

## Company Report

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## “Premium Benefit Club” and “IR-navi” which digitally connect companies and investors, jointly drive growth

- “Premium Benefit Club” steadily expanded amid the increasing importance of individual shareholders
- “IR-navi” aims to enter a new phase of growth with the introduction of a new model
- ESG solutions are also on a growth trajectory due to expanding demand for sustainability information

The company’s mission is to “support the realization of efficient capital markets and maximization of corporate value”. The company’s core businesses are the “Premium Benefit Club”, ‘IR-navi,’ and ESG solutions that operate in line with the company’s mission statement. Under the government’s policy of “shift from savings to investment,” all of these businesses meet the needs of listed companies and investors and are expected to grow. In addition, “Premium Benefit Club” and “IR-navi” are ‘stock-type’ businesses and are expected to generate stable earnings growth.

The largest sales contributor and growth driver is the “Premium Benefit Club”. It was initially conceived out of a need for listed companies to digitalize the process of identifying and managing individual shareholders. Companies can design the system to encourage investor behavior to achieve their desired composition of individual shareholders by granting shareholder benefits in the form of points. The number of participating companies has steadily increased, reaching 87 at the end of June. The stock price performance of participating companies has generally been good and volume tending to increase. We expect that companies seeking to increase their stock prices and liquidity will continue to participate in response to requests from the TSE.

Launched in 2005, “IR-navi” creates a list of shareholders of listed companies based on management reports of investment management firms and reveals the persons responsible for investment management, fund types, etc. It can also manage records of interviews with analysts and fund managers. The number of listed companies adopting this system is increasing every year, having reached 329 at the end of June 2023. The new version of “IR-navi”, currently under development will enable communication between both companies and shareholders; with the company aiming to increase the number of registered investors by launching an English version.

With the growing need for sustainability information, the company has also expanded its ESG solutions business by absorbing Alex Net, Inc. The company provides support for corporate websites and integrated reports. The company’s integrated reports have won various awards and are renowned for their quality.

The company expects net sales to increase by 6.1% to 4,049 billion yen and operating profit by 6.8% to 750 million yen in FY12/23. 2Q cumulative sales and operating profit for FY12/23 increased by 18.1% YoY and 30.7% YoY respectively, exceeding the full-year plan.

### Share Price and Volumes (The Past 1 Year)



Source: Strategy Advisors

### Key Indicators

Stock Quote (8/25)	579
Year-to-Date High (1/5)	702
Year-to-Date-Low (4/10)	541
52-Week High (22/12/28)	720
52-Week Low (23/4/10)	541
Number of Shares Issued and Outstanding Shares (mn)	20.7
Market Capitalization (¥ bn)	12.0
Enterprise Value (¥ bn)	10.3
Equity Ratio (Actual, %)	51.0
FY12/23 P/E Ratio (CoE, Times)	24.3
FY12/22 P/B Ratio (Actual, Times)	7.27
FY12/23 Dividend Yield (CoE, %)	1.2

Source: Strategy Advisors

### About Company

The company was founded as Investor Networks, Inc in 2004 by President Mitsuo Sugimoto. In 2005, “IR-navi” was released, which allows users to maintain data such as shareholder composition of listed companies and manage IR activity history, etc. In 2015, “Premium Benefit Club” was launched, which is now the largest contributor to sales. The firm changed to its current company name in 2017; and expanded its ESG solutions business with its merger with Alex Net, Inc. in 2018. In December 2019, the company was listed on the Tokyo Stock Exchange’s Mothers. COVID-19 also helped put focus on operating virtual shareholder meetings and online information sessions.

### JP GAAP - Consolidated Basis

FY end	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/20	2,433	-	399	-	401	-	279	-	14.9	0.0
FY12/21	3,378	38.8	522	30.6	520	29.6	349	25.1	17.9	2.5
FY12/22	3,816	13.0	702	34.6	693	33.2	417	19.5	21.0	7.0
FY12/23 CoE	4,049	6.1	750	6.8	745	7.5	389	-6.7	19.9	7.0

Note: YoY comparison is not available for FY12/20 because the previous year was on non-consolidated basis

Source: Strategy Advisors - Based on Company Data

## ■ All Three Main Shareholder Management Platform Businesses Are on a Growth Trajectory

Three core businesses provide solutions to the challenges of listed companies; thereby, meeting the needs of the stock market

The company's three main shareholder management platform businesses, "Premium Benefit Club", "IR-navi," and ESG Solutions, are all on a growth trajectory. The company's clients, listed companies, are often faced with issues such as the DX-ing of shareholder management, increasing the number of individual shareholders with a long-term perspective, enhancing integrated reports and Web disclosure. The company's business provides solutions to these stock market issues and is in line with the government's policy of stimulating the stock market by encouraging individuals to invest their ¥2,043 trillion in personal financial assets. The company's "Premium Benefit Club" is a unique service that is particularly unique to the company and should be a growth driver, as there is not much competition in the market. "IR-navi," whose growth has been slowing recently, is expected to enter a new growth phase with the launch of a new model currently under development. In addition, the company's shareholder management platform utilizes blockchain, which ensures a high degree of confidentiality of information.

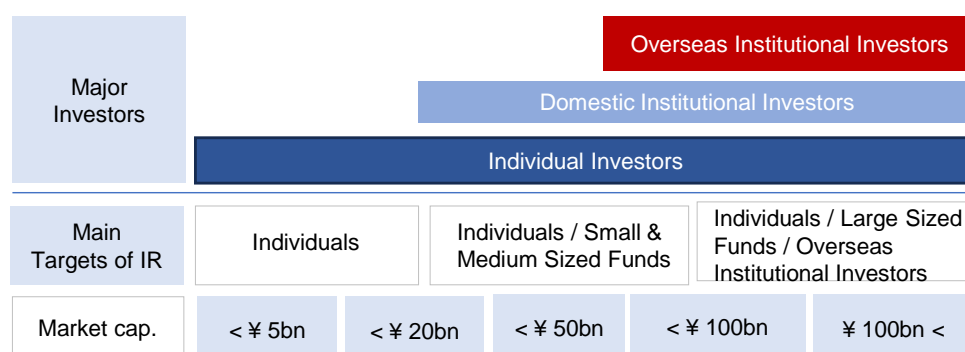
**Figure 1: Overview of Shareholder Management Platform Business**

