February 14, 2022

Summary of Consolidated Financial Results for the First Three Quarters Ended December 2021 [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 & Group CEO
Name:	Hideyuki Hongo
Contact Person	
Title:	Director, Group Operating Officer
Name:	Takao Uematsu
Tel:	+81-(0)3-5339-2109
Date of filing quarterly report (tentative):	February 14, 2021
Date of commencement of dividend payment (tentative):	-
Supplementary materials for quarterly financial report:	Yes
Information meeting for quarterly financial report:	None

(Yen in millions, rounded down)

1. Consolidated financial results for the first nine months ended December 31, 2021 (April 1, 2021 – December 31, 2021)

(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	%
Nine months ended Dec. 2021	10,875	17.0	(40)	-	124	204.1	395	-
Nine months ended Dec. 2020	9,293	0.6	12	(96.4)	40	(89.3)	(63)	-

Notes: Comprehensive income

Nine months ended December 31, 2021: 614 million yen (yoy - %)

Nine months ended December 31, 2020: (3) million yen (yoy - %)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended Dec. 2021	40.08	-
Nine months ended Dec. 2020	(6.41)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	9,718	3,799	39.1
As of March 31, 2021	8,790	4,577	52.1

Reference: Shareholders' equity

As of December 31, 2021: 3,799 million yen

As of March 31, 2021: 4,577 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 2021	-	3.00	-	7.00	10.00
Fiscal year ending March 2022	-	4.00	-		
Fiscal year ending March 2022 (forecast)				10.00	14.00

Note: Revisions to the most recently announced dividend forecast: None

Breakdown of year-end dividends for the fiscal year ending March 2022 (forecast)

Ordinary dividend: 7.00 yen Commemorative dividend: 3.00 yen

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	14,750	10.7	150	591.9	300	326.8	500	-	50.53

Note: Revisions to the most recently announced sales and earnings forecasts: None

* Notes

(1) Changes in significant subsidiaries during the first three quarters ended December 31, 2021 (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes
Newly included: One (Company name) Startia Lead, Inc. Excluded:

(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: Yes
   (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 December 31, 2021: 10,240,400 shares As of March 31, 2021: 10,240,400 shares
   (b) Number of treasury shares at the end of the period
   As of December 31, 2021: 1,511,719 shares As of March 31, 2021: 355,582 shares
   (c) Average number of shares during the period (quarterly consolidated cumulative period)
   Period ended December 31, 2021: 9,862,221 shares Period ended December 31, 2020: 9,851,903 shares

(Note) The number of treasury shares at the end of the period includes the Company’s shares held by the trust account regarding the stock benefit trust (BBT・J-ESOP) and those held by the trust regarding the stock benefit trust (employee stockholding association purchase-type) (326,600 shares for the third quarter of the current year and 355,500 shares for the fiscal year ended March 2021). In addition, the number of the Company’s shares held by the trust account regarding the stock benefit trust (BBT・J-ESOP) and those held by the trust account regarding the stock benefit trust (employee stockholding association purchase-type) was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares during the period (339,291 shares for the third quarter of the fiscal year ending March 2022 and 388,440 shares for the third quarter of the fiscal year ended March 2021).

* 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

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 three quarters 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 three quarters of the fiscal year

(1) Explanation of results of operations

In the first three quarters of the fiscal year ending March 2022, the Japanese economy remained in a very severe environment as personal consumption and corporate earnings kept worsening due to the continuing standstill and contraction of economic activities amid the impact of COVID-19, and the future outlook continued to be unclear.

In this business environment, there is the urgent need for management reforms using IT in the industries to which the Startia Group belongs, due to the introduction of teleworking and the progress of environmental arrangements for a digital shift to cope with COVID-19. While demand for IT-related investments increased in areas like digital transformation (DX), a cautious stance on such investments continues to be seen amid the unclear environment.

