

Summary of Consolidated Financial Results for the First Half Ended September 2023 [Japan GAAP]

Name of Company:	Startia Holdings, Inc.
Stock Code:	3393
Stock Exchange Listing:	Tokyo Stock Exchange
URL:	https://www.startiaholdings.com/
Representative Title:	Representative Director and President & CEO
Name:	Hideyuki Hongo
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Date of filing quarterly report (tentative):	November 10, 2023
Date of commencement of dividend payment (tentative):	December 11, 2023
Supplementary materials for quarterly financial report:	Yes
Information meeting for quarterly financial report:	Yes (for securities analysts, institutional investors and media representatives)

(Yen in millions, rounded down)

1. Consolidated financial results for the first half ended September 30, 2023 (April 1, 2023 – September 30, 2023)

(1) Results of operations (cumulative)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended Sept. 2023	9,907	1.1	1,289	56.5	1,309	37.8	851	26.6
First half ended Sept. 2022	9,797	40.1	824	546.2	950	249.9	672	70.4

Notes: Comprehensive income

First half ended September 30, 2023	854 million yen (yoy 52.1%)
First half ended September 30, 2022:	561 million yen (yoy 109.5%)

	Profit per share	Diluted profit per share
	Yen	Yen
First half ended Sept. 2023	91.13	-
First half ended Sept. 2022	77.02	-

Note: Diluted profit per share for the first half of the fiscal year ended March 31, 2023 is not shown because there are no latent shares with a dilutive effect. Diluted profit per share for the first half of the fiscal year ending March 31, 2024 is not shown because there are no latent shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	12,386	6,232	50.3
As of March 31, 2023	12,912	5,691	44.1

Reference: Shareholders' equity

As of September 30, 2023:	6,232million yen
As of March 31, 2023:	5,691 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2023	0.00	5.00	0.00	36.00	41.00
Fiscal year ending March 2024	0.00	21.00			
Fiscal year ending March 2024 (forecast)			0.00	28.00	49.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	19,500	(2.5)	2,200	27.6	2,220	20.4	1,300	7.2	139.21

Note: Revisions to the most recently announced dividend forecast: Yes

* Notes

- (1) Changes in significant subsidiaries during the first half ended September 30, 2023 (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
Newly included: N.A. Excluded: N.A.
- (2) Use of accounting methods that are specific to the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 - (a) Changes in accounting policies accompanying revisions in accounting standards and other regulations: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Restatements: None
- (4) Number of issued shares (common shares)
 - (a) Total number of issued shares at the end of the period (including treasury shares)
As of September 30, 2023: 10,240,400 shares As of March 31, 2023: 10,240,400 shares
 - (b) Number of treasury shares at the end of the period
As of September 30, 2023: 874,229 shares As of March 31, 2023: 903,666 shares
 - (c) Average number of shares during the period (quarterly consolidated cumulative period)
Period ended September 30, 2023: 9,338,375 shares Period ended September 30, 2022: 8,729,324 shares

- (Note) 1. The number of treasury shares at the end of the period includes 696,160 shares of the Company's shares held by the trust account regarding the stock benefit trust (BBT and BBT-RS •J-ESOP and J-ESOP-RS) for the first half of the current year ending March 31, 2024, and 325,600 shares of the Company's shares held by the trust account regarding the stock benefit trust (BBT •J-ESOP and J-ESOP-RS) for the fiscal year ended March 31, 2023.
2. As for the average number of shares during the period, for the first half ended September 2023, the Company's shares held by the trust account regarding the stock benefit trust (BBT and BBT-RS •J-ESOP and J-ESOP-RS), totaling 367,673 shares, were included in the number of treasury shares, which were to be deducted from the calculation of the average number of shares during the period. For the first half ended September 2022, the Company's shares held by the trust account regarding the stock benefit trust (BBT •J-ESOP), totaling 325,956 shares, were included in the number of treasury shares, which were to be deducted from the calculation of the average number of shares during the period.