Service Name	Services
"Premium Benefit Club"	<p>"Premium Benefit Club": A company-specific shareholder management platform that enables shareholders of listed companies to exchange their benefits points for benefits products and exercise their electronic voting rights through "WILLsVote".</p> <p>"Premium Benefit Club PORTAL": A shareholder benefits portal site that allows shareholders to exchange their shareholder benefits points issued by listed companies into "WILLsCoin" and add them up to exchange them for over 7,000 benefits products.</p>
"IR-navi"	Institutional investor marketing platform with a database of more than 100,000 global fund managers and analysts, as well as the status of investments in listed companies by domestic and foreign institutional investors.
ESG Solutions	Planning and production of communication tools with investors such as integrated reports and annual reports

Source: Strategy Advisors - Based on Company Data.

The company believes that since the main investors of a listed company change according to its stage of maturity, it is efficient to conduct IR activities appropriate for each stage. As shown in Figure 2, the company believes that it is effective to approach individual investors with market capitalization of up to 20-billion-yen, domestic institutional investors with market capitalization of up to 50-60 billion-yen and overseas institutional investors with market capitalization above that amount. The company will connect individual investors through its "Premium Benefit Club" and domestic institutional investors and companies through "IR-navi". With the new "IR-navi," the company plans to strengthen its contacts with overseas institutional investors.

**Figure 2: Change in Investment Entity by Stage of Company**



Source: Strategy Advisors - Based on Company Data

**Figure 3: Breakdown of the Shareholder Management Platform Business**

	12/18	12/19	12/20	12/21	12/22
<b>Sales (¥ mn)</b>					
"Premium Benefit Club"	671	1,225	1,535	1,839	2,494
YoY change	100.2%	82.6%	25.3%	19.8%	35.6%
"IR-navi"	232	260	283	286	274
YoY change	-14.4%	12.1%	8.8%	1.1%	-4.2%
ESG Solutions	231	286	345	422	548
YoY change	1,969.1%	23.8%	20.6%	22.3%	29.9%
Other	25	20	32	75	77
Total	1,161	1,793	2,196	2,623	3,381
YoY change	78.6%	54.4%	22.5%	19.4%	28.9%
<b>Number of Clients</b>					
"Premium Benefit Club"	26	43	58	71	80
YoY change	44.4%	65.4%	34.9%	22.4%	12.7%
"IR-navi"	231	281	302	316	318
YoY change	9.0%	21.6%	7.5%	4.6%	0.6%
<b>Net Sales/Number of Client Companies (¥ mn)</b>					
"Premium Benefit Club"	25.84	28.50	26.47	25.91	31.18
"IR-navi"	1.01	0.93	0.94	0.91	0.86

Source: Strategy Advisors - Based on Company Data

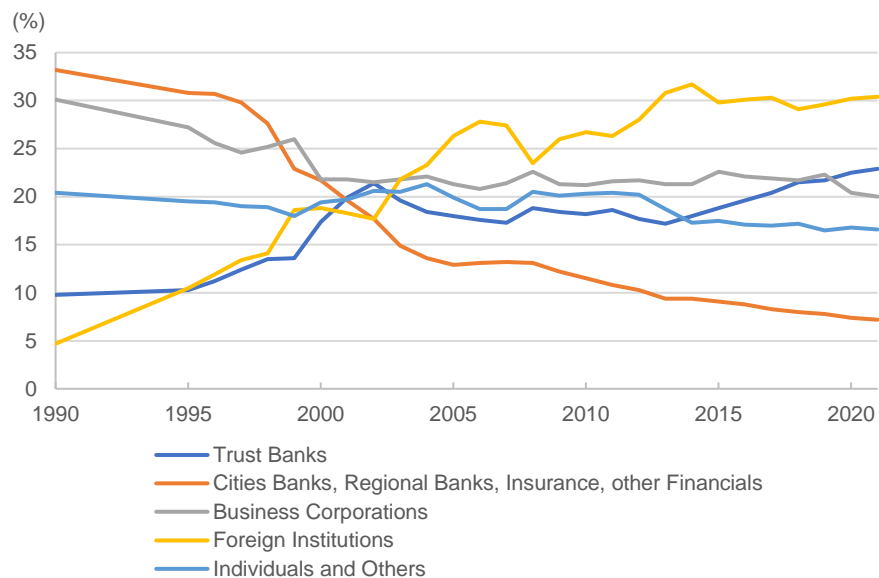
## ■ “Premium Benefit Club” Expanded Rapidly Thanks to Digital Management of Individual Shareholders and Investment Incentives for Individuals

Enables digital management of individual shareholders and can be designed to encourage increased unit holdings, longer holding periods, etc.

The “Premium Benefit Club” is a service released in 2015. It was originally launched as a means of digitally managing individual shareholders in listed companies. It was meant to provide preferential treatment as an incentive for individual shareholders to register their email addresses, investment history and other information. B2C companies also hoped to turn individual shareholders into loyal customers by sending them their own products as a special benefit. Furthermore, the company is promoting this business based on the belief that encouraging individual investors to participate in the stock market from a medium- to long-term perspective, rather than for short-term capital gains purposes; will help revitalize the Japanese stock market. Against this backdrop, the importance of individual investors in the stock market is growing and the “Premium Benefit Club” which offers benefits to both companies and individual investors, is showing steady expansion.

As seen in Figure 4, the bursting of the asset bubble in the 1990s and the Japanese version of the financial Big Bang led to a rapid contraction of financial institutions' crossholdings, which were absorbed by foreign investors who became the recipients. Today, foreign investors account for about 30% of the total and have reached a plateau and there are expectations that the role of individuals will increase in the future. Japanese individuals' financial assets reached ¥2,043 trillion at the end of March 2023, of which stocks and other securities and investment trusts together account for only 15.4%. This is very small compared to the United States, where about half of all personal financial assets are invested in stocks and investment trusts. This suggests that there is tremendous room for potential expansion of services for individual shareholders.