The Startia Group is promoting its businesses to achieve the targets of the "Medium-Term Management Plan, 'NEXT'S 2025" announced on May 15, 2020, a five-year medium-term management plan from the fiscal year ended March 2021 to the fiscal year ending March 2025.

Particularly, in the Digital Marketing business, the Group has launched initiatives to make a big turn in the fiscal year ended March 2021 to a SaaS type business model as a subscription model. By lowering the hurdle for customers who could not pay for our conventional flow type services with high unit prices, we have been striving to increase the number of customers and ARR, or annual recurring revenue.

In the IT Infrastructure business, the Group has been establishing solid relationships with the customer base of small and medium-size enterprises, or SMEs, and supported them to improve their productivity consistently by proposing and providing solutions to those customers. 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.

In the first three quarters of the fiscal year under review, while we were affected by the self-restraint on economic activities due to the effects of COVID-19, customers began some business activities to cope with the situation amid the pandemic and the era after it. In the Digital Marketing business, orders for the SaaS tool group, Cloud CIRCUS, remained firm, accumulating monthly recurring revenue, or MRR. In the IT Infrastructure business, while business activities of some customers stood still or shrank due to the effects of COVID-19, sales and segment profit increased substantially from the same period of the previous fiscal year. At a Board of Directors meeting on September 30, 2021, the Company resolved that its wholly-owned subsidiary, Startia Lead, Inc., will take over the IT infrastructure business operated by YOSHIDA STORE (Main office: Fukushima Prefecture, "YOSHIDA STORE") and Sharp Document 21yoshida (Main office: Miyagi Prefecture, "SD21"). The business transfer was conducted on November 1, 2021. With this business acquisition, the Startia Group is expected to expand its IT infrastructure-related business and customers and to operate the business nationwide. Moreover, the acquisition of this business is expected to reduce procurement and other costs, to increase rebates, and also to lead to cross-selling in the Digital Marketing Business. Therefore, we will accelerate the enhancement of the Group's corporate value through this business acquisition.

In the first three quarters of the fiscal year, ordinary income increased substantially on equity gains of affiliated companies, since our equity-method affiliates performed well, as well as the reporting of distribution from an investment partnership as our investment target. Furthermore, extraordinary profit also increased considerably as we reported 416 million yen in gain on the sale of an affiliate's shares in July in line with the establishment of the aforementioned joint venture company and 148 million yen in gain on the sale of part of investment securities in

August. Extraordinary profit increased further as we reported 185 million in gain on the sale of part of shareholdings among investment securities upon listing of the subject shares in December.

As a result, sales in the first three quarters of the fiscal year under review totaled 10,875,848 thousand yen (up 17.0% from a year before), operating loss of 40,668 thousand yen (operating profit of 12,843 thousand yen a year before), ordinary profit of 124,476 thousand yen (up 204.1% from a year before), and net profit attributable to shareholders of the parent of 395,319 thousand yen (net loss attributable to shareholders of the parent of 63,116 thousand yen a year before).

Business segment results were as follows.
In the current fiscal year under review, we reclassified the Overseas segment into the Others segment as we transferred all shares in our Chinese subsidiary, Startia Shanghai Inc., to other parties. In the year-on-year comparison below, we used the relevant figures in the same quarter of the previous year under the new segmentation.

(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 potential customers and turning them into actual customers, and preventing cancellations of contracts and increasing repeated customers. 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 three quarters of the current fiscal year, we released the fourth round of commercials simultaneously on nationwide TV stations and in taxis in Tokyo, leading to the further recognition of Cloud CIRCUS and the penetration of the features and understanding of various tools. In addition, the API linkage between BowNow and "Beegle Data," provided by Net Business Support Ltd., enhanced the added value of the existing services, in addition to the functional development. As of November 30, 2021, the "Sokoiru" online exhibition business, which had been operated by Reflux, was transferred to Startia. On November 30, 2021, the Company released the β (beta) version of a 3D model creation tool as an option for the AR promotion tool "LESSAR". On December 20, 2021, we entered a capital and business alliance with mediaequity.co,Ltd, the operator of the NFT publishing services "HEXA." On top of these active investments for expanding our services, we also increased the scale of our new sales channels, signing distributorship agreements with DAIWABO INFORMATION SYSTEM CO., LTD. and KDDI Malaysia Sdn. Bhd.

