ESG Bridge Report

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	Asteria Corporation (3853)
Chief Executive Officer Yoichiro Hirano	Asteria

Company Information

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

Financial information

Net Sales	Pretax Income	Net Income	Total Asset	Total Net Asset	ROA	ROE
2,688	1,026	807	7,907	5,721	12.8%	15.7%

Million yen. From FY3/21. IFRS is applied. "Net income" means the net income attributable to owners of parent. "Net assets" means the equity attributable to owners of parent. ROA is Pretax Profit/Total Asset.

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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, Platio, a mobile application creation tool released in October 2016, and Gravio, 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).

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1-2. Management Philosophy

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

Challenge for Ideas	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.
Global Perspective	We always eye the global market. We provide products and services that have unique and special meaning of existence in the world.
Chain of Happiness	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, Platio, and Gravio.

(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.
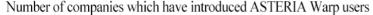
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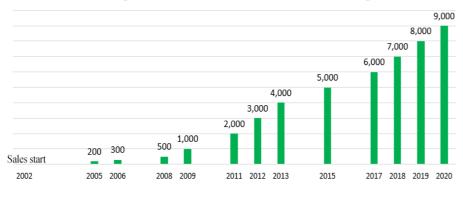(Taken from the reference material of the company)

(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.

* 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 connects one system to another system individually,

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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, a cloud platform provided by Cybozu, Inc. for building business applications.

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, A s 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

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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)

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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.

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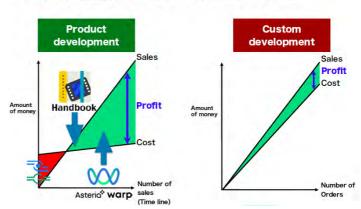The gross margin ratio of ASTERIA Warp is 80-90%, and Handbook has already exceeded the break-even point. The two new products, Platio and Gravio, have yet to contribute to profits, but the company expects them to expand sales and contribute to profits in the future.

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.

(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.

Environment	**Initiatives for the Environment** 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. -Promoting paperless operations -Asteria Green Activity*
Social	**Initiatives for Social Contribution** 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. -Supporting the Kamonohashi Project -Participation in a charity marathon -Pangaea (startup support)

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	Response to Diverse Needs 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. -Promoting diversity -Telework -Sabbatical leave and birthday leave -Supporting childrearing 3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Governance	‒Corporate governance ‒Internal control systems ‒Exclusion of anti-social forces 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

(*) 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_2 offsetting was used.

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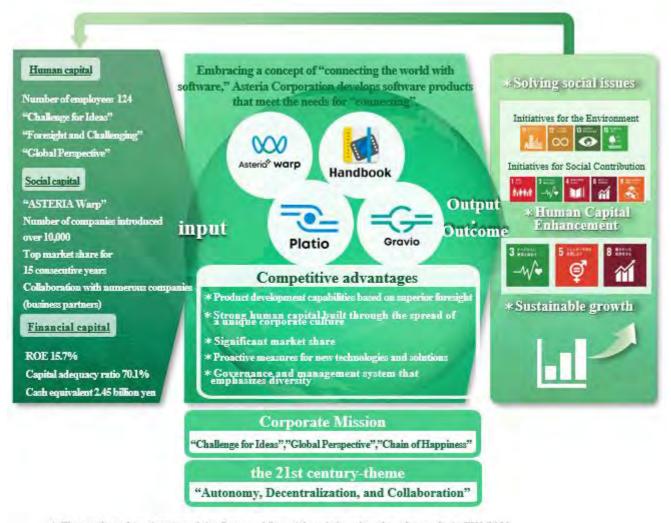
In addition to the venue of the meeting, the CO_2 emitted by the electricity consumption at the homes of the 14 executives who participated in the meeting from a telework environment has been reduced to virtually zero.

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_2 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_2 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_2 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.

For their primary policy, initiatives, etc. regarding ESG, please refer to "2. Interview with the CEO Hirano" and "3. Issues, materiality, and initiatives."

1-6. Flow of Value Creation

* The number of employees and the figures of financial capital are based on the results in FY3/2021.

Asteria keeps developing software that could meet the needs for "connecting" by utilizing the excellent foresight based on its ethos, vision, and meaning of existence which has been pursuing since the start of business and its competitive advantages, including strong human capital. It aims to solve social issues and grow sustainably.

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2. Interview with CEO Hirano
● **Regarding social responsibility and social meaning of existence**

Q. In recent years, the entire society has been aiming to achieve sustainable growth, so people put importance on the ethos, missions, and social meaning of existence of each enterprise, which is an important player in society.
What kinds of thoughts did you infuse into the management philosophy of Asteria?

Challenge for Ideas	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.
Global Perspective	We always eye global market. We provide products and services that have unique and special meaning of existence in the world.
Chain of Happiness	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

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the society as well.

A while ago 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: You have been pursuing the realization of "autonomy, decentralization, and collaboration." What are your company's purpose and social meaning of existence?

For our company, "autonomy, decentralization and collaboration" is the theme for the 21st century.