* This quarterly earnings report is not subject to the audit by certified public accountants or auditing firms.

* Explanation of the proper use of these earnings forecasts and other matters

(Note on forward-looking statements)

The forward-looking statements shown in this report are based on information currently available and certain assumptions that the Company regards as reasonable. The Company cautions that these statements do not guarantee future achievements. Actual results of operations may differ significantly from forward-looking statements for a number of reasons. Please refer to "1. Qualitative information regarding earnings for the first half of the fiscal year (3) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 7 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

1. Qualitative information regarding earnings for the first half of the fiscal year

(1) Explanation of results of operations

During the first half of the current fiscal year ending March 2024, the outlook for economic activities in Japan remained uncertain due to concerns about the continued monetary tightening in the United States and other developed countries, the prolonged Ukraine crisis, the rising cost of material procurement because of inflation, and other concerns.

In this business environment, the information technology industry, where the Startia Group operates, has attracted a wide range of interest from environmental improvement for the digital shift of business operations to the area of digital transformation (DX), resulting in growing demand for improvements in the office network infrastructure environment, including response to cybersecurity.

In the Digital Marketing business, the Company continued to provide "Cloud CIRCUS," a digital marketing tool, which helps customer companies to "increase and nurture their customers," as a subscription model (recurring billing type), working to increase the number of customer acquisitions and ARR (annual recurring revenue). We focused not only on direct sales, but also on developing customer referrals and partner sales to expand sales channels. During the period under review, orders for direct sales were particularly strong.

In the IT Infrastructure business, the Group has been establishing solid relationships with the customer base of small and medium-size enterprises, or SMEs, while it continued to improve its internal productivity. The Group also supported the customers to improve their productivity consistently by proposing and providing solutions to them. In a bid to lead their operations in a better direction, the Group uses IT technologies that cover core and indispensable facilities at offices and support for office work. During the second quarter ended September, orders received remained favorable.

As a result, sales in the first half of the current fiscal year totaled 9,907,064 thousand yen (up 1.1% from a year before), operating profit of 1,289,731 thousand yen (up 56.5 % from a year before), ordinary profit of 1,309,373 thousand yen (up 37.8 % from a year before), and net profit attributable to shareholders of the parent of 851,043 thousand yen (up 26.6 % from a year before).

Business segment results were as follows.

(Digital Marketing)

In the Digital Marketing business, the Group provides "Cloud CIRCUS," a group of SaaS tools that help solve issues in five areas to increase the number of customers: transmission of information, attracting customers, enhancing experienced value of customers, fostering customers and turning them into actual customers, and increasing repeated customers and preventing cancellations of contracts. Cloud Circus is an easy-to-use tool that everyone can start and use quickly even if he/she engages in digital marketing for the first time ever. We also provide freemium plans for the service. On top of Cloud Circus, we support marketing consulting and operations by customers based on our expertise for the management of advertising and establishment of websites. By providing comprehensive support for the evolution of marketing power, together with the tools, we respond to the potential need for shifting to digitalization and provide multiple services to a single customer.

In the first half of the current fiscal year, we equipped the e-book tool "ActiBook" with an individual authentication function that enables real-time notifications of the viewing status of prospective customers, due to which the Company can grasp in real time "who" is viewing which pages and "how much" of the materials it has sent, making it possible to approach them without missing the right moment. In addition, the general-purpose API of the MA tool "BowNow" has been significantly updated to strengthen the linkage with external tools, enabling more effective use of "BowNow." Furthermore, the fan marketing tool "Metabadge" service has also been considerably updated with a number of features to increase fan engagement, such as quizzes and polls, in addition to NFT. In the area of partners, we concluded a customer referral agency agreement with NANGOKU CORPORATION, a general trading company based in Kagoshima Prefecture. These activities led to well-performing sales of the subscription model business. Furthermore, one-time revenues also increased due to increased outsourcing orders for Cloud CIRCUS-related contracted development orders and growth in web production.