**Figure 4: Shareholding Ratio by Investment Sector**



Note: From FY2004 to FY2009, the figures include companies listed on the JASDAQ stock exchange; from FY2010 onward, the figures are for companies listed on the JASDAQ stock exchange Included as JASDAQ on either of the Osaka Securities Exchange or Tokyo Stock Exchanges.

Source: Japan Exchange Group

Currently, 87 companies are participating in the “Premium Benefits Club” and shareholders of these companies can accumulate points awarded by the company if they hold a certain number of shares. The points can then be exchanged for products deal in by the company. In addition, shareholders of more than one of the 87 companies can combine their points and convert them into "WILLsCoin" through the “Premium Benefit Club PORTAL” and convert the total points into products.

If a company wants to increase the number of individual shareholders who hold more than a certain number of units in consideration of the efficiency of shareholder relations, it can encourage an increase in the number of investment units by offering more generous benefits for a range of holdings commensurate with that number. If the company wants to increase the number of individual investors who hold shares over the medium to long term, it can design the benefits to increase according to the length of holding period. Based on the company's knowledge to date, it is also proposing point designs that are suitable for the shareholder composition desired by client companies. In the future, the company intends to use AI to create even more effective designs.

Each company decides when shareholders are entitled to shareholder incentive points, but in most cases, it is either once a year at the end of the fiscal year or twice a year at the end of the fiscal year plus an intermediate point in the middle of the year. In addition, companies have a great deal of latitude in determining the number of units held and the holding period, which are part of the conditions for the granting of points.

Figure 5 shows the point list for WILLs' own “Premium Benefit Club”. The company grants points only to shareholders who hold 7 units (700 shares) or more and they must hold WILLs shares for at least 6 months from the end of December each year to the end of June the following year. In particular, the company grants large points to shareholders in the range of 3,000 shares or more but less than 4,000 shares in the most favorable manner. Figure 6 shows the yield of points that a shareholder who purchases WILLs stock at the closing price of 579 yen on August 25 and continues to hold the stock until the end of June next year will receive. The benefit of these measures through “Premium Benefit Club” is that the number of large-lot shareholders will increase and shareholder management will become more efficient. It is also believed that these measures induce large-lot purchases, leading to higher share prices and increased trading volumes.

**Figure 5: WILLs Points Awarded by Number of Shares Held**

Number of Shares Held	Number of Points Awarded	
	First Year	2nd Year Onwards
700 shares - 799 shares	6,000 points	6,600 points
800 shares to 899 shares	7,000 points	7,700 points
900 shares to 999 shares	10,000 points	11,000 points
1,000 shares - 1,999 shares	12,000 points	13,200 points
2,000 shares - 2,999 shares	25,000 points	27,500 points
3,000 shares - 3,999 shares	60,000 points	66,000 points
4,000 shares - 9,999 shares	60,000 points	66,000 points
10,000 shares - 99,999 shares	80,000 points	88,000 points
100,000 shares or more	100,000 points	110,000 points

Source: Strategy Advisors – Based on the WILLs Premium Benefit Club website.

**Figure 6. Points per Share and Yield of “WILLs Premium Benefit Club”**

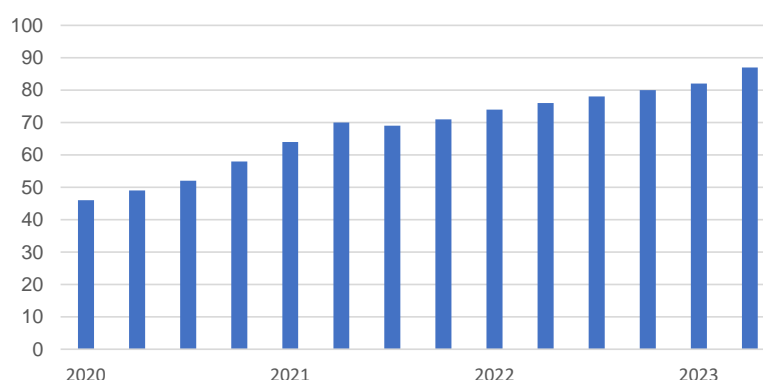
Number of Shares Held	First Year			¥579 (8/25)		
	Points Per Share			Benefit Yield		
700 shares - 799 shares	8.6	-	7.5	1.5%	-	1.3%
800 shares - 899 shares	8.8	-	7.8	1.5%	-	1.3%
900 shares - 999 shares	11.1	-	10.0	1.9%	-	1.7%
1,000 shares - 1,999 shares	12.0	-	6.0	2.1%	-	1.0%
2,000 shares - 2,999 shares	12.5	-	8.3	2.2%	-	1.4%
3,000 shares - 3,999 shares	20.0	-	15.0	3.5%	-	2.6%
4,000 shares - 9,999 shares	15.0	-	6.0	2.6%	-	1.0%
10,000 shares - 99,999 shares	8.0	-	0.8	1.4%	-	0.1%
100,000 shares or more	1.0	-		0.2%	-	

Source: Strategy Advisors - Based on the “WILLs Premium Benefit Club” Website.

For companies introducing the “Premium Benefit Club” benefits include the electronic provision of business reports and notices of convocation of general shareholders' meetings, distribution of IR news and other information to shareholders, and facilitation of the exercise of voting rights (using blockchain technology, which is highly confidential).

Currently, there are 1,475 listed companies (according to the company's survey) that offer shareholder special benefit programs at the end of 2022. While some companies have stopped offering special benefits due to requests from investors, mainly institutional investors, to increase dividends instead of special benefits; many companies intend to better serve their individual shareholders. In addition, it appears that an increasing number of companies wish to use the “Premium Benefit Club” as a communication tool with individual investors. Furthermore, there is a persistent desire to improve efficiency by communicating to shareholders electronically as described above. Therefore, even if the number of companies offering shareholder benefits does not grow, there is still much room for growth given that the 87 companies participating in the company's “Premium Benefit Club” account for only about 5% of the total market share.