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 20th 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 21st 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.
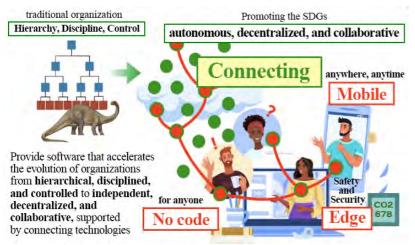
The approach of our company to realize this society of "autonomy, decentralization and collaboration" is forging ahead with "connection" in regard to work in the world through software.
First of all, we connected the system (ASTERIA Warp), next we connected the mobile (Handbook) and now we provide Gravio for connecting devices such as IoT and Platio 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)

We aim that the "autonomous, decentralized, and collaborative" society is realized through the "connection" via the software we develop, many social issues will be solved, which will lead to a better society. We believe this contribution is the social meaning of our existence.

●Competitive advantage of Asteria

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.

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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 the 21st 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."

●Initiatives in Key Materiality

Q. I would like to ask you about your company's approach to ESG, which is the main theme of the ESG Bridge Report. This is the first time your company has selected 12 materiality items. (Refer to "3. Challenges, Materiality, and Initiatives")

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Of these, I would like to ask about your thoughts on materiality items, which are particularly important for your company's sustainable growth.

Firstly, I want to ask you about "Human Capital."
As stated in its basic policy: "Asteria respects the diversity, personality and individuality of individuals and values the motivation and pride of its employees," your company regards human capital as an extremely important management resource.
What is the importance of strengthening human capital in enhancing your company's corporate value, and what measures are being taken to achieve this?

Creativity is crucial in all three of our company's businesses: software, design, and investment.
This creativity comes only from people. Therefore, "strengthening human capital" and "developing the capabilities of individual members" have been and will continue to be essential for our company.

At our company, our basic stance is to commit ourselves to the state-of-the-art technologies and to implement them ourselves, in other words, to take the untrodden path. In this process, you acquire and strengthen your abilities.
This is our stance on development, but the ideas are the same in sales, marketing, and management. Our company has been aiming to become a global company since its foundation, so in all operations, not just development, all employees will work with global standards and levels in mind. In this process, individual abilities blossom and are refined.
Also mainly human resources staff provide training and language education.

Another important aspect is the creation of an environment that encourages creativity. As stated in our management philosophy, we give importance to "Challenge for Ideas" as a foundation for those.
Whether employees are new or experienced, we are striving to create an environment in which any employee can fully express their ideas and take on challenges without hesitation, and we are making efforts to create and devise various policies, including those regarding working environments.

Q: Could you tell us more about how you are creating such an environment?

For individual evaluations, our company uses a system called "output evaluation." Our company has adopted a "super flexible" working hour system that does not require core working hours in the first place, so employees are not evaluated based on their working hours or punctuality, but evaluated based on their performance.
In the evaluation, even if a person fails, he or she will not receive a big deduction. By doing so, we have created an environment which encourages employees to unleash their creativity take on challenges, come up with ideas, and devise methods.

In terms of the physical working environment, employees can choose from five different types of offices, allowing them to improve their creativity and productivity.
Over the past 2 years, we have invested not only in the head office, but also in the home offices of our employees to create a comfortable and productive work environment. In addition, we have contracts with 3 different co-working space operators such as Wework, and about 300 offices are available to use nationwide. We also have a virtual office, so employees can easily communicate with their colleagues and bosses.
In addition, we recently experimented with "workations" (a combination of "work" and "vacation" meant to describe travel-and-work experiences) using a resort office, and confirmed that productivity was improved due to the good environment, so we intend to expand them in the future.
Telework in our company started in 2011 from the perspective of anti-disaster measures, but from the following year onward, the focus has shifted to diversifying ways of working and creating a work environment for wellbeing. The current COVID-19

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pandemic has catapulted this trend into full swing.

Q: As you mentioned in your basic policy, "We value the motivation and pride of our employees," what do you think of to bring out motivation to work?

In Japanese society and companies, I think the focus tends to be on what "should" be done. This is about one's obligation to do something, unrelated to their own ideas or motivation, which I think it will basically undermine the motivation of employees.
Instead, we value what we "want" to do, and when we think about how to realize it in accordance with the rules and regulations of society and organizations, the starting point is the desire to do something. This emphasis on what we want to do leads to a sense of fulfillment, and being involved in a recognized job leads to pride.
This is where I think our company is very different from other Japanese companies.

Q. Next, I would like to ask about environmental issues. Your company's website mentions the "environmental ecosystem of the IT industry." Could you explain these terms once more?

First of all, we believe that the ecosystem of our business should be the starting point of a cycle that brings happiness to not only Asteria, but also all our business partners, customers, and everyone involved in our company's business.
Instead of having Asteria do everything, we invite business partners to join us, share values, and discuss what we can add to benefit our customers. We invite customers to join our user group and reflect their opinions in our products. We are consciously creating these cycles.

In the same way, our company is the starting point for creating cycles when it comes to the environment, aiming to contribute to the global and social environment.
At first, we started by making contributions with our products. For example, ASTERIA Warp's production optimization program would lead to a reduction in waste, while Handbook would lead to paperless production operations. Since around 2015, we have further expanded the scope of our activities to include forest conservation and environmental conservation in cooperation with local governments, creating a cycle in which our business and global environmental conservation are linked.

Q: How are you creating business opportunities in response to environmental issues?