Consequently, segment sales in the first half of the current fiscal year totaled 1,692,062 thousand yen (up 16.4% from a year before) , and the segment profit (operating profit) of 83,024 thousand yen compared with the segment loss (operating loss) of 151,888 thousand yen in the same period in the previous year.

(IT Infrastructure)

In the IT Infrastructure business, the Company has successfully generated stable segment profit since the first quarter of the current fiscal year. In the first half of the current fiscal year, sales of MFPs, one of our main products, through direct sales and solution projects such as the installation of network equipment centered on UTM (Unified Threat Management), an information security product, performed well. In addition, sales of business phones and other products were strong. Furthermore, due to the impact of Japan's invoice system that was implemented in October 2023, some MFPs and other major products that had been planned to be delivered in October or later were delivered in September, contributing to the increase in sales.

In the electric power retailing business, in the first quarter, we had forecasted an increase in electricity procurement costs and a rise in electricity sales through price pass-through in anticipation of a sharp rise in fuel cost adjustments due to an increase in electricity demand during the summer. However, despite the extremely hot weather in the summer, electricity procurement costs unexpectedly fell due to factors such as the stabilization of fuel procurement prices at power generators, which contributed to cost reductions, resulting in a smaller size of price pass-through and significantly lower electricity sales than forecasted. As mentioned above, gross profit on electricity sales increased more than expected due to the significant cost reductions resulting from the decline in electricity procurement costs.

On October 2, 2023, Startia, a consolidated subsidiary of the Company, acquired all shares of BUSINESS SERVICE CO., LTD. in Himeji, Hyogo Prefecture, which engages in OA equipment sales, support, and maintenance business, and made it a consolidated subsidiary of the Group. By this acquisition, the Company will enjoy economies of scale in its existing business by acquiring new customers through BUSINESS SERVICE in the Harima region around Himeji, expanding transactions with new customers through cross-selling, and by BUSINESS SERVICE's forming a cooperative structure with Startia's Osaka Branch, which is based in Osaka City. Furthermore, the Company is able to expand its customer base further as it acquired the IT infrastructure-related business centered on the MFPs business of Marusho Jimuki in Nagoya, Aichi Prefecture.

Consequently, segment sales in the first half of the current fiscal year totaled 8,211,691 thousand yen (down 1.6% from a year before) and the segment profit (operating profit) of 1,156,096 thousand yen (up 23.9% from a year before).

(CVC)

In the CVC business, we are engaged in the corporate venture capital business. This business is promoted by the Corporate Venture Capital Business Promotion Office (CVC Office), which specializes in investing in venture companies for the purpose of earning capital gains. The CVC Office invests its capital in IT-related startup companies that try to create new businesses with brand-new ideas and innovative technologies, and supports such companies, with the aim of exiting from the investments (by way of listing of shares or acquisition by third parties).

In the first half of the current fiscal year, Y&P Global Holdings, Pte. Ltd. made a dividend payment of 21,838 U.S. dollars.

Consequently, segment sales in the first half of the current fiscal year totaled 3,107 thousand yen (no sales in the same period of the previous year) and segment profit (operating profit) of 2,607 thousand yen compared with the segment loss (operating loss) of 499 thousand yen in the same period of the previous year.

(2) Explanation of financial condition

1) Assets, liabilities and net assets

(Assets)

Total assets were 12,386,271 thousand yen at the end of the first half, 526,608 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decrease of 374,718 thousand yen in notes and accounts receivable - trade and contract assets, 193,463 thousand yen in inventories, 70,936 thousand yen in current assets - other, 30,914 thousand yen in deferred tax assets, 27,788 thousand yen in goodwill, and the increase of 187,289 thousand yen in cash and deposits.