**Figure 7: Number of “Premium Preference Club” Customers (by Quarter)**



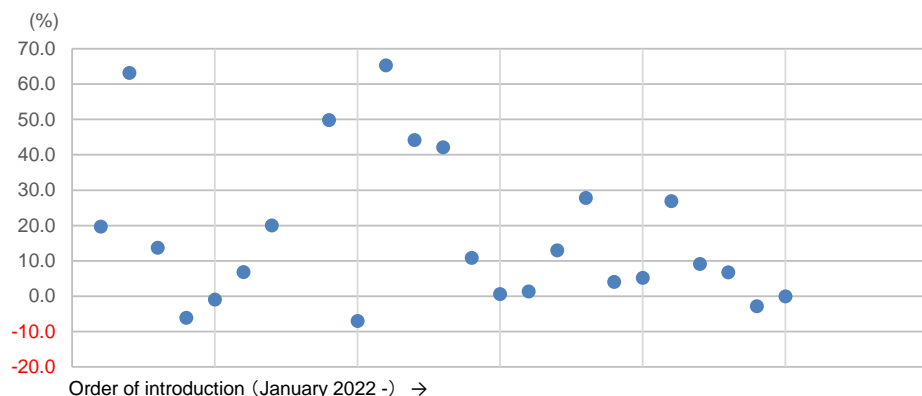
Source: Strategy Advisors - Based on Company Data.

**Companies that have introduced 'Premium Benefit Clubs' have generally performed well in terms of stock price performance.**

While some companies are canceling the "Premium Benefit Club" because they have achieved their initial objectives, such as higher stock prices and trading volume, or for financial reasons, new participants will continue to outperform them. One reason for this belief is the track record of stock price performance of the companies that have introduced the program.

Figure 8 plots the performance of the closing price on August 25 against the closing price on the day of the announcement of the introduction of the "Premium Benefit Club" for companies that announced the introduction of the "Premium Benefit Club" from the beginning of 2022 through July of this year. 20 of the 25 companies saw their stock prices increase, with an average increase of 17% (excluding ASNOVA, whose stock price increased 5.0x. The stock market, led by foreign investors, has risen rapidly since April of this year, mainly in large-cap stocks. Since the companies participating in the "Premium Benefit Club" are mainly small and mid-cap companies, it is assumed that many of them have not benefited much from this trend, but they have outperformed the TOPIX, which has soared sharply, by 3% on average. While the growth in corporate profits may of course be a factor, the introduction of the "Premium Benefit Club" is also expected to have a positive effect in many cases. In terms of trading volume, that increased rapidly for a few days after the announcement of the "Premium Benefit Club" and then subsided, but many companies maintained a high level of trading volume compared to the level before the introduction of the "Premium Benefit Club".

**Figure 8: Percentage Change in Stock Prices from the Date of the Announcement of the Introduction of the "Premium Benefit Club" (companies that introduced the program in 2022 or later)**



Note: Stock prices are on August 25; ASNOVA (9223) is up 397% and is not included in the chart above.

Source: Prepared by Strategy Advisors from WILLs and Other Companies' Websites.

The company's revenues from the "Premium Benefit Club" consist of system sales to corporations and point sales when shareholders exchange their points for merchandise. According to the company's "Premium Benefits Club" website, there are 6,000 products to choose from, including a wide variety of foods, home appliances, sundries, and services. The company's profitability to date suggests that gross profit margins are stable. It is estimated that the company has been able to keep costs down by partnering with many suppliers and dealing directly with them instead of through wholesalers. The company will likely continue to bring in stable revenues as the number of customers increases.

**TSE restructuring to provide positive tailwinds**

In January of this year, the Tokyo Stock Exchange (TSE) clarified the time schedule for the transitional measures for listing criteria on the Prime and Standard Markets. As a result, it appears that an increasing number of companies wishing to increase their market capitalization and liquidity are attempting to use the “Premium Preferred Club” as an effective means of doing so. In addition, with the end of September 2023 set as the deadline for prime-listed companies to apply to be transferred to the Standard Market if they find that they cannot meet the maintenance criteria, companies seeking to maintain their Prime Market listing are expected to become more desperate to increase their market capitalization and liquidity from October onward. In addition, the need to increase the corporate value of companies with P/B ratios below 1x, including large companies, is likely to be a tailwind for the ‘Premium Preference Club’.

The company has obtained patents for its “Premium Benefit Club” system and program, making it difficult for other companies to offer similar services. Therefore, there is little risk that competition with other companies will reduce profitability. In addition, large companies such as Ajinomoto, Nissin Foods Holdings, and Idemitsu Kosan are participating in the “Premium Benefit Club”, and the company’s management intends to increase its presence in this field by encouraging more large companies to join.

## ■ New Growth is Expected for “IR-navi,” a Founding Business, with the Introduction of a New Model with New Functions.

**“IR-navi” is a system that shows the shareholder composition and fund holdings of listed companies. Aiming to enter a new growth phase with the introduction of a new model.**

The company’s ancestor service, “IR-navi” was born out of the need for companies to understand the status of their shareholders. Although shareholder identification surveys based primarily on hearings have existed since that time, they were expensive for companies and a hurdle to implement. The company has developed a system that is competitive in terms of price, using a method of ascertaining each company’s shareholders from investment trust management reports in Japan and overseas.

“IR-navi” also shows the fund management style and investment managers of the shareholder management institutions. It has a database of approximately 4,000 domestic and 100,000 overseas investors. It can distribute earnings presentation guides, annual reports, and other information via e-mail, and it can also manage the history of meetings with investors. This makes it an effective tool for corporate IR activities. In addition, companies can check the shareholder ownership not only of their own company but also of all listed companies in Japan and 32,000 major overseas companies, allowing them to explore their own potential shareholders based on the composition of shareholders in the same industry, etc. and target IR activities.

Currently, “IR-navi” has 329 clients, including many well-known companies with a market capitalization of over 1 trillion yen and many other major companies. Its main competitor is the U.S.-based Ipreo (now part of S&P Global), which has extensive information on foreign investors. After the initial rapid spread of “IR-navi,” competition intensified with the emergence of Ipreo, which is believed to have taken some of the market share. The shareholder identification surveys conducted by IR Japan and other companies are customized for each listed company, based mainly on interview surveys, but the unit price is estimated to be considerably higher than that of “IR-navi”.