* Cloud CIRCUS

Area of Issue	Tool to Be Provided	Service
Transmission of information	ActiBooK	E-book production software, video sharing
	BlueMonkey	WebCMS & generating owned media
	AppGoose	Operation of applications
	Plusdb	Establishing databases
	creca	Producing landing pages for smartphones

Consulting for attracting customers and running advertisements	ー	Consulting for marketing and for running ads
Experience	COCOAR	AR production software
	LESSAR	AR production software for web browsers
Enhancing experienced value of customers	IZANAI	Chatbot
Fostering potential customers and turning them into actual customers	BowNow	Marketing automation
Acquisition of repeaters & prevention of cancellations	Fullstar	Customer success management

As a result, segment sales in the first three quarters of the fiscal year under review totaled 1,947,053 thousand yen (up 9.5% from a year before) and the segment loss (operating loss) of 271,036 thousand yen (the segment loss (operating loss) of 69,093 thousand yen a year before).

(IT Infrastructure)
In the IT Infrastructure segment, the Group is in charge of the sale, construction or maintenance of information and communication equipment such as MFPs (multi-function printers), UTM (Unified Threat Management) equipment, network equipment and business phones. It also provides consistent SI services from installing servers to system operation and maintenance as well as maintenance of equipment. It also provides customers with the consulting service, helping them to choose and introduce optimum tools fitted for their issues from several RPA (Robotic Process Automation) products, such as “Robo-Pat” and “RoboTANGO,” and assist them in using the introduced tools until they are accustomed to them. Moreover, while telework has been promoted due to the workstyle reforms and the spread of COVID-19, we provide an electronic signature tool that conducts all the process from the signatures and seals of contracting parties, to delivery, storage, and others on a cloud basis.

Since IT equipment and services have risen in capabilities and fallen in prices in recent years, SMEs, the targets of the IT Infrastructure segment, are in a management environment ready for increasing their sales and productivity by using such equipment and services.

However, a majority of SMEs face a challenge of failing to introduce and use IT equipment and services sufficiently as they cannot afford to establish IT departments or appoint IT-dedicated employees due to lack of human resources. In a bid to cope with such challenge, we have a mission of assisting the sound growth and survival of customers. We propose, sell and provide support for optimal IT equipment and services and related office environments from the standpoint of customers.

In the first three quarters of the current fiscal year, the outlook remained uncertain due to the effects of COVID-19. Under these circumstances, in the retail electric power service business, the electricity price surged on the Japan Electric Power Exchange (JEPX). Moreover, sales of business phones decreased on a shortage of inventories at business phone manufacturers due to the lack of semiconductors. However, sales of MFPs and network equipment, the core products in the business, remained strong.

As a result, segment sales in the first three quarters of the fiscal year under review totaled 8,922,209 thousand yen (up 19.3% from a year before) and the segment profit (operating profit) of 342,087 thousand yen (up 105.2% from a year before).

(CVC)
The CVC business conducted no fresh investment during the year.

The segment sales in the first three quarters of the fiscal year under review totaled 6,387 thousand yen (up 2,114.4% from a year before) and the segment profit (operating profit) of 5,637 thousand yen (the segment loss (operating loss) of 12,341 thousand yen a year before).

(2) Explanation of financial condition

Total assets were 9,718,577 thousand yen at the end of the third quarter, 928,313 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 225,664 thousand yen in inventories, 226,284 thousand yen in software, 445,435 thousand yen in goodwill,329,158 thousand yen in investment securities, and the decrease of 361,962 thousand yen in cash and deposits.