(Liabilities)

Liabilities were 6,153,304 thousand yen at the end of the first half, 1,067,622 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decrease of 351,854 thousand yen in long-term borrowings, 347,876 thousand yen in accounts payable-trade, 224,191 thousand yen in income taxes payable, 191,866 thousand yen in current portion of long-term borrowings, 132,256 thousand yen in accounts payable-other, and the increase of 107,499 thousand yen in provision for bonuses.

(Net assets)

Net assets were 6,232,966 thousand yen at the end of the first half, 541,013 thousand yen more than at the end of the previous fiscal year. This was due primarily to the net profit attributable to shareholders of the parent of 851,043 thousand yen, the increase of 256,800 thousand yen in capital surplus, dividend payment of 347,844 thousand yen and the increase of 222,012 thousand yen in treasury shares.

2) Cash flows

The balance of cash and cash equivalents at the end of the first half increased 187,289 thousand yen from the end of the previous fiscal year to 5,055,889 thousand yen.

The state of cash flows per segment associated with the first half of the current fiscal year is as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,160,010 thousand yen compared with 216,035 thousand yen provided in the same period of the previous year. Major sources of cash were profit before income taxes of 1,309,373 thousand yen, the decrease of 374,718 thousand yen in trade receivables and 193,463 thousand yen in inventories, depreciation of 171,305 thousand yen. The primary use of cash was 645,763 thousand yen for income taxes paid and the decrease of 347,876 thousand yen in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was 201,533 thousand yen compared with 142,783 thousand yen used in the same period of the previous year. The primary uses of cash were 174,618 thousand yen for acquiring non-current assets and 21,030 thousand yen for purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was 791,949 thousand yen compared with 524,415 thousand yen used in the same period of the previous year. Major sources of cash were 695,600 thousand yen in proceeds from disposal of treasury shares. The primary uses of cash were 695,603 thousand yen for purchase of treasury shares and 543,720 thousand yen for repayment of long-term borrowings.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The Startia Group has partially revised its management plan for the remaining two years of the “Medium-Term Management Plan, ‘NEXT’S 2025’” (hereafter, the medium-term management plan) announced on May 15, 2020, for the fiscal years ending March 31, 2024 and March 31, 2025. We announced the revision first in the "Notice of Revision to the Medium-Term Management Plan ‘NEXT’S 2025,’" released on May 12, 2023, and again in the "(Correction) Partial Correction to the (Revised) Medium-Term Management Plan ‘NEXT’S 2025,’" released on May 23, 2023.

In the Digital Marketing business, we have shifted our business model to a subscription model, in which revenue from a single client is small but accumulates continuously as stock, and have concentrated our management resources. This has resulted in a decrease in profits up to the previous fiscal year, but from the fiscal year ending March 2024, we will make a firm effort to turn this into a profit and generate segment profits.

In the IT Infrastructure business, in addition to organic growth, we will achieve further growth by expanding our customer base through M&A and promoting alliances.

We are focusing on the cross-selling of products and services, chiefly involving sales that generate steady revenue streams, which is a key strength of the Startia Group. At the same time, we aim to improve productivity and use our position as a comprehensive IT services organization for evolving to a more advanced business operation. By taking these actions, we are committed to the continuation of significant medium to long-term growth of earnings.

For the fiscal year ending March 31, 2024, as we announced a revision to our consolidated earnings forecasts for the full year on November 10, 2023, we expect consolidated net sales of 19,500 million yen (down 2.5% from the previous fiscal year), operating profit of 2,200 million yen (up 27.6% from the previous fiscal year), consolidated ordinary profit of 2,220 million yen (up 20.4% from the previous fiscal year), and profit attributable to owners of parent of 1,300 million yen (up 7.2% from the previous fiscal year).