At first, it was a simple social contribution, but we are not only conserving forests, but also producing goods using lumber from thinning generated by conservation and using them for sales promotion. The SDGs badge I am wearing right now is made from thinned cedar.
Forest conservation started in the town of Oguni in Kumamoto Prefecture, but as it is a small local government, none of the government employees are familiar with digital technology, and they need technical advice. So, we formed a partnership and started supporting them.
From documenting disasters using Handbook to building COVID-19 infection prevention apps and election turnout reporting apps using Platio, our company products are helping to update, digitize, and streamline local government operations.
There are more than 1,700 local governments in Japan, which means all of them can be covered if even half of more than 3,500 listed companies take such initiatives. Although the number of regions we can cover are limited, we would like to create model examples in digitization and contribute to regional revitalization, which is a challenge for Japan.

Q. Next, please tell us about your company's initiatives and innovations to enhance its competitiveness.

As related to the first question, we believe that strengthening human capital will enhance our competitive advantage.
One of the most important steps in this effort is to strengthen marketing capabilities with a Business-to-Consumer (B2C) approach and strategy.
Our products remain highly competitive today. We are particularly strong in the Business-to-Business field, but we expect that the consumerization of business software will continue. The reason for this is that in the field of business software, the use of cloud services and mobile applications is rapidly expanding, as they are not built in-house by specialists in information systems departments. Consumerization will continue to advance so that even people who are not familiar with software can use it, so it is essential to strengthen marketing capabilities with a B2C approach. We will strengthen our human capital from this

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perspective in development, sales, and marketing.

Another initiative is to push overseas expansion.

Our company is highly competitive in Japan, but we aim to provide services that create a new autonomous, decentralized, and cooperative society on a global scale. At present, our domestic personnel are basically in charge of the software business, and overseas personnel are in charge of the design and investment businesses. Therefore, we will work to strengthen the software business centered on personnel from overseas, and strengthen the design and investment businesses with domestic personnel. In order to secure talented personnel overseas, our company must release products and services that can be recognized internationally. At present, the Gravio team has 4 members in Texas, Singapore, Hong Kong, and London, and we started information dissemination and promotion in April 2021.

With this as a starting point, we hope to recruit and retain excellent overseas development and marketing personnel.

Q: How is the overseas expansion of the first two products, ASTERIA Warp and Handbook?

ASTERIA Warp has been on sale in Japan for 20 years and Handbook for 13 years. Both products are bestsellers that are highly appreciated by users in the Japanese market, but a research by British design company This Place, which we acquired, shows that the current design of the products is not acceptable overseas.

As you can see from the major online shopping sites and portal sites in Japan, as well as the presentation materials of the government and government offices in Japan, designs which fill as much information as possible in one screen is more accepted in Japan. In overseas countries, it is important to keep things simple and smart.

Both ASTERIA Warp and Handbook use Japanese designs, so in 2017 we acquired This Place and decided to aim for designs that are highly evaluated globally.

The first target is Gravio.

ASTERIA Warp and Handbook already have so many users that it's difficult to make dramatic changes to the user interface at this point.

Therefore, we are promoting global compatibility with Gravio, a new product, and then we will do so when switching ASTERIA Warp and Handbook to next-generation products.

●**"The Mid-Term Management Plan STAR"**

Q. Next, I would like to ask you about "the Mid-Term Management Plan STAR," that is currently underway. Please tell us what you consider particularly important.

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.

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＊ 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.

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.

●**Challenges and further initiatives regarding ESG**

Q. What kind of initiatives do you consider to be necessary for ESG from now on?

Regarding E (environment), we have been contributing to the richness of greenery. Moreover, although CO2 emissions in IT are extremely low, we intend to forge ahead with reducing CO2 emissions in the business activities of our company.

https://www.rinya.maff.go.jp/j/sin_riyou/ondanka/20141113_topics2_2.html
Since 2015, we have been preserving 5,000 Oguni cedars in Oguni Town, Kumamoto Prefecture. In the past 6 years until now, these cedars helped reduce about 264 tons* worth of CO_2. Furthermore, we have also been preserving the so-called thousand Sakura cherry trees in Semboku City, Akita Prefecture since 2016. *Calculation method: Estimated amount of CO_2 absorbed by cedars, determined by Forestry Agency
https://www.rinya.maff.go.jp/j/sin_riyou/ondanka/20141113_topics2_2.html

In addition, we realized carbon neutrality at our company's Annual Shareholders Meeting last year. From now on, we shall make proactive efforts toward carbon neutrality also in other events and daily office operation.

Moreover, currently we do telework almost every day and there is little room for further considerable decrease in energy consumption and reduction of CO_2 emissions related to travel such as commuting. Therefore, in the Software Business, we intend to engage in the improvement of the functions and the development of new products, focusing on helping to solve environmental issues through changes to the mobile, automatization and remote operations in a number of companies and

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organizations that use our software.

Regarding the restructuring of the Tokyo Stock Exchange market in April this year, we selected the Prime Market. We are sufficiently aware of the corporate responsibility concerning climate change. Although CO_2 emissions generated by software development are very limited, we shall also work on meeting the requirements of the Task Force on Climate-Related Financial Disclosure (TCFD).

Regarding S (society), ever since launching the business, we have harbored the hope to develop Japan into an exporter of software products. However, the mainstream of Japanese software industry is custom development whereby software is built based on each customer requirements.
We intend to improve the national power and wealth of Japan by bringing this to a higher level with the ability to develop products based on the outstanding "foresight," which is the strength of our company, and developing software that will lead Japan. In order to achieve this, the reinforcement of human capital I mentioned before is extremely important.