Liabilities were 5,919,207 thousand yen at the end of the third quarter, 1,706,204 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 1,747,000 thousand yen in short-term borrowings, 354,763 thousand yen in income taxes payable and the decrease of 205,306 thousand yen in current portion of long-term borrowings, 487,998 thousand yen in long-term borrowings.

Net assets were 3,799,370 thousand yen at the end of the third quarter, 777,890 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the increase of 219,352 thousand yen in valuation difference on available-for-sale securities, net profit attributable to shareholders of the parent of 395,319 thousand yen and dividend payment of 112,643 thousand yen, the increase of treasury shares of 1,280,097 thousand yen.

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

The Group is promoting its businesses to achieve the targets of the five-year medium-term management plan from the fiscal year ended March 2021 to the fiscal year ending March 2025.

The containment of COVID-19 is yet to be seen, and the future of the economy remains in an unclear situation.

In this business environment, as we announced in the "Notice of Recording Extraordinary Profit and Revision of Consolidated Earnings Forecast" released on December 20, 2021, we revised our full-year consolidated earnings forecast for the fiscal year ending March 2022 due to a significant increase in extraordinary profit as a result of the recording of a gain of 185 million yen on the sale of investment securities.

As we announced in the press release on September 30, 2021, "Notice of Business Acquisition by Consolidated Subsidiary," our subsidiary Startia Lead, Inc. (Main office: Tokyo, representative: Mitsuru Kasai) acquired the IT infrastructure business operated by YOSHIDA STORE and SD21, both of which had been under the civil rehabilitation procedures, as of November 1, 2021. SD21 received approval of the business transfer from Sendai District Court on October 29, 2021 and YOSHIDA STORE obtained the business transfer approval from Aizu-Wakamatsu Branch of Fukushima District Court on October 21, 2021. With this transfer, the Startia Group will be able to operate the IT Infrastructure business nationwide, so sales and the customer base are expected to expand and management is expected to become more efficient. At present, we are scrutinizing the impact of the business transfer on our consolidated financial results. We are ready to announce as soon as there are matters to be disclosed.

Consequently, for the fiscal year ending March 2022, we forecast net sales of 14,750 million yen, up 10.7% from the previous year, operating profit of 150 million yen, up 591.9%, ordinary profit of 300 million yen, up 326.8%, and profit attributable to owners of parent of 500 million yen, in a turnaround from loss of 130 million yen in the previous fiscal year.

If the situation changes significantly due to the external environment, such as COVID-19, we will promptly provide the information.

(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. There is a possibility that the quantitative targets for the target year may be changed due to the further worsening of the environment resulting from the spread of COVID-19 or other factors.

Please refer to "Supplementary material for the business results in the first three quarters of the fiscal year ending March 2022," announced today on February 14.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(thousand yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	3,245,235	2,883,273
Notes and accounts receivable-trade	2,331,454	–
Notes and accounts receivable - trade and contract assets	–	2,417,070
Inventories	168,500	394,164
Operational investment securities	120,606	125,301
Other	742,071	633,921
Allowance for doubtful accounts	(138,326)	(140,525)
Total current assets	6,469,542	6,313,205
Non-current assets		
Property, plant and equipment	137,890	228,857
Intangible assets		
Software	791,433	1,017,717
Goodwill	37,968	483,404
Other	8,113	7,688
Total intangible assets	837,515	1,508,810
Investments and other assets		
Investment securities	863,932	1,193,091
Deferred tax assets	154,378	138,092
Guarantee deposits	221,066	234,066
Other	105,937	102,452
Total investments and other assets	1,345,315	1,667,703
Total non-current assets	2,320,721	3,405,371
Total assets	8,790,264	9,718,577
Liabilities		
Current liabilities		
Accounts payable-trade	901,626	1,053,378
Short-term borrowings	–	1,747,000
Current portion of long-term borrowings	855,970	650,664
Income taxes payable	44,463	399,227
Provision for bonuses	218,987	135,868
Provision for bonuses for directors (and other officers)	11,748	–
Provision for share awards	20,215	20,215
Other	1,022,738	1,132,917
Total current liabilities	3,075,748	5,139,272
Non-current liabilities		
Long-term borrowings	1,032,404	544,406
Provision for share awards for directors (and other officers)	12,382	17,890
Provision for share awards	36,804	52,102
Deferred tax liabilities	55,163	165,036
Other	500	500
Total non-current liabilities	1,137,254	779,934
Total liabilities	4,213,003	5,919,207
Net assets		
Shareholders’ equity		