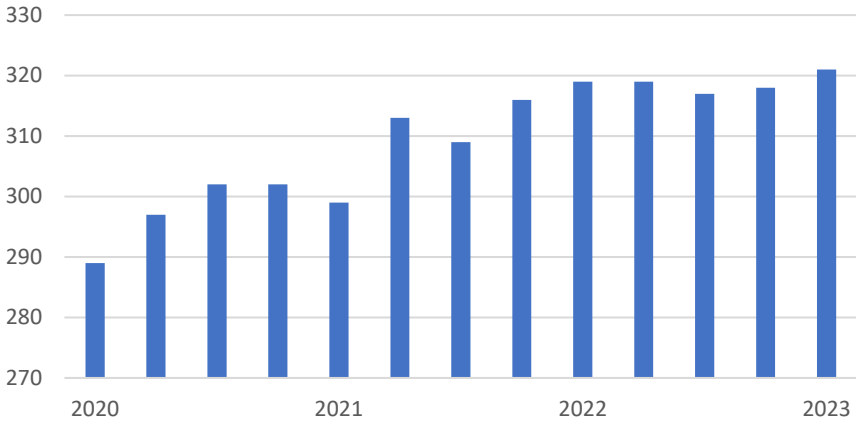


The number of clients and sales of "IR-navi" has been slowing recently, and in FY12/22 sales declined YoY. One of the reasons for this is a bottleneck in sales staffing. The company has a limited number of sales staff who are engaged in a wide range of sales activities, including "IR-navi," "Premium Benefit Club," and others; but the number of sales staff has become quite tight as the scale of each business has expanded.

The company intends to enter a new phase of growth by introducing a new model as well as replenishing its workforce. The new "IR-navi" is planned to add new functions and enhance added value. Specifically, the company plans to: (1) expand its global presence by launching an English-language version; (2) strengthen functions to enable two-way communication between companies and institutional investors; and (3) enhance information on overseas institutional investment.

The launch of the new "IR-navi" has been delayed from the original plan and may be pushed back to 2024, compared to the planned 2023 launch. Until the new "IR-navi" is actually launched, we will not know the specifics of the new functions or how the new "IR-navi" will be received by corporate clients, but the fact that the new "IR-navi" is expected to be a significant upgrade should help to boost its growth potential once again.

**Figure 9: Number of "IR-navi" Clients (by Quarter)**



Source: Strategy Advisors - Based on Company Data.

## ■ ESG Solutions Business Continues to Expand in Line with Global Trends

**Demand is growing due to the trend of expanding sustainability disclosure. Reputation for high quality, focusing on quality over quantity, specializing in the high-end market.**

ESG solutions is an area that President Sugimoto was involved in prior to founding the company through IR consulting and other work. 2018 saw the company begin to focus on this area as a full-fledged business with the absorption of Alex Net, Inc. ESG solutions include integrated reports/annual reports, CSR/ sustainability reports and website development.

The company has a proven track record of producing high-quality integrated reports/annual reports, and as seen in Figure 10, integrated reports for Hitachi, NSK, and MS&AD Insurance Group Holdings have won awards from WICI Japan and Nihon Keizai Shimbun awards on an annual basis. TOMY's annual report and Credit Saison's integrated report have also received awards from overseas awards such as the ARC Award. A look at the ESG Solutions business results section of the company's website shows that, in addition to these companies, the company has experience in preparing integrated reports for INPEX and Pigeon, shareholder communications for Nippon Telegraph and Telephone and Shin-Etsu Chemical's Web site amongst others.

**Figure 10. Main Awards for Integrated Reports Prepared by WILLs (2022)**

Hitachi	WICI Japan	Bronze Award
NSK	WICI Japan	Gold Award
MS&AD Insurance Group HD	WICI Japan	Gold Award
TOMY COMPANY	ARC Awards	Bronze in the Summary Annual Review category
Credit Saison Co.	ARC Awards	Honors et al. in the Summary Annual Review category

Source: Strategy Advisors - Based on Company Data.

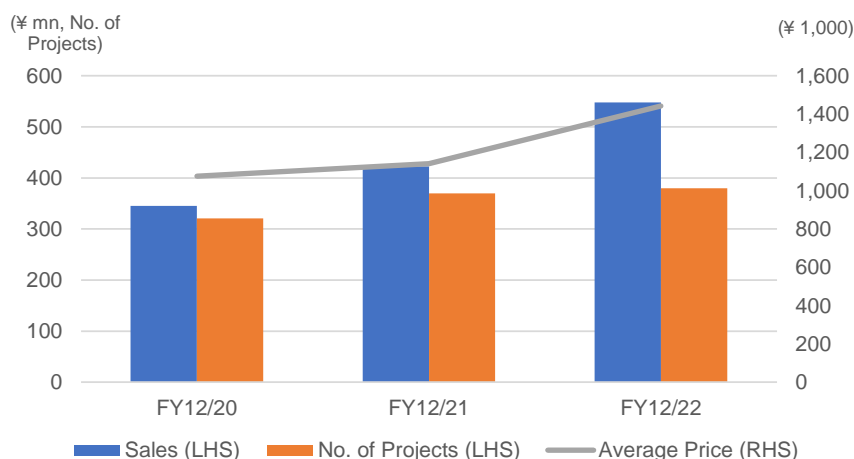
With growing interest in corporate sustainability worldwide and the increasing importance of non-financial information in addition to financial information, the number of companies preparing integrated reports is rapidly increasing. In addition, companies that have already published such reports are strongly trying to improve the quality of their reports. Similarly, there is a growing need to enhance sustainability information on websites. These trends are expected to continue. At the same time, the number of companies supporting these efforts is increasing, including financial institutions, consulting firms and printing companies; and competition is intense.

The company's strategy is clear: it limits itself to high quality products and undertakes contracts at a unit price that is commensurate with the quality of the product. The company is oriented toward boutique management that does not necessarily pursue acquisition of volume. The company's business will remain highly competitive given its track record of producing integrated reports/annual reports that have already received high praise both domestically and internationally, as well as its credibility as a publicly traded company.

Figure 11 shows the trend of ESG solution sales and the number of projects. Although the number of orders received may vary greatly depending on the size of the project, it is estimated that larger sales per project are more efficient and often a positive factor in terms of profitability. The company's average unit price has been on an upward trend over the past three years.

