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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

February 14, 2025

Company name: Startia Holdings, Inc.

Listing: Tokyo

Securities code: 3393

URL: <https://www.startiaholdings.com/>

Representative: Hideyuki Hongo

Representative Director and President & CEO

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Director

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	16,179	12.2	1,902	15.7	1,956	20.5	1,405	35.3
December 31, 2023	14,423	(2.1)	1,643	35.6	1,624	22.2	1,039	8.5

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥ 1,361 million [33.4%]
 Nine months ended December 31, 2023: ¥ 1,021 million [31.3%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2024	147.72		-	
December 31, 2023	111.16		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	12,460	7,210	57.5
March 31, 2024	14,689	6,818	46.2

(Reference) Equity: As of December 31, 2024: ¥ 7,162 million
 As of March 31, 2024: ¥ 6,786 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2024	Yen 0.00	Yen 21.00	Yen 0.00	Yen 48.00	Yen 69.00
Fiscal year ending March 31, 2025	0.00	46.00	0.00		
Fiscal year ending March 31, 2025 (Forecast)				56.00	102.00

(Note) Revision to the forecast for dividends announced most recently: None

(Note) Breakdown of the 3rd quarter dividend for the fiscal year ending March 31, 2025 :

Commemorative dividend - yen
 Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	21,450	9.6	2,620	14.8	2,630	16.7	1,800	16.4	187.12

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)
 Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2024: 10,240,400 shares
 March 31, 2024: 10,240,400 shares

2) Number of treasury shares at the end of the period:

December 31, 2024: 780,830 shares
 March 31, 2024: 870,770 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 9,515,724 shares
 Nine months ended December 31, 2023: 9,347,763 shares

* Notes:

1. The number of treasury shares includes those held in the trust account for the "Stock-Based Compensation Trust" (447,360 shares as of Q3 FY2025 and 692,660 shares as of FY2024).
2. These trust-held shares are treated as treasury shares and deducted from the average number of shares during the period (517,506 shares in Q3 FY2025 and 477,477 shares in Q3 FY2024).

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

*Explanation on the Appropriate Use of Earnings Forecasts and Other Special Notes (Cautionary Statement on Forward-Looking Statements):

The earnings forecasts and other forward-looking statements included in this material are based on information currently available to the Company and certain assumptions that are deemed reasonable. These statements are not guarantees of future performance. Actual results may differ significantly due to various factors. For the assumptions underlying the forecasts and important considerations regarding their use, please refer to page 3 of the attached document, "1. Overview of Operating Results, etc. (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information."

1. Overview of Business Performance

(1) Overview of Business Performance for the Consolidated Cumulative Third Quarter

During the consolidated cumulative third quarter, the Japanese economy continued to normalize, driven by increasing inbound demand from a rise in foreign visitors. However, concerns persist over inflation due to exchange rate fluctuations, prolonged geopolitical risks such as the Russia-Ukraine conflict and Middle East tensions, and their impact on domestic economic conditions, resulting in an uncertain economic outlook.

Amid this business environment, our group is advancing initiatives to achieve record-high consolidated revenue and operating profit in the final year of our mid-term management plan. In the IT infrastructure business, we have successfully established a more stable customer and revenue base through both organic growth and M&A. Additionally, in the digital marketing business, our subscription-based digital marketing tool Cloud CIRCUS has contributed to revenue stability by supporting customer acquisition and retention, leading to increased segment profit.

As a result, the financial performance for the consolidated cumulative third quarter was as follows:

Revenue: 16,179,868 thousand yen (up 12.2% year-on-year)

Operating profit: 1,902,210 thousand yen (up 15.7% year-on-year)

Ordinary profit: 1,956,946 thousand yen (up 20.5% year-on-year)

Net profit attributable to parent company shareholders: 1,405,632 thousand yen (up 35.3% year-on-year)

Digital Marketing Business

In the digital marketing business, our SaaS suite Cloud CIRCUS offers an easy-to-use platform that allows even first-time digital marketing users to quickly start and utilize its features. We are expanding the freemium model. Additionally, we provide marketing consulting and operational support based on our expertise in advertising management and website development. Integrating these services helps clients enhance their marketing capabilities and address digital transformation needs, offering multiple services to a single client.

During the third quarter, our customer success management (CSM) tool Fullstar continued to be adopted by SaaS companies and gained traction among major corporations for internal and consumer-oriented web services. Due to its strong track record and high customer satisfaction, Fullstar received the highest "Leader" rank in the ITreview Grid Award 2024 Fall under the customer success tool category. Additionally, we hosted the 2nd Digital Marketing Seminar in Fukushima Prefecture with Fukushima Bank and Tohoku Copy Sales Co., Ltd. to support local businesses' digital transformation and increase awareness of Cloud CIRCUS.