(thousand yen)

	As of March 31, 2021	As of December 31, 2021
Share capital	824,315	824,315
Capital surplus	903,459	903,459
Retained earnings	2,879,596	3,162,450
Treasury shares	(188,503)	(1,468,600)
Total shareholders’ equity	4,418,868	3,421,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	158,392	377,744
Total accumulated other comprehensive income	158,392	377,744
Total net assets	4,577,261	3,799,370
Total liabilities and net assets	8,790,264	9,718,577

(2) Quarterly consolidated statement of income and comprehensive income

Quarterly consolidated statement of income

For the first three quarters (April 1 – December 31)

(thousand yen)

	April 1, 2020 – December 31, 2020	April 1, 2021 – December 31, 2021
Net sales	9,293,185	10,875,848
Cost of sales	5,147,805	6,170,099
Gross profit	4,145,379	4,705,749
Selling, general and administrative expenses	4,132,536	4,746,417
Operating profit (loss)	12,843	(40,668)
Non-operating income		
Dividend income	9,866	12,341
Share of profit of entities accounted for using equity method	―	52,581
Gain on investments in investment partnerships	2,621	55,105
Subsidy income	17,341	31,646
Other	11,777	19,299
Total non-operating income	41,606	170,975
Non-operating expenses		
Interest expenses	2,807	5,229
Share of loss of entities accounted for using equity method	9,829	―
Other	880	600
Total non-operating expenses	13,516	5,830
Ordinary profit (loss)	40,933	124,476
Extraordinary income		
Gain on sales of investment securities	12,133	343,539
Gain on sale of shares of subsidiaries and associates	―	416,552
Total extraordinary income	12,133	760,091
Extraordinary losses		
Loss on valuation of investment securities	13,229	―
Total extraordinary losses	13,229	―
Profit (loss) before income taxes	39,836	884,567
Income taxes-current	78,812	473,722
Income taxes-deferred	24,140	15,525
Total income taxes	102,952	489,248
Profit (loss)	(63,116)	395,319
Profit (loss) attributable to owners of parent	(63,116)	395,319

Quarterly consolidated statement of comprehensive income

For the first three quarters (April 1 – December 31)

(thousand yen)

	April 1, 2020 – December 31, 2020	April 1, 2021 – December 31, 2021
Profit (loss)	(63,116)	395,319
Other comprehensive income		
Valuation difference on available-for-sale securities	61,392	219,352
Foreign currency translation adjustment	(1,339)	–
Total other comprehensive income	60,053	219,352
Comprehensive income	(3,062)	614,672
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,062)	614,672

(3) Notes to quarterly consolidated financial statements

(Notes to ongoing concern assumptions)

No items to report

(Notes to significant changes in shareholders' equity)

On December 20, 2021, the Company's Board of Directors resolved to repurchase treasury stock up to 1,300,000 shares for a total of up to 1,300,000 thousand yen from December 23, 2021 to December 27, 2021. During December 2021, the Company bought back 1,185,000 shares for 1,299,945 thousand yen. As a result, treasury shares amounted to 1,468,600 thousand yen (1,511,719 shares) at the end of the third quarter of the current fiscal year.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the first quarter of the current fiscal year, Startia Holdings has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, the "Standard for Revenue Recognition"), etc. It recognizes revenue when the control of promised goods or services has transferred to a customer and it recognizes as revenue the amount expected to be received upon exchange of the goods or services.