ESG solutions are labor-intensive, and therefore, an increase in personnel and outsourcing will be necessary to expand the business. For this reason, the marginal profit margin is estimated to be lower than that of "Premium Benefit Club" and "IR-navi," but it is a steady and solid business. Going forward, steady growth is expected to continue as demand increases.

**Figure 11: ESG Solutions Revenue Trends**



Source: Strategy Advisors - Based on Company Data.

## ■ Explore Synergies While Maintaining Profitability in the Advertising Business

**Advertising business aims to stabilize earnings**

The advertising business began in October 2020 when the company made Netmiles a wholly owned subsidiary. Netmiles operates point sites such as "Sugutama" and is also involved in the digital advertising business. Competition is fierce in this field and current earnings are weak. The company is aiming for synergies by advertising on the "Premium Benefit Club" domain and other activities. Most recently, the company launched a service that allows users to exchange "WILLsCoin" for Netmiles.

The company intends to reform its business model and stabilize earnings in the advertising business. The company's recent efforts, including a review of its Web content, have been bearing fruit, with operating profit returning to the black in Q2 FY12/23.

## ■ Performance Continues to Expand Steadily

**Continuous increase in sales and profit due to expansion of 'stock-type' business**

In Q2 FY12/23, cumulative sales increased 18.1% YoY to 2.054 billion yen and operating profit rose 30.7% YoY to 496 million yen. The company did not change its initial forecast of 4,049 billion yen in sales and 750 million yen in operating profit, but the progress rate of operating profit in the first half of the year amounted to 66% of the full-term amount. Although operating profit tends to be biased toward the first half of the year, even taking this into account, the company is likely to exceed its initial forecast.

As mentioned earlier, "Premium Benefit Club" and "IR-navi" are stock-type businesses and as the number of customers grows, sales tend to grow almost in tandem. Currently, the growth of "IR-navi" has slowed somewhat due to the pre-launch of a new model and bottlenecks in sales staff; but "Premium Benefit Club" sales are expected to grow steadily in the second half of FY12/23. The company expects that the increase in sales will outweigh the increase in costs, which will be caused by the expansion of the company-wide workforce and system investment associated with the development of the new "IR-navi" system.

## Progress in hiring to strengthen sales

On August 28, the company held an extraordinary shareholders' meeting and resolved to appoint Toshiaki Kaida, a longtime corporate sales executive at Nomura Securities, as a director. As the director in charge of sales, Mr. Kaida is expected to be responsible for acquiring customers, especially for "Premium Benefit Club" and "IR-navi". At the same time, the company will strengthen its sales structure by hiring new staff. The current bottleneck in sales staff is affecting the acquisition of contracts for both "IR-navi" and "Premium Benefit Club," so we will closely watch these future trends.

The new "IR-navi" is expected to have a major impact on the company's performance in FY12/24 and beyond. If, as the company expects, the enhanced functions can significantly increase the number of clients and raise unit prices, it will make a significant contribution to earnings. On the other hand, if the effect is limited, the increase may be limited to a cruising speed. In such a case, development costs may slightly reduce earnings growth.

## Growth is expected in all three businesses over the medium to long term.

In the medium to long term, the company sees significant growth potential in all three businesses in the Shareholder Management Platform segment. The "Premium Benefit Club" meets the needs of companies to digitally manage their individual shareholders and increase the number of individual shareholders. With a market share of only about 5% of companies offering shareholder benefits, the upside is significant. The introduction of the new "IR-navi" is expected to broaden the range of services and open up new markets, such as overseas investors, etc. ESG solutions are expected to continue to grow as the need for sustainability information disclosure increases on a global scale.

**Figure 12: Quarterly Earnings Trends**

(¥ mn)	2022				2023	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Shareholder Management Platform</b>						
<b>Sales</b>	<b>520</b>	<b>1,001</b>	<b>1,038</b>	<b>820</b>	<b>659</b>	<b>1,081</b>
<b>YoY change</b>	<b>12.3%</b>	<b>28.7%</b>	<b>35.9%</b>	<b>33.1%</b>	<b>26.7%</b>	<b>8.0%</b>
"Premium Benefit Club"	395	811	780	507	514	915
YoY change	22.7%	37.5%	57.9%	17.4%	30.1%	12.8%
"IR-navi"	59	101	50	62	61	99
YoY change	-4.8%	-2.9%	-3.8%	-6.1%	3.4%	-2.0%
ESG Solutions	55	46	203	242	79	32
YoY change	-20.3	15.0%	-2.9%	137.3%	43.6%	-30.4%
<b>Operating Profit</b>	<b>79</b>	<b>309</b>	<b>240</b>	<b>101</b>	<b>122</b>	<b>356</b>
<b>Advertisement</b>						
<b>Sales</b>	<b>98</b>	<b>119</b>	<b>103</b>	<b>112</b>	<b>128</b>	<b>183</b>
<b>Operating Profit</b>	<b>-12</b>	<b>3</b>	<b>-12</b>	<b>-6</b>	<b>0</b>	<b>183</b>
<b>Total</b>						
<b>Sales</b>	<b>618</b>	<b>1,121</b>	<b>1,142</b>	<b>933</b>	<b>788</b>	<b>1,265</b>
<b>Operating Profit</b>	<b>67</b>	<b>312</b>	<b>227</b>	<b>95</b>	<b>122</b>	<b>374</b>

Source: Strategy Advisors - Based on Company Data.

**Figure 13: Semi-Annual Earnings Trends**

(¥ mn)	2021		2022		2023	
	H1	H2	H1	H2	H1	H2CoE
<b>Sales</b>	<b>1,633</b>	<b>1,744</b>	<b>1,740</b>	<b>2,075</b>	<b>2,054</b>	<b>1,995</b>
% of fiscal year	48.4%	51.6%	45.6%	54.4%	50.7%	49.3%
<b>Operating Profit</b>	<b>294</b>	<b>227</b>	<b>379</b>	<b>322</b>	<b>496</b>	<b>254</b>
% of fiscal year	56.4%	43.6%	54.1%	45.9%	66.1%	33.9%

Source: Strategy Advisors - Based on Company Data.