Regarding G (governance), we believe that we are quite an advanced company.
We have appointed 2 outside directors since the establishment, and outside directors formed the majority of directors in the last 5 years. On the other hand, we are aware that there is still room for the improvement of governance in our subsidiaries.

●**Message toward stakeholders**

Q. Thank you for letting us hear your thoughts on various topics. Lastly, we would like to ask you for your message toward stakeholders.

Our company is taking on the challenge of transforming the conventional society of "hierarchy, regulations and control" into a society of "autonomy, decentralization and collaboration," which is the theme for the 21st century, through the development of unique software.
As this reform itself is linked to the respect for the individuality of each person or team living in this society, we believe that it will bring happiness to many people.
Although a reform naturally cannot be completed in a day, our society is undoubtedly going in this direction. By developing and providing products and services based on a long-term viewpoint, we shall keep raising the value of "connectivity," forge ahead with the reform toward "autonomy, decentralization and collaboration" and realize a society where all customers, business partners, employees and the society can live in happiness while utilizing their individual values and characteristics.
I strongly hope that you will understand our philosophy and vision, and will create an ideal society together with us.

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3. Issues, Materiality, and Initiatives

The issues and materiality items that Asteria is currently aware of are as follows.
In selecting materiality items, interviews with outside parties are also conducted.

Challenges	Materiality
Environment	Reduction of greenhouse gas emissions
	Energy management
Social Capital	Protection of customers' privacy and data
	Revitalization of local communities
	Contribution to society
Human Capital	Fostering job satisfaction among employees
	Health and safety of employees
	Education and training systems
	Diversity and involvement of employees
Business Models & Innovation	Initiatives and innovations to enhance competitiveness
	Value chain management
Risk Management and Governance	Expansion of the corporate governance structure
	Compliance and risk management (accidents, laws and regulations)

*Created with reference to SASB Materiality Map, etc.

【3-1 Materiality in "Environmental" Issues】

In addition to building a good "eco-system" with business partners and end users, the company will focus on developing an "eco-system" to realize "coexistence and co-prosperity" in the natural environment, thereby contributing to the creation of a sustainable society.

Through these activities, the company aims to realize a sustainable society by developing various measures to build an "ecosystem" between the "global environment and nature" and "society and industry" from a medium/long-term perspective.

Materiality (1) "Greenhouse Gas Emissions Reduction" and Materiality (2) "Energy Management"

More specifically, the following measures are being taken.

① **Promoting a paperless environment**
Using the company's "Handbook" product and tablets, the printing of all internal meeting documents, including those for board meetings, has been completely abolished, contributing to the reduction of greenhouse gas emissions.
The sales of "Handbook" not only create business opportunities for the company to increase sales and profits, but also promote the paperless operations for users, thereby resolving environmental issues.

② **Asteria Green Activity**
As mentioned in the "Company Overview," the company is involved in the "Asteria Green Activity," an initiative that contributes to the creation of sustainable social and natural environments.

◎ **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

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Oguni Town, Kumamoto Prefecture, to promote the use of lumber from thinning and revitalize the forestry and forestry industry.In addition to producing toys and novelties from Oguni cedar and offering them to employees and user companies, they use Oguni cedar in the company's office to create a warm space where people can feel the warmth of wood.

◎ **Holding an Annual Shareholders Meeting Using Carbon Offsetting**
At the company's Annual Shareholders Meeting held in June 2021 in a virtual hybrid format, CO2 offsetting was used.
In addition to the meeting's venue, the CO2 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_2 absorption in Oguni Town, Kumamoto Prefecture, and other areas from more trees, a general incorporated association (Tokyo).

J-credit system (*): A system under which the government certifies the amount of reduction or absorption of greenhouse gas emissions such as CO_2 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.

【3-2 Materiality in "Social Capital" Issues】

Materiality (1) Privacy and Data Protection
◎ **Privacy and Data Protection**
Asteria has established "Common Terms of Use" for Asteria products, which clearly states,"protection of copyrights and other rights held by customers related to their data," "implementation of appropriate management of customer data, including measures against leakage," and " non-disclosure of customer data and access to customer data except with customer consent or when compelled by law."

The company has also established a Privacy Policy, which explains the purposes for which it obtains personal information and how it is handled in accordance with the provisions of the act on the protection of personal information.

Materiality (2) Revitalization of local communities
The following activities are being carried out as part of the "Asteria Green Activity," which aims to revitalize local communities.

◎ **Regional Revitalization Plan with Semboku City, Akita Prefecture**
Since FY 2016, the company has been collaborating with Semboku 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, Kumamoto Prefecture and Semboku City, Akita Prefecture (tax system to support local development)**
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 Semboku, cherry blossom conservation and tourism promotion activities, both of which are funded from Asteria by 1 million yen per year, have been approved by the Cabinet Office as projects eligible for the "Taxation System for Supporting Regional Development (Corporate Version of Hometown Taxation).

Materiality (3) Social Contribution
The company carries out "social contribution activities" for the realization of a healthy and prosperous society and its sustainable development through support for the young people who will lead the future.

◎ **Support for the Kamonohashi Project**
The company supports the NPO "Kamonohashi Project," which is working to eradicate sex trafficking of girls in South Asia.
As with the company's business, the company focuses the support for social contribution activities on activities that the company can sympathize with, and advocate.