Through strengthened sales channels and brand recognition, recurring revenue (stock revenue) from the subscription model steadily accumulated. Consequently, for the third quarter, the digital marketing business achieved:

Revenue: 2,803,434 thousand yen (up 11.4% year-on-year)

Segment profit (operating profit): 457,302 thousand yen (up 214.7% year-on-year)

IT Infrastructure Business

The IT infrastructure business provides a wide range of solutions for small and medium-sized enterprises, including office equipment such as multifunction printers and business phones, optical fiber services, and network security solutions to protect against cyberattacks. Additionally, we offer environmental services such as LED installations and alternative power solutions, as well as RPA tools to support digital transformation initiatives.

During the third quarter, non-recurring revenue (flow revenue) grew steadily due to strong sales of network equipment, driven by increasing demand for cybersecurity solutions, and robust performance in business phone replacements. Additionally, efforts to promote recurring revenue (stock revenue), such as expanding optical fiber services through collaborative models, resulted in stable revenue growth.

As a result, the IT infrastructure business for the third quarter reported:

Revenue: 13,371,619 thousand yen (up 12.3% year-on-year)

Segment profit (operating profit): 1,336,590 thousand yen (down 4.0% year-on-year)

CVC Business

In the CVC (Corporate Venture Capital) business, there were no new investments during the third quarter.

As a result, the CVC business reported:

Revenue: None (previous year: 3,107 thousand yen)

Segment loss (operating loss): 750 thousand yen (previous year: segment profit 2,357 thousand yen)

(2) Overview of Financial Position for the Consolidated Cumulative Third Quarter

As of the end of the third quarter, total assets amounted to 12,460,030 thousand yen, a decrease of 2,229,472 thousand yen compared to the end of the previous fiscal year. The primary factors were decreases in cash and deposits (1,736,334 thousand yen), other current assets (336,378 thousand yen), and deferred tax assets (210,398 thousand yen), partially offset by increases in investments and other assets (124,195 thousand yen) and notes, accounts receivable, and contract assets (120,192 thousand yen).

Liabilities amounted to 5,249,705 thousand yen, a decrease of 2,621,309 thousand yen from the previous fiscal year-end. The key factors were decreases in long-term borrowings (840,091 thousand yen), short-term borrowings (600,000 thousand yen), accounts payable (300,720 thousand yen), and income taxes payable (295,338 thousand yen), partially offset by an increase in other current liabilities (118,323 thousand yen).

Net assets amounted to 7,210,324 thousand yen, an increase of 391,836 thousand yen from the previous fiscal year-end. This increase was primarily due to the quarterly net profit attributable to parent company shareholders (1,405,632 thousand yen), partially offset by dividend payments (945,838 thousand yen), a decrease in valuation differences on available-for-sale securities (59,523 thousand yen), and an increase in treasury shares (24,286 thousand yen).

(3) Explanation of Consolidated Earnings Forecast and Future OutlookOur group will enter the final year of its mid-term management plan, "NEXT'S 2025," announced on May 12, 2023, and revised on May 23, 2023.

Since the fiscal year ending March 2021, we have shifted our digital marketing business to a subscription-based model, focusing on recurring revenue (stock revenue) through Cloud CIRCUS tools. Despite lower initial revenue per customer, this model has steadily accumulated revenue, supported by significant investments in development and advertising. As a result, we achieved segment profitability in the fiscal year ending March 2024. Moving forward, we will continue expanding Cloud CIRCUS through direct sales and partner channels, promoting cross-selling of multiple tools to drive further profit growth.

In the IT infrastructure business, we conducted four M&A transactions, including business acquisitions, from the fiscal year ending March 2021 to 2024, expanding our customer base and increasing both revenue and profit. We will pursue continued growth through organic expansion, further M&A activities, and strategic alliances.

By leveraging our strength in recurring revenue and cross-selling across services, while enhancing productivity, we aim to evolve into a comprehensive IT services provider and achieve sustainable, long-term profit growth.