## ■ Competitive Comparison and Valuation

### High profitability and growth potential as an IR-related information company

Among the company's businesses, the "Premium Benefit Club" is the company's proprietary service and has no competitors. The "IR-navi" service is currently being offered by Ipreo, a subsidiary of S&P Global, which offers a similar service. Detailed trends of foreign investors are considered one of the reasons for the slowdown in the growth of "IR-navi. In Japan, IR Japan is highly recognized for its shareholder identification surveys and many Japanese companies are believed to request individual surveys from the company. However, the price is estimated to be much higher than WILLs, which collects data based on management reports of mutual funds and other investment trusts, because it uses more manpower. Another advantage of "IR-navi" over shareholder identification surveys is that it provides a view of the shareholder structure of all listed companies, which can be used to provide implications for the company's future IR activity strategy.

While the market for ESG solutions, such as integrated reporting is also expanding, competition on the supply side is also intensifying. Financial institutions, printing companies, and other consulting firms are battling it out. However, the company intends to focus on the high-end of the market which is less prone to price competition; on the strength of the high-quality reputation it has earned.

As outlined above, there are virtually no companies that can be seen as direct competitor in the same business category. As a reference, Figure 14 lists IR-related information service companies that connect listed companies with investors. WILLs has the highest ROE and ROIC, giving it an advantage in terms of profitability. It also has the highest sales growth rate over the past five years. Therefore, a key factor in looking at the company will be how it can grow its top line while maintaining its current high profitability.

In terms of valuation, although it is difficult to compare with other companies in the same industry; the relatively high level of valuation is justified considering the high levels of profitability, such as ROE, the high growth levels in the IR market that connects companies and investors and the stable growth of stock-type earnings. The company's valuation is justified by the high growth in the IR-related market, which connects companies and investors.

**Figure 14: Profitability Comparison with Peers**

Company Name	Code	FY	Sales (¥ mn)	Sales CAGR over the past 5 years (%)	OP (¥ mn)	OP Margin Over Sales (%)	ROE (%)	ROIC (%)	Equity Ratio (%)
<b>WILLs Inc.</b>	<b>4482</b>	<b>2022/12</b>	<b>3,816</b>	<b>42.5</b>	<b>702</b>	<b>18.4</b>	<b>27.9</b>	<b>23.3</b>	<b>51.0</b>
MINKABU THE INFONOID, Inc.	4436	2023/3	6,836	37.9	111	1.6	9.6	0.5	47.0
IR Japan Holdings, Ltd.	6035	2023/3	6,012	7.8	1,116	18.6	10.0	10.1	82.6
IFIS Japan Ltd.	7833	2022/12	5,381	1.8	827	15.4	11.9	11.8	86.5

Source: Strategy Advisors - Based on Company Data.

**Figure 15: Comparison of Valuations with Peers**

Company Name	Code	Stock Prices (8/25) (¥)	Market Cap. (¥ mn)	PER FY2023 CoE (Multiples)	PBR FY 2022 Actual (Multiples)	Dividend Yield FY2023 CoE (%)	ROE FY 2010 Actual (%)
<b>WILLs Inc.</b>	<b>4482</b>	<b>579</b>	<b>12,098</b>	<b>24.3</b>	<b>7.3</b>	<b>1.2</b>	<b>27.9</b>
MINKABU THE INFONOID, Inc.	4436	1,613	24,156	26.8	3.1	1.6	9.6
IR Japan Holdings, Ltd.	6035	2,245	39,878	NA	6.6	5.0	10.0
IFIS Japan Ltd.	7833	584	5,641	13.0	1.1	3.2	11.9

Source: Strategy Advisors - Based on Company Data.

## ■ Risk Factors

The first risk we see for the company is the possibility of a decline in the market's preference for shareholder benefit plans in general. Shareholder benefits are well-established in Japan, and we do not expect the current situation to change significantly. However, as mentioned earlier, institutional investors and foreign investors generally hold the opinion that shareholder benefits should be paid out in the form of dividends instead of being other offerings to shareholders, in many cases. For this reason, it appears that some companies are actually leaving the "Premium Benefit Club" as a result of pressure from these voices. As a result, it is possible that the number of companies offering shareholder benefits, which has been on the rise, will either slow down or gradually decline in the market as a whole.

However, only about 5% of companies that offer shareholder special benefit programs have introduced "Premium Benefit Club," so even if the number of shareholders does not increase, there is a strong possibility that the market share will expand. The reason for this is that participation in the "Premium Benefit Club" has many original benefits for companies, such as making it easier to communicate with individual shareholders and enabling them to manage their individual shareholders digitally. This is evidenced by the fact that major companies such as Nissin Foods Holdings and Idemitsu Kosan are participating. The company also pays attention to the sustainability of the service by advising companies that participate in the "Premium Benefit Club" not to overpay for benefits as a percentage of their earnings, in order to balance the benefits with dividends.

The second risk is that a company may compete with "IR-navi" by developing and introducing a new system. However, since the company already has a long track record and has been making improvements to meet customer needs, the risk of a system that greatly surpasses it is not significant at this point. In addition, as mentioned above, the company and the stock market are presumably anticipating renewed growth with the introduction of a new model. Therefore, if the new "IR-navi" is not accepted as highly by the market as expected, the growth potential of the "IR-navi" business may diverge from the market's expectations.

**Figure 16: Trends by sector**

(¥ mn)	FY12/19 Non-Consolidated	FY12/20 Consolidated	FY12/21 Consolidated	FY12/22 Consolidated
<b>Net Sales</b>				
<b>Shareholder Management Platform</b>	<b>1,793</b>	<b>2,196</b>	<b>2,623</b>	<b>3,381</b>
"Premium Benefit Club"	1,225	1,535	1,839	2,494
"IR-navi"	260	283	286	274
ESG Solutions	286	345	422	548
<b>Advertisement</b>	<b>-</b>	<b>237</b>	<b>754</b>	<b>434</b>
<b>Total</b>	<b>1,793</b>	<b>2,433</b>	<b>3,378</b>	<b>3,816</b>
<b>Operating Income</b>				
<b>Shareholder Management Platform</b>	<b>310</b>	<b>402</b>	<b>507</b>	<b>730</b>
<b>Advertisement</b>	<b>-</b>	<b>-3</b>	<b>12</b>	<b>-28</b>
<b>Total</b>	<b>310</b>	<b>399</b>	<b>522</b>	<b>702</b>

Source: Strategy Advisors, Based on Company Data.