(Note) Forward-looking statements described in the text, including the annual earnings forecast, do not guarantee future performance and they include risks and uncertainties because there are various factors such as unforeseeable changes in the economic situation.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(thousand yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	4,868,599	5,055,889
Notes and accounts receivable - trade and contract assets	3,328,950	2,954,231
Operational investment securities	118,760	142,035
Inventories	768,481	575,018
Other	988,705	917,769
Allowance for doubtful accounts	(176,761)	(191,680)
Total current assets	9,896,736	9,453,263
Non-current assets		
Property, plant and equipment	226,282	205,429
Intangible assets		
Goodwill	391,569	363,780
Software	955,371	958,893
Other	6,183	5,808
Total intangible assets	1,353,124	1,328,482
Investments and other assets		
Investment securities	365,921	368,442
Deferred tax assets	641,860	610,946
Guarantee deposits	289,762	288,270
Other	139,192	131,436
Total investments and other assets	1,436,736	1,399,096
Total non-current assets	3,016,143	2,933,007
Total assets	12,912,879	12,386,271
Liabilities		
Current liabilities		
Accounts payable-trade	1,609,630	1,261,753
Short-term borrowings	900,000	1,000,000
Current portion of long-term borrowings	1,086,244	894,378
Accounts payable-other	515,532	383,275
Accrued expenses	283,918	335,198
Income taxes payable	676,504	452,313
Accrued consumption taxes	319,520	233,016
Advances received	156,499	142,433
Provision for bonuses	323,296	430,796
Provision for share awards	20,846	118,472
Provision for share awards for directors (and other officers)	3,302	28,676
Other	58,500	69,335
Total current liabilities	5,953,795	5,349,651
Non-current liabilities		
Long-term borrowings	1,152,706	800,852
Provision for share awards	81,372	—
Provision for share awards for directors (and other officers)	26,406	—
Deferred tax liabilities	3,921	457
Other	2,725	2,343
Total non-current liabilities	1,267,131	803,653

(thousand yen)

	As of March 31, 2023	As of September 30, 2023
Total liabilities	7,220,926	6,153,304
Net assets		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	905,814	1,162,614
Retained earnings	4,689,182	5,192,382
Treasury shares	(802,152)	(1,024,164)
Total shareholders' equity	5,617,159	6,155,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,792	77,819
Total accumulated other comprehensive income	74,792	77,819
Total net assets	5,691,952	6,232,966
Total liabilities and net assets	12,912,879	12,386,271

(2) Quarterly consolidated statement of income and comprehensive income
Quarterly consolidated statement of income
For the first half (April 1 – September 30)

(thousand yen)

	April 1, 2022 – Sept 30, 2022	April 1, 2023 – Sept 30, 2023
Net sales	9,797,011	9,907,064
Cost of sales	5,744,418	5,174,720
Gross profit	4,052,593	4,732,343
Selling, general and administrative expenses	3,228,471	3,442,611
Operating profit (loss)	824,122	1,289,731
Non-operating income		
Dividend income	7,181	2,742
Foreign exchange gains	28,023	20,760
Share of profit of entities accounted for using equity method	48,142	—
Gain on investments in investment partnerships	5,360	1,026
Subsidy income	7,225	7,107
Gain on consumption tax exemption	32,000	—
Other	4,914	6,643
Total non-operating income	132,848	38,280
Non-operating expenses		
Interest expenses	6,321	7,146
Non-recoverable consumption tax	—	2,569
Share of loss of entities accounted for using equity method	—	7,793
Loss on investments in investment partnerships	201	454
Other	387	674
Total non-operating expenses	6,910	18,639
Ordinary profit (loss)	950,060	1,309,373
Extraordinary income		
Gain on sales of investment securities	16,186	—
Gain on sale of shares of subsidiaries and associates	52,759	—
Total extraordinary income	68,945	—
Profit (loss) before income taxes	1,019,006	1,309,373
Income taxes-current	361,635	432,549
Income taxes-deferred	(14,977)	25,779
Total income taxes	346,658	458,329
Profit (loss)	672,347	851,043
Profit (loss) attributable to owners of parent	672,347	851,043

Quarterly consolidated statement of comprehensive income
For the first half (April 1 – September 30)

(thousand yen)