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◎ Participation in Charity Marathon

The "NIPPON IT Charity Ekiden" is held every year to reintegrate "socially disadvantaged underemployed workers" in the IT industry.

From the standpoint of social responsibility, the company, as a platinum sponsor, invites its employees to participate in two to three teams each year, and through the "ekiden (a type of long-distance relay race)," the company is involved in activities to support young people who will be responsible for the future.

【3-3 Materiality in "Human Capital" Issues】

The company is actively promoting the creation of a workplace environment that supports diverse work styles so that people from various backgrounds can continuously play an active role in the company.

Materiality (1) Fostering employee awareness and job satisfaction

◎ **Output Evaluation**

In recent years, job-based evaluations have been increasingly becoming more common, but the company has long since introduced and established the "output evaluation" method.

The summarization and evaluation of work performance, rather than work hours, has led to a significant increase in productivity.

In addition, even if employees fail to achieve their targets, the company does not give a major point deduction, but rather creates an environment that encourages creativity, leading to new challenges and idea generation.

◎**Telework**

To ensure employee safety and business continuity in the event of a disaster, all employees are provided with the necessary telework environment, including laptop computers, tablets, and telecommunications.

Telework is offered on a daily basis according to each individual's circumstances. In addition, teleworking is actively utilized throughout the company, with such work style being encouraged during times of extreme heat, typhoons, and heavy snowfall.

The company's teleworking, which began in 2011, was introduced as an anti-disaster measure, as described above. Later, the focus has shifted to creating a work environment for wellbeing, and this trend has taken off in earnest with the recent COVID-19 pandemic. This has contributed significantly to improving the company's productivity.

*New head office was established (October 2021) with a new concept of "a place where people gather when they need to."
Company-wide teleworking, which has been in place since last year (over 90% implementation rate from April 2020 to March 2021), has greatly improved employee productivity, and will be continued even after COVID-19 subsides. Therefore, the space of the "central office," which will serve as the new headquarters, has been reduced to 1/4 compared to what it used to be before the pandemic. The new office is based on the concept of a "lakeside villa," and is comfortable and functional, with plenty of wood and greenery.

Since company-wide teleworking has taken root, the central office may be unmanned even on weekdays, so the company's AI-powered IoT integrated Edgeware "Gravio" will be used to install a number of sensors to constantly monitor human comings and goings and CO_2 concentration in the office. In addition, the office interior and fixtures will be made from approximately 100 thinned Oguni cedars from Oguni Town, Kumamoto Prefecture, and carbon-offset measures will be conducted for electricity using Oguni cedars, thereby promoting decarbonization.

*Telework to avoid heat waves
The company uses its own software to automatically notify employees' smartphones of forecasts for extremely hot days when the maximum temperature forecasted by the Japan Meteorological Agency in the early morning is 35 degrees Celsius or higher. The company also encourages telework on those days.
The Extreme Heat Day Forecast Notification Service is made available to the public outside the company each year to promote the spread and expansion of teleworking on extremely hot days.

*Telework from Hometowns
Telework at home, including overseas, is possible during major consecutive holidays, such as the end of the year. By making a trip before or after the stipulated holiday, the complexity of arranging tickets and traffic congestion can be avoided.

Materiality (2) Health and Safety of Employees

◎ **Sabbatical and birthday leaves**

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For work-life balance (harmony between work and life), a one-month leave system (sabbatical leave) has been introduced for employees who have worked for the company for a total of six years or more. Every year, several employees take advantage of this system to refresh themselves, acquire qualifications, study abroad for a short period of time, participate in volunteer activities, and for other self-development purposes. Employees are also entitled to a leave of absence (birthday leave) on their birthday (or a day during15 days before or after their birthday) each year.

◎ **Childcare Support**

In order to create an environment where employees with children can work with peace of mind in accordance with their individual lifestyles, the company does not set uniform rules as a system, but rather supports ways of working that take into account each employee's individual needs, such as shorter working hours, teleworking, and child nursing care leave, with due consideration given to company rules and legal perspectives. From the company's establishment to the present, 100% of employees who have taken parental leave have returned to work.

Materiality (3) Education and Training System

◎ Training of new-graduate employees
In addition to group training in general business manners and business skills, in-house training includes an understanding of the company's products and IT basics such as some programming. In addition, task-based training related to interpersonal negotiation skills, sales proposals, and presentations is also provided. They will be assigned to their new positions in mid-May.
The company's unique training style is to flexibly change the content of training assignments while observing the degree of mastery and individual aptitude of new graduates.

◎ Future Employee Training
Rather than "training," the theme is set as a place for "learning," with the intention of acquiring new knowledge and insight. The company is considering the creation of horizontal communication by having multiple employees learn with a video streamed online at the same time, and having veteran employees pass on their own skills in the video.

◎ Training of human resources for development
The company's development personnel will have a certain level of technical competence by the time they join the company. The company believes that the most important thing for such personnel to grow further is to create an environment in which they can enthusiastically take on the challenge of acquiring new technologies and skills that they wish to learn, and the company provides employees with subsidies for technical seminars and learning costs.

◎ Japanese language education for foreign employees
We provide one-on-one Japanese language education with the goal of helping students acquire the communication necessary for social activities in Japan. The curriculum combines listening and reading/writing learning according to the Japanese proficiency level and interests of foreign employees.