**Figure 17. Income Statement**

(¥ mn)	FY12/19 Non- Consolidated	FY12/20 Consolidated	FY12/21 Consolidated	FY12/22 Consolidated	FY12/23 CoE Consolidated
Net sales	1,793	2,433	3,378	3,816	4,049
Cost of sales	957	1,360	1,931	2,095	
Gross profit	835	1,073	1,446	1,720	
Gross profit margin	46.6%	44.1%	42.8	45.1%	
SG&A expenses	524	673	924	1,018	
Operating profit	310	399	522	702	750
Operating profit margin	17.3%	16.4%	15.5%	18.4%	18.5%
Non-operating income	7	3	3	0	
Interest and dividend income	0	0	0	0	
Other	7	3	3	0	
Non-operating expenses	8	1	5	10	
Interest expense and discount	1	1	3	4	
Other	7	0	1	5	
Recurring profit	309	401	520	693	745
Recurring profit margin	17.2%	16.5%	15.4%	18.2%	18.4%
Extraordinary income	0	0	0	0	
Extraordinary loss	5	3	5	38	
Pretax profit	304	398	514	654	
Income taxes	89	120	169	263	
Income taxes-deferred	13	-1	-4	-26	
Total income taxes	103	118	165	237	
Effective tax rate	33.9%	29.6%	32.1%	36.2%	
Net income attributable to noncontrolling interests	-	0	0	0	
Net income attributable to owners of the parent	201	279	349	417	497
Ratio of net income to net sales	11.2%	11.5%	10.3%	10.9%	12.3%
EPS (¥)	12.2	14.9	17.9	21.0	23.8
Investment in tangible and intangible fixed assets	98	368	185	215	
Depreciation and amortization of goodwill	45	68	91	103	
Cash Flow	247	347	440	520	
CFPS (¥)	13.2	18.6	22.5	26.0	
Dividend (¥)	0.0	0.0	2.5	7.0	7.0
ROE	42.5%	28.8	30.3%	27.8	
ROIC	32.4%	23.1%	23.9%	23.3%	
Average number of shares outstanding during the period (thousand shares)	16,413	18,700	19,516	19,981	
Number of shares outstanding at end of period (thousand shares)	18,390	19,286	19,729	20,894	

Source: Strategy Advisors - Based on Company Data.



**Figure 18. Balance Sheet**

(Yen mn)	FY12/19	FY12/20	FY12/21	FY12/22
	Non-Consolidated	Consolidated	Consolidated	Consolidated
<b>Current Assets</b>	1,141	1,473	1,929	2,367
Cash on hand and in banks	788	1,135	1,642	2,065
Bills receivable	43	57	25	5
Electronically recorded monetary claim	14	14	0	11
Accounts receivable	269	225	231	253
Inventories	9	15	9	8
Other	15	33	29	27
Allowance for doubtful accounts	-	-6	-7	-2
<b>Fixed Assets</b>	288	625	719	yakuza
Property, plant and equipment	11	11	13	55
Intangible fixed assets	252	550	636	671
Software	168	232	343	404
Goodwill	49	284	261	238
Customer-related assets	35	32	30	27
Investments and other	23	64	69	166
Allowance for doubtful accounts	-	-36	-36	-2
<b>Total Assets</b>	1,430	2,098	2,649	3,261
<b>Current Liabilities</b>	592	1,017	1,222	1,535
Accounts payable	223	274	262	272
Short-term debt	26	126	298	301
Accounts payable and accrued expenses	74	75	65	105
Accrued income taxes and consumption taxes	135	158	159	221
Advance received	116	166	289	0
Other	18	218	149	636
<b>Fixed Liabilities</b>	138	112	88	62
Long-term debt	138	112	85	60
<b>Net Assets</b>	698	969	1,338	1,662
<b>Capital Stock</b>	698	969	1,337	1,662
Capital & Surplus	380	418	436	493
Retained earnings	317	550	900	1,269
Treasury stock	0	0	0	-99
<b>Total Liabilities and Net Assets</b>	1,430	2,098	2,649	3,261
BPS (¥)	38.0	50.2	67.8	79.6
Interest-bearing debt	164	238	384	362
Shareholders' equity ratio	48.8%	46.2%	50.5%	51.0%

Source: Strategy Advisors - Based on Company Data.

**Figure 19: Statement of Cash Flows**

(¥ mn)	FY12/19 Non- Consolidated	FY12/20 Consolidated	FY12/21 Consolidated	FY12/22 Consolidated
<b>Cash flows from operating activities</b>				
Income before income taxes	304	398	514	654
Depreciation and amortization	39	57	67	80
Amortization of goodwill	6	10	23	23
Working capital	-12	143	148	172
Income taxes paid	-15	-140	-142	-212
Other	36	7	-74	79
<b>Total amount</b>	<b>358</b>	<b>475</b>	<b>536</b>	<b>796</b>
<b>Cash flows from investing activities</b>				
Sales and acquisitions of investment securities	0	-20	0	20
Purchases of property, plant and equipment	0	-3	-4	-8
Payments for acquisition of intangible assets	-97	-130	-181	-176
Other	14	-37	-9	-94
<b>Total amount</b>	<b>-83</b>	<b>-190</b>	<b>-194</b>	<b>-258</b>
<b>Cash flows from financing activities</b>				
Net increase (decrease) in short-term loans payable	0	100	172	4
Repayment of long-term debt	-71	-26	-26	-26
Proceeds from issuance of shares upon exercise of stock acquisition rights	156	37	18	55
Payments for purchase of treasury stock	0	0	0	-99
Dividends paid	0	-45	0	-49
Other	85	-4	0	1
<b>Total amount</b>	<b>170</b>	<b>62</b>	<b>164</b>	<b>-114</b>
Cash Increase/Decrease	444	347	506	423
Cash Beginning balance	343	788	1,135	1,642
Cash Ending balance	788	1,135	1,642	2,065

Source: Strategy Advisors - Based on Company Data.

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