

HRLS

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Bit-Aisle Inc.

Sector; Communications

6-Nov-07

Outsourcing company providing comfortable IT service environment

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report@ftg.jp**Company profile**

Representative Kohei Terada URL: <http://www.bit-isle.jp/>

Head Office 2-16-4, Konan, Minato-ku, Tokyo, Japan

Business line Specializing in comprehensive IT outsourcing business based on the operation of Internet Data Center

Shares issued 166,610 shares (7/31/2007)
Special owners 80.4%, Foreign owners 3.7%, Japanese Funds 16.8%

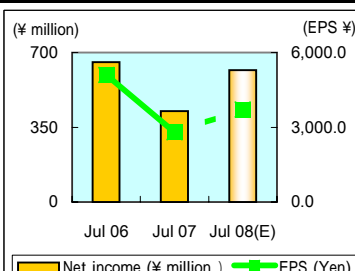
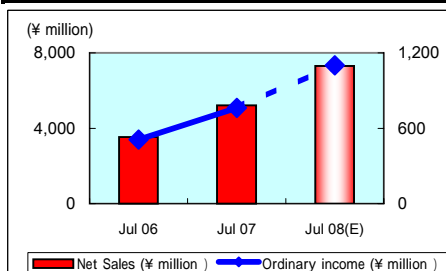
Major Holders TERRADA WAREHOUSE COMPANY 25.5%, Kohei Terada 17.1%, CSK HOLDINGS CORPORATION 10.9%, The Master Trust Bank of Japan ,Ltd. 8.73%, Yasunobu Terada 6.0%

Established June 2000
Listed July 2006

6-Nov-07

Stock price (¥)	74,000
PER(E)	18.2
ROE(E)	13.9%
Market cap (¥ million)	12,329
Volume	508
Trade Unit	1

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
Jul 06	3,530	510	655	0	5,097.0	22.1
Jul 07	5,206	763	425	0	2,802.3	10.5
Jul 08(E)	7,298	1,100	618	0	3,712.3	13.9
Jan 08 (Interim)	3,321	395	218			

**Industry trend**

The Japanese data center market is growing steadily based on strong demand, mainly due to the users' capability limit such as operation and management of facility, prevention of information leakage and natural disaster. The market size is forecasted to expand from ¥510 billion in 2005 to ¥990 billion in 2010. (IDC Japan). In addition to the infrastructure provision service, integrated IT service(IT outsourcing) such as ASP service, system operation and hardware management is required. The market size for IT outsourcing is projected to expand from ¥1.76 trillion in 2005 to ¥2.34 trillion in 2010 (IDC Japan). IT outsourcing service has the following characteristics. Once the business relationship started, the relationship tend to be continued. Therefore, the business is "stock type" based on continuous sales, thus forecasting steady sales expansion. IT outsourcing market is segregated by major computer makers, information service provider and independent venture business according to the customers and services.

Business strategy

Bit-Aisle is an "integrated IT outsourcing" company. The company operates an own internet data center, provides wide range of services from infrastructure, system integration to application. The company constructed low cost data center by renovating warehouses owed by Terada Warehouse Company, the largest shareholder. Main line of business include iDC service (electricity provision to server rack and internet connection), managed service (operation and management of server and communications equipment) and solution service (SI service and ASP service). The company has own data center and is in a position to provide various services (SI service, ASP service and operation and management of hardware) to customers. The business results forecast for FY July 2007 is as follows. Sales ¥5.249 billion (YoY 48%), Ordinary income ¥712 million (YoY 39%). Furthermore, the company aims to obtain orders of IT infrastructure service mainly iDC service from big business through the capital and business alliance with CSK HOLDINGS CORPORATION(9737) formed in June 2007.

Corporate analysis by IR STREET

Strength	Opportunity
1.Own internet data center facilities	1.Expansion of data center and IT outsourcing market
2.Provision of various service such as infrastructure, operation and application	2.Increase in demand for integrated IT service by customers
3.Stock type business model based on continuous sales	3.Increase in demand of medium and small size companies
Weakness	Risk
1.Small data center and small number of racks	1.Possibility of emergence of IT related technology innovation and new service
2.Insufficient management resources to provide wide range of services	2.Outbreak of natural disasters and computer virus to data center
	3.Lack of IT related engineer

《Peer comparison》

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
Bit-isle	Jul 08(E)	7,298	40.2%	1,100	44.2%	15.1%	3,712.32
Media Exchange, Inc. (3746)	Mar 08(E)	2,450	11.8%	133	183.0%	5.4%	1,056.79
SAKURA Internet Inc. (3778) Estore Corporation (4304)	Mar 08(E)	7,216	53.4%	282	-	3.9%	5,005.21
	Mar 08(E)	3,200	14.0%	420	28.0%	13.1%	5,359.00

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