Materiality (4) Employee Diversity and Involvement
◎ **Promoting Diversity**
The company aims to realize a society that respects diverse values through activities aimed at creating employment for sexual minorities (LGBT), foreign nationals, and people with disabilities. Since the company's founding, it has maintained a stance of not being bound by gender, nationality, race, religion, or ideology in hiring and promotion, and strives to create a comfortable work environment for its employees.
In 2017, Yoichiro Hirano, president of the company, spoke at "PRIDE AND PREJUDICE," an international forum on the promotion of diversity organized by The Economist and held in Hong Kong. He was the only speaker from Japan at the 2017 event and took part in a session to discuss how to tackle diversity, especially LGBT, as the CEO from a company that is actively working on LGBT issues in various countries.

【**3-4 Materiality in "Business Model & Innovation" Assignment**】
Materiality (1) Initiatives and innovations to enhance competitiveness
The company believes that further strengthening human capital is important.
Through strengthening human capital, the company will respond to the current trend toward consumerization in software for

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enterprises, bolster marketing capabilities with a B2C approach, and reinforce its software business with a focus on human resources from overseas with the aim of "providing services that create a new society of autonomous, decentralized, and collaborative systems on a global scale."

In order to secure talented overseas personnel, it is necessary to release product services that will make them respect and become fans of the company's products. As for Gravio, the company currently has four members in Texas, Singapore, Hong Kong, and London, and began information dissemination and promotion in April 2021. Using this as a starting point, we will recruit and secure excellent overseas development staff.

The company believes that the creation of the good working environment is an important factor in strengthening human capital.

In addition to "output evaluation" and "a corporate culture that embraces challenges," the company offers five different types of offices, allowing employees to choose an office that will allow them to demonstrate their creativity and increase their productivity.

The headquarters, as well as their homes, are evolving into offices that pursue security and efficiency. In addition, the company has contracts with three operators of co-working spaces, with approximately 300 locations available to use nationwide. Virtual offices with avatars are also always available for casual communication.

The company also plans to expand workations using resort offices, as the good environment has allowed for increased productivity.

Materiality (2) Value Chain Management

The company forms an "ecosystem," a cycle in which all players involved in the company's business, including customers and business partners, can benefit; the company intends to be the starting point of such an ecosystem. Rather than having Asteria handle everything, the company shares value together with its business partners and is always seeking out what more it can provide for its customers.

Through the following partnerships, Asteria strongly supports its customers' successful system development and business deployment with professional companies in their respective fields.

Name	Overview	Number of companies
ASTERIA Master Partners	System construction and sales of ASTERIA Warp	28 companies
ASTERIA Subscription Partners	System construction and sales of ASTERIA Warp Core	62 companies
ASTERIA Technical Partners	ASTERIA Warp-based system development and construction	15 companies

In addition to the partners listed above, there is also an "adapter development program" that allows companies participating in the program to develop and sell original adapters of ASTERIA Warp. Currently, 28 types (as of February 21) of compatible adapters are available. The program is designed to meet diversifying customer needs that cannot be met by the company alone, while supporting the expansion of partner business.

The company also operates the ASTERIA Warp User Group (AUG), a forum for exchange among ASTERIA Warp users.

At the gatherings, employees of user companies emcee and manage the events, and users actively exchange information with each other, for example, by introducing case studies of their own company's use of ASTERIA Warp.

In addition, the ASTERIA Warp Developer Network Slack, an ASTERIA Warp developer community using the communication tool Slack, has more than 1,000 users participating, and an organic community has been formed, with users answering other users' questions.

Asteria aims to provide customers with higher value-added products by reflecting such users' voices and requests in its products.

【3-5 Materiality in "Risk Management and Governance" Issues】

Materiality (1)

Expansion of the corporate governance structure

As mentioned in the "Company Overview" section, outside directors were appointed while putting importance on diversity (gender and nationality) under the belief that diversity is extremely important in the pursuit of world-class manufacturing.

The company has continuously appointed at least two outside directors since its inception in 1998, and currently, three of its five directors are outside directors.

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In addition, the company has a system that separates management and execution, with only two executive officers serving concurrently: President Hirano and Vice President Kitahara. 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.

◎**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. https://www.asteria.com/jp/en/company/csr/

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【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】	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.
【Principle 5-1 Policy for constructive dialogue with shareholders】	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.

◎ **IR activities**
Asteria received "Best IR Award for Encouragement," one category of the IR Award 2021, for the first time, which was hosted by Japan Investor Relations Association for commending enterprises that have produced excellent results in their IR activities.

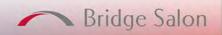* Major reason for awarding Asteria
"Asteria's President & CEO has a high level of communication skill and is carrying out IR activities with a strong message. His explanations are based on the overall IT industry and have been praised as easy to understand. The company has attracted great attention, 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, Asteria has also been focusing on the development of overseas institutional investors."