	April 1, 2022 – Sept 30, 2022	April 1, 2023 – Sept 30, 2023
Profit (loss)	672,347	851,043
Other comprehensive income		
Valuation difference on available-for-sale securities	(110,833)	3,026
Total other comprehensive income	(110,833)	3,026
Comprehensive income	561,514	854,070
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	561,514	854,070

(3) Quarterly consolidated statement of cash flows

(thousand yen)

	April 1, 2022 – Sept 30, 2022	April 1, 2023 – Sept 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	1,019,006	1,309,373
Depreciation	190,092	171,305
Amortization of goodwill	31,346	27,788
Increase (decrease) in allowance for doubtful accounts	7,906	14,918
Increase (decrease) in provision for bonuses	533	107,499
Increase (decrease) in provision for share awards for directors (and other officers)	3,483	(1,032)
Increase (decrease) in provision for share awards	13,785	16,253
Interest and dividend income	(7,866)	(6,419)
Interest expenses	6,321	7,146
Foreign exchange losses (gains)	(28,023)	(20,760)
Share of loss (profit) of entities accounted for using equity method	(48,142)	7,793
Loss (gain) on sales of investment securities	(16,186)	—
Loss (gain) on sale of shares of subsidiaries and associates	(52,759)	—
Decrease (increase) in trade receivables	45,560	374,718
Decrease (increase) in inventories	12,651	193,463
Decrease (increase) in operational investment securities	—	(9,000)
Increase (decrease) in trade payables	(235,502)	(347,876)
Subsidy income	(7,225)	(7,107)
Increase (decrease) in accounts payable-other	(172,514)	(106,477)
Increase (decrease) in accrued expenses	1,963	51,280
Increase (decrease) in accrued consumption taxes	81,746	(86,504)
Other	(13,906)	(28,287)
Subtotal	832,269	1,668,076
Interest and dividend income received	9,947	6,419
Interest expenses paid	(5,929)	(5,673)
Income taxes paid	(637,615)	(645,763)
Income taxes refund	10,138	129,844
Subsidies received	7,225	7,107
Net cash provided by (used in) operating activities	216,035	1,160,010
Cash flows from investing activities		
Purchase of non-current assets	(352,368)	(174,618)
Proceeds from sales of investment securities	17,377	—
Purchase of investment securities	(942)	(21,030)
Proceeds from sale of shares of subsidiaries and associates	230,000	—
Payments for guarantee deposits	(46,012)	(5,807)
Proceeds from collection of guarantee deposits	6,976	2,538
Proceeds from distributions from investment partnerships	5,267	1,635
Proceeds from return of capital in investment partnerships	1,144	—
Other	(4,227)	(4,251)
Net cash provided by (used in) investing activities	(142,783)	(201,533)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	500,000
Repayments of short-term borrowings	—	(400,000)
Repayments of long-term borrowings	(433,664)	(543,720)
Proceeds from disposal of treasury shares	246	695,600
Purchase of treasury shares	—	(695,603)
Cash dividends paid	(90,552)	(347,844)

(thousand yen)

	April 1, 2022 – Sept 30, 2022	April 1, 2023 – Sept 30, 2023
Other	(445)	(381)
Net cash provided by (used in) financing activities	(524,415)	(791,949)
Effect of exchange rate change on cash and cash equivalents	28,023	20,760
Net increase (decrease) in cash and cash equivalents	(423,140)	187,289
Cash and cash equivalents at beginning of period	3,055,293	4,868,599
Cash and cash equivalents at end of period	2,632,153	5,055,889

(4) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

No items to report

(Notes to significant changes in shareholders' equity)

The Company disposed of treasury stock through a third-party allotment in accordance with a resolution at the Board of Directors meeting held on August 24, 2023. As a result, capital surplus increased 256,800 thousand yen and treasury shares decreased 438,800 thousand yen in the first half of the current fiscal year.

