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November 8, 2024

Summary of Consolidated Financial Results for the First Half Ended September 2024 [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
Contact Person
Title: Director
Name: Takao Uematsu
Tel: +81-(0)3-5339-2109
Date of filing semiannual report (tentative): November 8, 2024
Date of commencement of dividend payment (tentative): December 9, 2024
Supplementary materials for interim financial report: Yes
Information meeting for interim 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, 2024 (April 1, 2024 – September 30, 2024)

(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. 2024	10,770	8.7	1,322	2.5	1,338	2.2	1,013	19.1
First half ended Sept. 2023	9,907	1.1	1,289	56.5	1,309	37.8	851	26.6

Notes: Comprehensive income

First half ended September 30, 2024 958 million yen (yoy 12.3%)

First half ended September 30, 2023 854 million yen (yoy 52.1%)

	Profit per share	Diluted profit per share
	Yen	Yen
First half ended Sept. 2024	106.63	-
First half ended Sept. 2023	91.13	-

Note: Diluted profit per share 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, 2024	13,438	7,574	56.1
As of March 31, 2024	14,689	6,818	46.2

Reference: Shareholders' equity

As of September 30, 2024: 7,532million yen

As of March 31, 2024: 6,786 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 2024	0.00	21.00	0.00	48.00	69.00
Fiscal year ending March 2025	0.00	46.00			
Fiscal year ending March 2025 (forecast)			0.00	56.00	102.00

- Note 1 Revisions to the most recently announced dividend forecast: None
- 2 Breakdown of the year-end dividend for the fiscal year ended March 2024
 Ordinary dividend: 37.00 yen Commemorative dividend: 11.00 yen

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (April 1, 2024– March 31, 2025)

(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	21,450	9.6	2,620	14.8	2,630	16.7	1,800	16.4	187.12

Note: Revisions to the most recently announced sales and earnings forecasts: Yes

* Notes

- (1) Significant changes in the scope of consolidation during the period: None
 Newly included: Excluded:
 - (2) Use of accounting methods that are specific to the preparation of the interim 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 September 30, 2024 10,240,400 shares As of March 31, 2024: 10,240,400 shares
 - (b) Number of treasury shares at the end of the period
 As of September 30, 2024: 625,830 shares As of March 31, 2024: 870,770 shares
 - (c) Average number of shares during the period (for the first half ended September 2024)
 Period ended September 30, 2024: 9,509,228 shares Period ended September 30, 2023: 9,338,375 shares
- (Note) 1. The number of treasury shares at the end of the period includes 447,3600 shares of the Company's shares held by the trust account regarding the Stock Benefit Trusts (BBT-RS, J-ESOP-RS) for the first half of the current year ending March 31, 2025, and 692,660 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 fiscal year ended March 31, 2024.
2. As for the average number of shares during the period, the Company's shares held by the trust accounts regarding the Stock Benefit Trusts (BBT and BBT-RS, J-ESOP and J-ESOP-RS) : 552,771 shares for the first half of the current year ending March 31, 2025, and 367,673 shares for the first half of the fiscal year ended March 31, 2024 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 financial statements for two quarters (interim period) are 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. Overview of results of operations (3) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 5 of the attachment to this report for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

1. Overview of results of operations

(1) Overview of results of operations for the first half of the fiscal year

During the first half of the fiscal year ending March 2025, the Japanese economy continued to move toward normalization of economic activities, as evidenced by the expansion of inbound demand due to the increase in the number of foreign visitors to Japan. On the other hand, the future of economic activities in Japan remains uncertain due to concerns about the impact on the domestic economy by rising prices due to exchange rate risks and other factors, and the geopolitical risks such as the prolonged Ukraine crisis and the conflict in the Middle East.

In this business environment, our Group has been promoting its businesses, to achieve a new record high in consolidated net sales and operating profit in this last fiscal year in the medium-term management plan. In the IT Infrastructure business, we have established a more stable customer base and revenue base through both organic growth and M&A-led growth. 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). This led to the establishment of a revenue base and increased the segment profit.