* Characteristics and outline of IR activities of Asteria
The company has been actively distributing information to stakeholders since it was listed, so that they could understand the business of Asteria. The company announces financial results every quarter, while the video of the president briefing financial results is streamed live. At sessions for briefing results for individual investors, the company invites YouTubers and economic analysts to talk with them. Like this, the company has distributed a lot of IR content for explaining the business of Asteria, which requires expertise, in an understandable manner. In recent years, they have held study sessions for institutional investors under the themes of SPAC, NFT, block chains, etc. which attract a lot of attention, to share knowledge.
For general meetings of shareholders, the company pioneered in holding "a virtual general meeting of shareholders that can be attended in person or online" by using a system for exercising voting rights with the block chain technology, suggesting a new way of communication with stakeholders, in 2017. This method attracted a lot of attention, as people put importance on

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the online environment amid the coronavirus pandemic, and the company held "a totally virtual-only general meeting of shareholders" in 2021. The block chain prevents even the organizer of a general meeting from falsifying voting results, so Asteria provided a highly transparent system.

Materiality (2)

Compliance and risk control (accidents, laws and regulations)

The company has established the following rules and committees, to develop, maintain, and improve systems for risk management, compliance, and internal control.

Regulations	Purposes, systems, etc.
Basic regulations for internal control	The purpose is to specify a company-wide management system, personnel, composition, etc. for developing, operating, and evaluating an internal control system based on "a system for securing the reliability of financial reports" in "the basic policy for internal control systems" and then develop, operate, and evaluate an internal control system for financial reports effectively and efficiently.
Regulations for compliance	The purpose is to define the compliance in business administration of Asteria. In addition, the company holds study sessions for raising the interest in compliance and obtaining accurate knowledge of compliance.
Regulations for the risk management committee	The company has established a risk management committee as an organization for deliberating, resolving, and reporting important items regarding risks that would seriously affect the management of the consolidated group of Asteria.
Regulations for preventing bribery	The purpose is to specify a system for preventing bribery and the basic provisions that should be followed by executives, employees, and others, so that bribery will not be conducted in the business activities of Asteria inside or outside Japan. In order to prevent executives, employees, and others from committing bribery, the company shall enact and enforce necessary regulations and detailed rules and hold training.
Regulations for preventing insider trading	The purpose is to specify the basic provisions that should be followed when the executives and employees of Asteria manage internal information obtained through business operations, trade shares, etc., transfer or receive them for profit as described in Article 166, Paragraph 1 of the Financial Instruments and Exchange Act in order to contribute to the fairness and soundness of securities trading and secure the confidence of Asteria in the securities market, promote timely disclosure, and prevent insider trading.
Guidelines for mitigating disasters and BCP	The purpose is to take appropriate, swift measures for protecting the lives of visitors and employees (including full-time, contract and temporary employees), minimize damage, and resume business operations as soon as possible by specifying organizations, corporate activities, etc. for responding to a crisis in the company and giving top priority to the respect for human lives.
Regulations for operating and managing information systems	The company specified necessary items for operating its information systems safely and reasonably and appropriately managing the information that must be stored in accordance with

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	laws or regulations with electronic media.

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."**
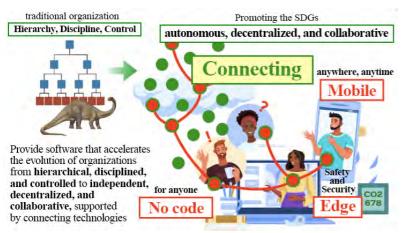
(Regarding the Mid-Term Management Plan "STAR")

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

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

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)

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(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.

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5. Financial/Non-financial data

（1）Financial data(Consolidated)

◎BS/PL

	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021
Net Sales	1,621	3,110	3,478	2,677	2,688
Pretax profit	303	444	463	-159	1,026
Net income	230	197	271	-176	807
EPS [yen]	15.52	11.90	16.39	-10.66	49.02
ROE [%]	8.4	4.6	4.9	-3.5	15.7
Total assets	3,601	7,560	7,117	8,061	7,907
Total net assets	2,874	5,634	5,382	4,720	5,544
Ratio to equity [%]	79.8	74.5	75.6	58.6	70.1

*Unit: million yen. "Net income" means the net income attributable to owners of parent. "Net assets" means the equity attributable to owners of parent.

◎CF

	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021
Operating CF	267	853	34	503	776
Investing CF	-265	-324	-474	-1,926	-599
Free CF	2	529	-441	-1,423	177
Financing CF	-101	1,914	-538	728	-358
Cash and Equivalents	1,740	4,219	3,277	2,477	2,451

*Unit: million yen.

（2）Non-financial data

① **Human capital related**

	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021
No. of employees	66	74	72	72	83
Male	41	44	43	46	55
Female	25	30	29	26	28
Foreign nationals	5	5	7	5	6
No. of managers	19	21	22	20	21
No. of female managers	2	3	4	4	4
Ratio of female managers	10.5%	14.3%	18.2%	20.0%	19.0%
Ratio of paid holidays taken	69.16%	73.25%	74.45%	70.77%	70.50%

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Average number of years of employment	7.2	7.3	7.9	8.2	7.8
Ratio of employees who took maternity/childcare leave					
Female	100%	100%	100%	100%	100%
Male	0%	0%	0%	0%	40%

＊ Non-consolidated data of Asteria

② **Social capital related**

	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021
No. of shareholders	11,252	12,693	9,953	9,568	11,287
No. of partners	50	64	76	82	102

* "No. of partners" means the total number of partners for the four products: "ASTERIA Warp," "Handbook," "Platio," and "Gravio."