The major impact on the consolidated balance sheet for the first three quarters by applying the Standard for Revenue Recognition is as follows.

In providing goods or services, when Startia Holdings judges that its consolidated subsidiary acts as agent, it recognizes as revenue the amount expected to be received upon exchange of the goods or services provided from other parties minus the amount paid to the other parties.

Regarding software and others produced by a consolidated subsidiary by receiving orders, except for contracts with very short periods until meeting the performance obligations, we changed from the method that recognizes revenue at the time of acceptance inspection to the one that recognizes revenue over a certain period based on an estimated progress rate for the fulfillment of the performance obligations. The method of estimating the progress rate for the fulfillment of the performance obligations is based on the ratio of the actual cost to the estimated total cost (input method).

In applying the Standard for Revenue Recognition, we follow the transitional treatment as provided in the Provision of Article 84 of the Standard for Revenue Recognition. However, there was no impact from retained earnings on the balance at the beginning of the current fiscal year.

As a result, in the first three quarters, net sales decreased by 500,609 thousand yen and cost of sales decreased by 500,609 thousand yen.

According to the transitional treatment as provided in Article 89-2 of the Standard for Revenue Recognition, we did not reclassify the figures in the previous fiscal year under the new presentation method. Moreover, according to the transitional treatment as provided in Article 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), we did not show information of disaggregated revenue that was generated from contracts with customers in the first three quarters of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

Effective from the first quarter of the current fiscal year, Startia Holdings has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, the “Accounting Standard for Fair Value Measurement”), etc. According to the transitional treatment as provided in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), we apply the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc., going forward. There is no impact of the application of the accounting standard, etc. on the consolidated quarterly balance sheet.

(Segment information, etc.)
[Segment information]

I. For the first three quarters ended December 31, 2020 (April 1, 2020 – December 31, 2020)

1. Sales and profit (loss) by reportable segment

(thousand yen)

	Reportable segments				Other (See note 1)
	Digital Marketing	IT Infrastructure	CVC	Subtotal	
Net sales					
Sales to external customers	1,778,193	7,478,250	288	9,256,732	35,610
Inter-segment sales and transfers	5,243	16,021	—	21,264	—
Total	1,783,437	7,494,271	288	9,277,997	35,610
Segment profit (loss)	(69,093)	166,682	(12,341)	85,247	(31,891)

	Total	Adjustment (See note 2)	Amount on statement of income (See note 3)
Net sales			
Sales to external customers	9,292,343	842	9,293,185
Inter-segment sales and transfers	21,264	(21,264)	—
Total	9,313,607	(20,422)	9,293,185
Segment profit (loss)	53,356	(40,512)	12,843

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 three quarters ended December 31, 2021 (April 1, 2021 – December 31, 2021)

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

(thousand yen)

	Reportable segments				Other (See note 1)
	Digital Marketing	IT Infrastructure	CVC	Subtotal	
Net sales					
Goods that are transferred at a point in time	506,560	4,951,437	6,387	5,464,385	—
Goods that are transferred over a certain period of time	1,440,492	3,970,771	—	5,411,264	—
Revenue that is generated from contracts with customers	1,947,053	8,922,209	6,387	10,875,649	—
Sales to external customers	1,947,053	8,922,209	6,387	10,875,649	—
Inter-segment sales and transfers	10,190	19,621	—	29,812	—
Total	1,957,243	8,941,831	6,387	10,905,461	—
Segment profit (loss)	(271,036)	342,087	5,637	76,687	(1,446)

	Total	Adjustment (See note 2)	Amount on statement of income (See note 3)
Net sales			
Goods that are transferred at a point in time	5,464,385	199	5,464,584
Goods that are transferred over a certain period of time	5,411,264	—	5,411,264
Revenue that is generated from contracts with customers	10,875,649	199	10,875,848
Sales to external customers	10,875,649	199	10,875,848
Inter-segment sales and transfers	29,812	(29,812)	—
Total	10,905,461	(29,612)	10,875,848
Segment profit (loss)	75,240	(115,909)	(40,668)

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.