As a result, sales for the first half of the current fiscal year totaled 10,770,962 thousand yen (up 8.7% from a year before), operating profit of 322,174 thousand yen (up 2.5 % from a year before), ordinary profit of 1,338,498 thousand yen (up 2.2 % from a year before), and net profit attributable to shareholders of the parent of 1,013,933 thousand yen (up 19.1 % 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 potential customers 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 provide marketing consulting and operational support 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 fiscal year, we enhanced our customer success management tool (CSM tool) "Fullstar", adding functions to realize customer success, such as dashboards, alert rule settings, and CRM linkage. As a result of these additional functions and sales activities, the Company has achieved the No.1 market share in the digital adoption platform market (the market for tools to promote the utilization of implemented systems) in terms of sales for companies with less than 300 employees in fiscal year 2023.

We have strengthened not only direct sales activities but also the development of partnerships. For example, Cloud CIRCUS, Inc., a consolidated subsidiary, has concluded a sales partnership agreement with SHIKIGAKU. Co., Ltd. ("SHIKIGAKU"), a provider of organizational consulting and employee training services, and started jointly offering a marketing BPO service "SHIKIGAKU Growth Marketing," which combines our marketing automation

tool "BowNow" with SHIKIGAKU's organizational consulting and employee training based on their organization management theory.

The addition of these new services, the continued strengthening of sales channels, and brand enhancement resulted in a solid increase in stock sales from subscription models. On the other hand, one-time sales slowed due to the reinforcement of human resources in the organization that handles the subscription models.

Consequently, segment sales for the first half of the current fiscal year totaled 1,836,165 thousand yen (up 8.5% from a year before) , and the segment profit (operating profit) of 287,484 thousand yen (up 246.3% from a year before).

(IT Infrastructure)

In the IT infrastructure business, one-time sales fared well in the first half of the fiscal year driven by strong sales of network-related equipment, reflecting growing needs for cyber security measures and a wide range of services, from setting up the environment for the digital shift of business operations in SMEs to the area of digital transformation (DX). Healthy sales of business phones for replacements also pushed up one-time sales. In addition, our focus on sales expansion of optical collaboration (optical line service) and other stock services led to a steady increase in stock sales. BUSINESS SERVICE CO., LTD., which became a consolidated subsidiary of the Company in October 2023, and FUJIFILM BI Nara Corp., which started operations in April 2024, also contributed to revenue growth as they did in the first quarter.

Consequently, segment sales for the first half of the current fiscal year totaled 8,932,574 thousand yen (up 8.8% from a year before) and the segment profit (operating profit) of 971,541 thousand yen (down 16.0% from a year before).

(CVC)

In the CVC business, there were no new investments.

Consequently, for the first half of the current fiscal year, the segment reported no sales (3,107 thousand yen in the same period in the previous fiscal year) and the segment loss (operating loss) of 500 thousand yen, compared with the segment profit (operating profit) of 2,607 thousand yen in the same period in the previous fiscal year.

(2) Overview of financial position for the first half of the fiscal year

1) Assets, liabilities and net assets

(Assets)

Total assets were 13,438,964 thousand yen at the end of the first half, 1,250,539 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the increase of 322,041 thousand yen in notes and accounts receivable - trade and contract assets, 69,952 thousand yen in current asset - other, and the decrease of 1,229,184 thousand yen in cash and deposits, 150,165 thousand yen in inventories, 79,105 thousand yen in investment securities, 100,802 thousand yen in deferred tax assets.

(Liabilities)

Liabilities were 5,864,322 thousand yen at the end of the first half, 2,006,692 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the increase of 40,321 thousand yen in advances received, and the decrease of 560,056 thousand yen in long-term borrowings, 500,000 thousand yen in short-term borrowings, 412,626 thousand yen in accounts payable-other, 140,630 thousand yen in provision for share awards, 108,332 thousand yen in current portion of long-term borrowings.

(Net assets)

Net assets were 7,574,641 thousand yen at the end of the first half, 756,153 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 1,013,933 thousand yen, the decrease of 280,288 thousand yen in treasury shares, dividend payment of 482,989 thousand yen, the decrease of 64,891 thousand yen in valuation difference on available-for-sale securities.