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\<For reference>

For publishing ESG Bridge Report, the company enlisted significant cooperation from Mr. Ryohei Yanagi (PhD. in economics from Kyoto University, Executive Vice President and CFO of Eisai Co., Ltd., and a visiting professor of Graduate School of Accountancy, Waseda University).
This section mentions the purpose of publishing ESG Bridge Report and outlines the "ROESG model" proposed by Mr. Yanagi, while citing a passage from his literature "CFO Policy."

(1) Regarding ESG Bridge Report

While ESG investment became mainstream, investors demand that Japanese companies disclose ESG information proactively. Accordingly, an increasing number of companies produce integrated reports. However, the production of integrated reports requires the understanding and involvement of executives, some human resources and some budgets. Accordingly, many companies still cannot produce integrated reports.
Also, for producing integrated reports, it is necessary to take many steps, including the summarization of various data, the identification of materiality, and the setting of indicators and goals. It seems that many companies are not prepared enough, so they are reluctant.

However, Mr. Yanagi mentioned, in "CFO Policy," that "if Japanese enterprises shed light on their potential ESG value, their PBR will probably be at least the same level (around 2x) as that of companies in the UK" and "by actualizing ROESG, it is possible to double the value of Japanese companies, probably improving investment, employment, and pensions and maximizing national wealth, which have a high probability." Investment Bridge Co., Ltd. considers that the provision of ESG information of Japanese companies is meaningful for the entire Japan and should be promoted actively.

Under these circumstances, for companies who deeply recognize the necessity to disclose ESG information although they still cannot produce integrated reports, our company cooperatively produces "ESG Bridge Report" based on currently available data and resources, to provide investors with ESG information as needed by investors as much as possible.
Japan Exchange Group actively encourages Japanese companies to disclose EGS information, and published "Practical Handbook for ESG Disclosure." Page 6 of this handbook mentions "We do not mean that you cannot disclose information unless all of the elements mentioned here are covered. We expect that this handbook will provide you with some clues when you start with what you can do while considering your situation for disclosing ESG information to communicate with investors and proceed with more initiatives." We believe that "ESG Bridge Report" is a tool for "starting with what you can do for disclosing ESG information."

Mr. Yanagi mentioned that in order to achieve full-scale ROESG, it is necessary to conduct empirical research indicating positive correlation between ESG and corporate value and disclose concrete cases in which companies' contribution to society helps increase long-term economic value. Accordingly, the actual hurdle is high, but we would like to explicitly describe how ESG initiatives of each company lead to the improvement in corporate value.

Based on the feedback from many investors who have read our reports, we would like to improve the quality of our reports. We would appreciate your candid opinions.

Kaoru Hosaka
Managing Director and Chairman
Investment Bridge Co., Ltd.
k-hosaka@cyber-ir.co.jp

(2) Regarding "ROESG Model"
(Increasing value of non-financial capital, rapid increase of ESG investment, and production of a conceptual framework for
connecting ESG and corporate value)

Recently, many empirical studies have verified the increase of importance of non-financial information in corporate value evaluation, and it can be inferred that invisible value (intangible assets) and non-financial capital value account for about 80% of corporate value. In addition, it can be considered, from the results of many empirical studies on the relation between non-financial information and corporate value, that ESG may be positively correlated with corporate value.
On the other hand, as ESG investment is becoming mainstream globally, Japanese enterprises, whose PBR is less than one or stagnant in many cases although they have latent ESG value, need to transform non-financial capital into future financial capital with the "ROESG model" for raising PBR, or produce and disclose a conceptual framework for connecting ESG and

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corporate value.

(Overview of the "ROESG Model")

Out of shareholder value, the book value of shareholders' equity, which corresponds to "the part where PBR = 1," is composed of current
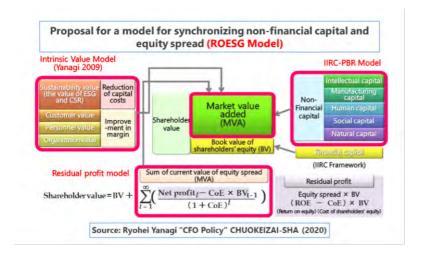financial capital and financial value.
On the other hand, out of shareholder value, market value added, which corresponds to "the part where PBR exceeds 1," is composed of non-financial capital (which can be said to be future financial capital), and the sum of current value of cash flow of equity spread (=
ROE – Cost of shareholders' equity) in the residual profit model.
Therefore, Mr. Yanagi proposed "the synchronization model of non-financial capital and equity spread" = "ROESG Model" as a
conceptual framework for synchronizing ESG and corporate value, as a result of non-financial strategy.

Source: Ryohei Yanagi "CFO Policy" CHUOKEIZAI-SHA (2020)

In the "ROESG Model," non-financial capital has a mutually complementary relation with equity spread, which is the sum of current
value of residual profit through "market value added." Namely, the value creation with equity spread is consistent in the long term
because of the delay, via the creation of value of non-financial capital, including ESG, and market value added.
Therefore, ESG management can be synchronized with long-term investors, who demand capital efficiency, via marked value added,
and cooperation is possible.
According to Mr. Yanagi's survey on investors for supporting the model, many investors around the world demand that "the relation
between ESG and ROE values is explained" and answered that "100% or a significant proportion of the value of ESG is taken into
account in PBR." It can be considered that the "ROESG model" is supported directly or indirectly by most of long-term investors.
(For details about his "ROESG Model," refer to "CFO Policy" authored by Ryohei Yanagi, CHUOKEIZAI-SHA (2020).)