

November 12, 2020

Notice of Formulation of Medium-Term Management Plan

We have formulated the medium-term management plan named "Dynamic Ascension", which ends in fiscal year 2024.

In the previous fiscal year, we acquired two companies and significantly strengthened our group management base as a medium-to large-scale e-commerce support provider. In addition, given the recent rapid paradigm shift in society, we believe that we also need to make a paradigm shift and actively take dynamic actions that are discontinuous with conventional wisdom and change the dimensions. This is why we have redefined ourselves as the new Estore Group and formulated a medium-term management plan named "Dynamic Ascension" that summarizes the direction we aim to take.

For an overview, please refer to the attached materials.

Estore Group Mid-term Management Plan 2020 - 2024 Overview

Details of the medium-term management plan are scheduled to be announced in late November on our corporate website.

1. Current Status after M&A (simple total as of the end of FY2019, excluding consolidation adjustments, amortization of goodwill, etc.)

	Before M&A		After M&A
Net sales	4.93 billion yen		10.88 billion yen
Operating income	470 million yen		640 million yen
Business Partners	8,534 companies	▶	9,545 companies
GMV	85.3 billion yen		405.3 billion yen
Business portfolio			
Large-scale PaaS	0.0%		16.6%
Medium-scale SaaS	74.8%	▶	34.1%
Marketing	25.2%		49.3%

*The above figures are not based on new accounting standard from fiscal 2021, but based on a current accounting standard basis until fiscal 2020.

2. Objectives and Background of the Medium-Term Management Plan

Due to the three factors of population decline, deflation, and the digital society, management reform is required in all industries. The fact that 20 years have passed since the spread of the Internet and 10 years have passed since the spread of smartphones overlaps with this, and as the name "paradigm shift" implies, corporate management is required to undergo rapid and discontinuous major changes.

Therefore, DX (Digital Transformation), which is the largest corporate IT movement in the past, has started, and this trend is expected to continue for the time being, it is important for any company to respond to and promote e-commerce, which can be said to be the center of DX. At the same time, we need to make efforts that differ from those to date, when the method is also shifting paradigm.

The basis of this strategy is not the addition of the growth of each individual business such as systems sales, sales promotion, and distribution, but rather the multiplication of total efficiency on a series of flows. In our company, we judged that the formation of a synergy group would make the greatest contribution to the management of our client companies by providing them with a larger, more advanced, and faster comprehensive e-commerce environment. Based on this, we have launched a business strategy that begins with the recent M&As.

3. Medium-Term Management Plan Targets and Goals

In the five years of the medium-term management plan, we aim to double sales to 10 billion yen and quadruple operating income to 2 billion yen, compared to the current level in fiscal year 2020, and we will establish a level of performance and governance that will allow for transfer in the stock market and listing of subsidiaries.

* When compared to the new accounting standards, operating income will not change, but the method of accounting for sales will be changed, and the currently published forecast for fiscal 2020 sales of 9.6 billion yen will be 5.1 billion yen. In addition, one-time expenses include office integration expenses through M&A.

	FY2020				FY2024		
	Net sales	Operating income	Profit ratio		Net sales	Operating income	Profit ratio
Large-scale PaaS	19.0	1.2	6%	▶	44.0	6.0	15%
Medium-scale SaaS	24.0	4.9	20%		26.0	8.0	30%
Marketing	7.0	0.1	1%		16.0	2.0	12%
Hands-on DX	-	-	-		15.0	5.0	34%
Total (before goodwill)	51.0	6.2	12%		101.0	21.0	21%
After amortization of goodwill		5.0	10%	▶		20.0	20%
After one-time expenses		4.0					

4. Overview of Strategies of the Medium-Term Management Plan

EC Support Business (Expanded Existing Businesses)

The entire group has redefined itself as an "e-commerce business platform provider" and will continue to provide comprehensive services such as systems, marketing, fulfillment, and payment, to develop high-quality, rapid EC support business in the era of fierce competition where the world is becoming increasingly DX demand.

Over the past decade, systems, marketing, etc. have been offered and used individually. Now that advertising and other IT methods are extremely developed and consumers' psychological conditions are also being strongly called out for, such as information monitoring. Our customers, e-commerce merchants, require a high level of operation, analysis, and responsiveness in a digital world where sales, promotion, and distribution are fully aligned with the customer (consumer). We have a solid team to fill that portfolio.

Hands-on DX business (new business)

In addition to the EC support business mentioned above, we will leverage the knowledge and know-how we have cultivated over 20 years to enter the EC business, where we are the operator. This will start from the current medium-term management plan, but it is positioned as a long-term strategy.

The reason for positioning this business as a long-term strategy is to help prepare for the easy prospect that ARPPU and LTV will become the mainstay of business operations beyond this medium-term plan period, given the increasingly deepening demographic decline, deflation, and digital society that are expected to occur in the future. For companies that have excellent products and customer base, but are not able to leverage their superior business assets due to lack of e-commerce know-how, operational personnel or funds, we provide all the necessary solutions in a hands-on, invested manner.