2) Cash flows

The balance of cash and cash equivalents at the end of the first half decreased 1,229,184 thousand yen from the end of the previous fiscal year to 6,137,386 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 395,410 thousand yen compared with 1,160,010 thousand yen provided in the same period of the previous year. Major sources of cash were profit before income taxes of 1,381,694 thousand yen. The primary use of cash was the decrease of 359,500 thousand yen in accounts payable-other, the increase of 322,041 thousand yen in trade receivables and 297,739 thousand yen for income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 174,106 thousand yen compared with 201,533 thousand yen used in the same period of the previous year. Major sources of cash were 49,569 thousand yen for proceeds from sales of investment securities. The primary uses of cash were 226,828 thousand yen for acquiring non-current assets.

(Cash flows from financing activities)

Net cash used in financing activities was 1,441,153 thousand yen compared with 791,949 thousand yen used in the same period of the previous year. Major sources of cash were 500,000 thousand yen in short-term borrowings and 210,605 thousand yen in proceeds from disposal of treasury shares. The primary uses of cash were 668,388 thousand yen for repayments of long-term borrowings, 1,000,000 thousand yen for repayment of short-term borrowings and 482,989 thousand yen for cash dividends paid.

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

In the fiscal year ending March 2025, the Startia Group will see the final year of the “Medium-Term Management Plan, ‘NEXT’S 2025’” (hereafter, the Medium-Term Management Plan), on which 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.

Since the fiscal year ended March 2021, we have shifted our business model to a subscription model in the Digital Marketing business, in which the revenue earned at one time from customers is small but accumulates continuously as stock, and have concentrated our management resources by making large investments in development and advertising. As a result, we were able to make the segment profitable in the fiscal year ended March 2024. We will continue to promote further profit growth by expanding sales of the Cloud CIRCUS tools through direct sales and partner development, and by promoting the use of multiple tools through cross-selling.

In the IT Infrastructure business, we have completed a total of four M&A transactions (including business transfers) during the period from the fiscal year ended March 2021 to the fiscal year ended March 2024, which contributes to the expansion of our customer base and increases in sales and profits. We will continue to achieve further business growth through organic growth as well as 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 2025, we forecast consolidated net sales of 21,450 million yen (up 9.6% from the previous fiscal year), consolidated operating profit of 2,620 million yen (up 14.8% from the previous fiscal year), consolidated ordinary profit of 2,630 million yen (up 16.7% from the previous fiscal year) and profit attributable to owners of parent of 1,800 million yen (up 16.4% from the previous fiscal year) as stated in the revised consolidated earnings forecasts for the full year announced on November 8, 2024.

(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. Interim consolidated financial statements and significant notes thereto

(1) Interim consolidated balance sheets

(thousand yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	7,366,570	6,137,386
Notes and accounts receivable - trade and contract assets	2,964,108	3,286,149
Operational investment securities	143,662	135,943
Inventories	367,073	216,907
Other	913,239	983,191
Allowance for doubtful accounts	(194,399)	(201,229)
Total current assets	11,560,254	10,558,349
Non-current assets		
Property, plant and equipment	232,325	242,058
Intangible assets		
Goodwill	463,594	427,515
Software	1,001,073	963,862
Other	5,433	5,058
Total intangible assets	1,470,101	1,396,436
Investments and other assets		
Investment securities	388,374	309,268
Deferred tax assets	613,913	513,111
Guarantee deposits	305,196	298,642
Other	119,337	121,096
Total investments and other assets	1,426,821	1,242,119
Total non-current assets	3,129,248	2,880,614
Total assets	14,689,503	13,438,964

(thousand yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable-trade	1,393,625	1,301,354
Short-term borrowings	1,100,000	600,000
Current portion of long-term borrowings	1,336,784	1,228,452
Accounts payable-other	679,906	267,280
Accrued expenses	303,733	236,766
Income taxes payable	329,135	251,964
Accrued consumption taxes	290,377	202,045
Advances received	125,844	166,166
Provision for bonuses	321,930	322,549
Provision for share awards	140,630	—
Provision for share awards for directors (and other officers)	36,130	9,958
Other	77,392	112,567
Total current liabilities	6,135,490	4,699,105
Non-current liabilities		
Long-term borrowings	1,715,922	1,155,866
Deferred tax liabilities	17,639	7,770
Other	1,962	1,580
Total non-current liabilities	1,735,524	1,165,217
Total liabilities	7,871,015	5,864,322
Net assets		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	1,162,614	1,162,614
Retained earnings	5,676,306	6,207,249
Treasury shares	(1,019,593)	(739,304)
Total shareholders' equity	6,643,643	7,454,875
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	142,864	77,973
Total accumulated other comprehensive income	142,864	77,973
Non-controlling interests	31,980	41,792
Total net assets	6,818,488	7,574,641
Total liabilities and net assets	14,689,503	13,438,964

