insider information from being conveyed to certain shareholders.</p>

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