2. Matters Regarding Changes in Reportable Segments, etc.

(Application of Accounting Standard for Revenue Recognition, etc.)

As described in the Change in accounting policy, effective from the beginning of the first quarter of the current fiscal year, we have applied the Accounting Standard for Revenue Recognition, etc. In line with the change in the method of accounting treatment for revenue recognition, we changed the method for measuring profit or loss in our business segments as well.

Due to the change, in the first three quarters of the current fiscal year, sales in the Digital Marketing segment decreased by 260,891 thousand yen and those in the IT Infrastructure segment decreased by 239,717 thousand yen.

(Change in classification method for reportable segments)

Regarding the Overseas segment, which had been reported as an independent reportable segment until the previous fiscal year, we changed the classification to Others from the first quarter of the current fiscal year since we transferred all shares of Startia Shanghai Inc., which had been a consolidated subsidiary.

The segment information for the first three quarters of the previous fiscal year is based on the reclassified segmentation.

(Business combination, etc.)

Business combination through acquisition

(Business transfer)

At a Board of Directors meeting held on September 30, 2021, Startia Holdings resolved to conclude an agreement on the transfer of the IT infrastructure business, which had been operated by YOSHIDA STORE (Main office: Fukushima Prefecture, “YOSHIDA STORE”) and Sharp Document 21yoshida (Main office: Miyagi Prefecture, “SD21”), to its wholly-owned subsidiary, Startia Lead, Inc.

As YOSHIDA STORE obtained approval of the business transfer from Aizu-Wakamatsu Branch of Fukushima District Court on October 21, 2021 and SD21 received the business transfer approval from Sendai District Court on October 29, 2021, the conditions for the business transfer were fulfilled and it was conducted as of November 1, 2021.

1. Outline of the business combination

(1) Names and business of acquired companies

Names of acquired companies
YOSHIDA STORE and Sharp Document 21yoshida

Business
IT infrastructure business (sale, rental, and maintenance of MFPs, business phones, network equipment, et cetera, and provision of Internet lines and cloud services)

(2) Main reason for the business combination
By acquiring their IT infrastructure business, the Startia Group’s IT Infrastructure business will expand its sales and customers, and operate its business nationwide. Moreover, its costs, including those for purchasing, are expected to decrease and rebates are expected to increase. In addition, cross selling in the Digital Marketing business is also expected. Therefore, we determined that the business transfer will contribute to enhancing the Group’s enterprise value.

(3) Date of the business combination
November 1, 2021

(4) Legal form of the business combination
Business transfer in consideration for cash

(5) Name of the company after the combination
Startia Lead, Inc.

(6) Main basis for determining the acquiring company
The Company acquired the business in exchange for cash.

2 Period of performance of the acquired business included in the quarterly consolidated statement of income of the Company for the consolidated cumulative period
November 1, 2021 to December 31, 2021

3. Breakdown by type of the acquisition cost of and consideration for the acquired business

Consideration for acquisition	Cash and deposits	527 million yen
Acquisition cost		527 million yen

4. Amount of goodwill that occurred, the cause of occurrence, the method and period for amortization
(1) Amount of goodwill that occurred
464,140 thousand yen

The above amount was a provisionally calculated amount because the allocation of the acquisition cost was not completed as of the end of the third quarter of the current fiscal year.

(2) Cause of occurrence

The amount is mainly the excess earning power that is expected for the acquired business in the future.

(3) Method and period for amortization

The goodwill amount is scheduled to be amortized equally during the period when the investment effect continues. The period for amortization is being calculated.

5. Amount of assets accepted and liabilities assumed on the date of the business combination and their major breakdown thereof

Only the assets related to the transferred business were acquired and liabilities were not undertaken.