For the fiscal year ending March 2025, as announced on November 8, 2024, our consolidated earnings forecast is as follows:

Consolidated revenue: 21,450 million yen (up 9.6% year-on-year)

Consolidated operating profit: 2,620 million yen (up 14.8% year-on-year)

Consolidated ordinary profit: 2,630 million yen (up 16.7% year-on-year)

Net profit attributable to parent company shareholders: 1,800 million yen (up 16.4% year-on-year)

Note: The earnings forecasts mentioned are based on current assumptions and are subject to various risks and uncertainties. Actual results may differ due to changes in economic conditions and other unforeseen factors.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	7,366,570	5,630,236
Notes and accounts receivable - trade, and contract assets	2,964,108	3,084,301
Operational investment securities	143,662	149,684
Inventories	367,073	360,057
Other	913,239	576,860
Allowance for doubtful accounts	(194,399)	(204,338)
Total current assets	11,560,254	9,596,801
Non-current assets		
Property, plant and equipment	232,325	239,981
Intangible assets		
Goodwill	463,594	409,476
Software	1,001,073	943,713
Other	5,433	4,870
Total intangible assets	1,470,101	1,358,060
Investments and other assets		
Investment securities	388,374	322,272
Deferred tax assets	613,913	403,514
Guarantee deposits	305,196	295,866
Other	119,337	243,533
Total investments and other assets	1,426,821	1,265,187
Total non-current assets	3,129,248	2,863,229
Total assets	14,689,503	12,460,030

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,393,625	1,288,215
Short-term borrowings	1,100,000	500,000
Current portion of long-term borrowings	1,336,784	1,174,293
Accounts payable - other	679,906	379,185
Accrued expenses	303,733	259,623
Income taxes payable	329,135	33,796
Accrued consumption taxes	290,377	196,258
Advances received	125,844	142,435
Provision for bonuses	321,930	187,845
Provision for share awards	140,630	-
Provision for share awards for directors (and other officers)	36,130	7,869
Other	77,392	195,715
Total current liabilities	6,135,490	4,365,238
Non-current liabilities		
Long-term borrowings	1,715,922	875,831
Deferred tax liabilities	17,639	7,246
Other	1,962	1,390
Total non-current liabilities	1,735,524	884,467
Total liabilities	7,871,015	5,249,705
Net assets		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	1,162,614	1,162,614
Retained earnings	5,676,306	6,136,099
Treasury shares	(1,019,593)	(1,043,879)
Total shareholders' equity	6,643,643	7,079,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	142,864	83,341
Total accumulated other comprehensive income	142,864	83,341
Non-controlling interests	31,980	47,833
Total net assets	6,818,488	7,210,324
Total liabilities and net assets	14,689,503	12,460,030

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	14,423,885	16,179,868
Cost of sales	7,688,431	8,982,925
Gross profit	6,735,453	7,196,942
Selling, general and administrative expenses	5,092,040	5,294,732
Operating profit	1,643,412	1,902,210
Non-operating income		
Dividend income	5,741	4,795
Foreign exchange gains	11,963	9,023
Share of profit of entities accounted for using equity method	-	44,216
Gain on investments in investment partnerships	1,370	2,973
Subsidy income	7,296	10,242
Other	10,552	9,590
Total non-operating income	36,923	80,842
Non-operating expenses		
Interest expenses	10,291	13,470
Nondeductible consumption tax	3,954	6,849
Share of loss of entities accounted for using equity method	39,648	-
Loss on investments in investment partnerships	454	1,793
Other	1,649	3,992
Total non-operating expenses	55,997	26,105
Ordinary profit	1,624,338	1,956,946
Extraordinary income		
Gain on sale of investment securities	-	43,196
Total extraordinary income	-	43,196
Profit before income taxes	1,624,338	2,000,142
Income taxes - current	467,743	346,943
Income taxes - deferred	117,509	231,714
Total income taxes	585,252	578,657
Profit	1,039,086	1,421,485
Profit attributable to non-controlling interests	-	15,852
Profit attributable to owners of parent	1,039,086	1,405,632

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	1,039,086	1,421,485
Other comprehensive income		
Valuation difference on available-for-sale securities	(17,912)	(59,523)
Total other comprehensive income	(17,912)	(59,523)
Comprehensive income	1,021,173	1,361,961
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,021,173	1,346,108
Comprehensive income attributable to non-controlling interests	-	15,852

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Notes on Significant Changes in Shareholders' Equity)

During the first quarter, the company granted 245,300 shares through the "Stock-Based Compensation Trust (BBT, BBT-RS, J-ESOP, and J-ESOP-RS)," resulting in a decrease of treasury shares by 280,288 thousand yen. Additionally, based on the Board of Directors' resolution on November 8, 2024, the company acquired 155,000 shares of treasury stock on November 11, 2024, for 304,575 thousand yen. As a result, treasury shares totaled 1,043,879 thousand yen as of the end of the third quarter.

(Changes in Accounting Policies)

From the beginning of the first quarter, the company adopted the "Accounting Standard for Corporate Income Taxes, Local Taxes, and Enterprise Taxes" (ASBJ Statement No. 27, October 28, 2022, referred to as the "2022 Revised Standard") and the related "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, referred to as the "2022 Revised Guidance"). The company applies the transitional treatments stipulated in Paragraph 20-3 proviso of the 2022 Revised Standard and Paragraph 65-2(2) proviso of the 2022 Revised Guidance regarding tax allocation for other comprehensive income. These changes had no impact on the quarterly consolidated financial statements.