In addition, the Company made an additional contribution to the "stock benefit trust (J-ESOP and J-ESOP-RS)" based on a resolution at the Board of Directors meeting held on August 24, 2023. As a result, treasury shares increased 695,600 thousand yen in the first half of the current fiscal year.

(Segment information, etc.)

[Segment information]

I. For the first half ended September 30, 2022 (April 1, 2022 – September 30, 2022)

1. Information on amounts of sales and profit or loss by reportable segment and on disaggregated revenue
(thousand yen)

	Reportable segments				
	Digital Marketing	IT Infrastructure	CVC	Subtotal	Other Businesses (note 1)
Net sales					
Goods that are transferred at a point in time	333,837	4,366,942	—	4,700,779	—
Goods that are transferred over a certain period of time	1,120,011	3,975,939	—	5,095,951	—
Revenue that is generated from contracts with customers	1,453,849	8,342,882	—	9,796,731	—
Sales to external customers	1,453,849	8,342,882	—	9,796,731	—
Inter-segment sales and transfers	3,975	21,072	—	25,048	—
Total	1,457,824	8,363,954	—	9,821,779	—
Segment profit (loss)	(151,888)	933,312	(499)	780,924	(2,371)

	Total	Adjustment (note 2)	Amount on statement of income (note 3)
Net sales			
Goods that are transferred at a point in time	4,700,779	280	4,701,060
Goods that are transferred over a certain period of time	5,095,951	—	5,095,951
Revenue that is generated from contracts with customers	9,796,731	280	9,797,011
Sales to external customers	9,796,731	280	9,797,011
Inter-segment sales and transfers	25,048	(25,048)	—
Total	9,821,779	(24,767)	9,797,011
Segment profit (loss)	778,552	45,569	824,122

Notes:

1. The "Other" is a business segment that is not included in the reportable segments.
2. The adjustment amount for the inter-segment sales and transfers consists of eliminated inter-segment transactions. The adjusted amount for segment profit (loss) includes company-wide profit (loss) and the elimination of inter-segment transactions.

3. The total segment profit (loss) matches the operating profit (loss) on the quarterly consolidated statement of income.

II. For the first half ended September 30, 2023 (April 1, 2023 – September 30, 2023)

1. Information on amounts of sales and profit or loss by reportable segment and on disaggregated revenue
(thousand yen)

	Reportable segments				
	Digital Marketing	IT Infrastructure	CVC	Subtotal	Other Businesses (note 1)
Net sales					
Goods that are transferred at a point in time	415,469	4,744,621	3,107	5,163,198	—
Goods that are transferred over a certain period of time	1,276,592	3,467,069	—	4,743,662	—
Revenue that is generated from contracts with customers	1,692,062	8,211,691	3,107	9,906,860	—
Sales to external customers	1,692,062	8,211,691	3,107	9,906,860	—
Inter-segment sales and transfers	5,719	30,766	—	36,486	—
Total	1,697,781	8,242,457	3,107	9,943,346	—
Segment profit (loss)	83,024	1,156,096	2,607	1,241,728	(1,666)

	Total	Adjustment (note 2)	Amount on statement of income (note 3)
Net sales			
Goods that are transferred at a point in time	5,163,198	204	5,163,402
Goods that are transferred over a certain period of time	4,743,662	—	4,743,662
Revenue that is generated from contracts with customers	9,906,860	204	9,907,064
Sales to external customers	9,906,860	204	9,907,064
Inter-segment sales and transfers	36,486	(36,486)	—
Total	9,943,346	(36,282)	9,907,064
Segment profit (loss)	1,240,062	49,669	1,289,731

Notes:

1. The “Other” is a business segment that is not included in the reportable segments.
2. The adjustment amount for the inter-segment sales and transfers consists of eliminated inter-segment transactions. The adjusted amount for segment profit (loss) includes company-wide profit (loss) and the elimination of inter-segment transactions.
3. The total segment profit (loss) matches the operating profit (loss) on the quarterly consolidated statement of income.