Additionally, the company adopted the 2022 Revised Guidance for changes related to the deferral of gains and losses on the sale of subsidiary shares within the consolidated group from the beginning of the first quarter. This change is applied retrospectively, and the prior year's quarterly and annual consolidated financial statements have been adjusted accordingly. However, these retrospective applications had no impact on the prior year's consolidated financial statements.

(Segment Information)

[Segment Information]

I Previous 3Q Consolidated Year to Date (From April 1, 2023 to December 31, 2023)

1. Information on net sales and amount of profit or loss by reportable segment and breakdown of profit

(thousands of yen)

	Reportable Segment				Others (Note)1
	Digital Marketing	IT infrastructure	CVC	Subtotal	
Net sales					
non-recurring revenue	581,241	6,743,027	3,107	7,327,375	-
recurring revenue	1,934,497	5,161,726	-	7,096,223	-
Revenue that is generated from contracts with customers	2,515,738	11,904,753	3,107	14,423,598	-
Sales to external customers	2,515,738	11,904,753	3,107	14,423,598	-
Intersegment Internal sales or book-entry transfer	9,048	48,456	-	57,504	-
Total	2,524,786	11,953,209	3,107	14,481,103	-
Segment profit or Segment loss (△)	145,317	1,392,399	2,357	1,540,074	△1,939

	Total	Adjustments (Note)2	Quarterly Consolidated Income Statement (Note)3
Net Sales			
non-recurring revenue	7,327,375	286	7,327,661
recurring revenue	7,096,223	-	7,096,223
Revenue that is generated from contracts with customers	14,423,598	286	14,423,885
Sales to external customers	14,423,598	286	14,423,885
Intersegment Internal sales or book-entry transfer	57,504	△57,504	-
Total	14,481,103	△57,217	14,423,885
Segment profit or Segment loss	1,538,134	105,278	1,643,412

(Note)(i) "Other" refers to business segments not included in reportable segments.

(ii) Adjustments for intersegment internal sales or transfers are intersegment eliminations. Adjustments for segment profit or loss (△) include corporate profit or loss, intersegment elimination, etc. not included in reportable segments.

(iii) The sum of segment profit or loss (△) corresponds to operating income in the quarterly consolidated statement of income.

II (From April 1, 2024 to December 31, 2024)

1. Information on net sales and the amount of profit or loss and disaggregation of income by reportable segment

(thousands of yen)

	Reportable segment				Other (Note)1
	Digital Marketing	IT infrastructure	CVC	Subtotal	
Net sales					
non-recurring revenue	555,450	7,812,801	-	8,368,252	-
recurring revenue	2,247,984	5,558,817	-	7,806,801	-
Revenue that is generated from contracts with customers	2,803,434	13,371,619	-	16,175,053	-
Sales to external customers	2,803,434	13,371,619	-	16,175,053	-
Intersegment Internal sales or book-entry transfer	9,242	69,378	-	78,620	-
Total	2,812,676	13,440,997	-	16,253,674	-
Segment profit or Segment loss	457,302	1,336,590	△750	1,793,143	△2,119

	Total	Adjustments (Note)2	Quarterly Consolidated Income Statement (Note)3
Net sales			
non-recurring revenue	8,368,252	4,814	8,373,066
recurring revenue	7,806,801	-	7,806,801
Revenue that is generated from contracts with customers	16,175,053	4,814	16,179,868
Sales to external customers	16,175,053	4,814	16,179,868
Intersegment Internal sales or book-entry transfer	78,620	△78,620	-
Total	16,253,674	△73,806	16,179,868
Segment profit or Segment loss	1,791,023	111,186	1,902,210

(Note)(i) “Other ” refers to business segments not included in reportable segments.

(ii) Adjustments for intersegment internal sales or transfers are intersegment eliminations. Adjustments for segment profit or loss include corporate profit or loss, intersegment elimination, etc. not included in reportable segments.

(iii) The sum of segment profit or loss corresponds to operating income in the quarterly consolidated statement of income.

(Notes on the Cash Flow Statement)

No quarterly consolidated cash non-recurring revenue statement has been prepared for the current consolidated cumulative third quarter. Depreciation expenses (Includes amortization of intangible assets excluding goodwill.) and amortization of goodwill for the current consolidated cumulative third quarter are as follows.

(thousands of yen)

	Previous consolidated cumulative third quarter (1) April 1, 2023 To December 31, 2023	Consolidated cumulative third quarter (From April 1, 2024 To December 31, 2024)
Depreciation	263,659	313,330
Amortization of goodwill	47,025	54,117