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

(thousand yen)

	April 1, 2023 – Sept 30, 2023	April 1, 2024 – Sept 30, 2024
Net sales	9,907,064	10,770,962
Cost of sales	5,174,720	5,908,908
Gross profit	4,732,343	4,862,053
Selling, general and administrative expenses	3,442,611	3,539,878
Operating profit (loss)	1,289,731	1,322,174
Non-operating income		
Dividend income	2,742	699
Foreign exchange gains	20,760	—
Share of profit of entities accounted for using equity method	—	25,162
Gain on investments in investment partnerships	1,026	143
Subsidy income	7,107	9,513
Other	6,643	8,376
Total non-operating income	38,280	43,895
Non-operating expenses		
Interest expenses	7,146	9,365
Non-deductible consumption Tax	2,569	4,338
Foreign exchange losses	—	9,334
Share of loss of entities accounted for using equity method	7,793	—
Loss on investments in investment partnerships	454	1,793
Other	674	2,739
Total non-operating expenses	18,639	27,571
Ordinary profit (loss)	1,309,373	1,338,498
Extraordinary income		
Gain on sales of investment securities	—	43,196
Total extraordinary income	—	43,196
Profit (loss) before income taxes	1,309,373	1,381,694
Income taxes-current	432,549	233,313
Income taxes-deferred	25,779	124,634
Total income taxes	458,329	357,948
Profit (loss)	851,043	1,023,746
Profit (loss) attributable to non-controlling interests	—	9,812
Profit (loss) attributable to owners of parent	851,043	1,013,933

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

(thousand yen)

	April 1, 2023 – Sept 30, 2023	April 1, 2024 – Sept 30, 2024
Profit (loss)	851,043	1,023,746
Other comprehensive income		
Valuation difference on available-for-sale securities	3,026	(64,891)
Total other comprehensive income	3,026	(64,891)
Comprehensive income	854,070	958,854
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	854,070	949,041
Comprehensive income attributable to non-controlling interests	—	9,812

(3) Interim consolidated statement of cash flows

(thousand yen)

	April 1, 2023 – Sept 30, 2023	April 1, 2024 – Sept 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	1,309,373	1,381,694
Depreciation	171,305	206,024
Amortization of goodwill	27,788	36,078
Increase (decrease) in allowance for doubtful accounts	14,918	6,829
Increase (decrease) in provision for bonuses	107,499	618
Increase (decrease) in provision for share awards for directors (and other officers)	(1,032)	2,425
Increase (decrease) in provision for share awards	16,253	43,061
Interest and dividend income	(6,419)	(5,093)
Interest expenses	7,146	9,365
Foreign exchange losses (gains)	(20,760)	9,334
Share of loss (profit) of entities accounted for using equity method	7,793	(25,162)
Loss (gain) on sales of investment securities	—	(43,196)
Decrease (increase) in trade receivables	374,718	(322,041)
Decrease (increase) in inventories	193,463	150,165
Decrease (increase) in operational investment securities	(9,000)	—
Increase (decrease) in trade payables	(347,876)	(92,270)
Subsidy income	(7,107)	(9,513)
Increase (decrease) in accounts payable-other	(106,477)	(359,500)
Increase (decrease) in accrued expenses	51,280	(66,967)
Increase (decrease) in accrued consumption taxes	(86,504)	(88,331)
Other	(28,287)	(171,414)
Subtotal	1,668,076	662,105
Interest and dividend income received	6,419	5,093
Interest expenses paid	(5,673)	(7,390)
Income taxes paid	(645,763)	(297,739)
Income taxes refund	129,844	23,828
Subsidies received	7,107	9,513
Net cash provided by (used in) operating activities	1,160,010	395,410
Cash flows from investing activities		
Purchase of non-current assets	(174,618)	(226,828)
Proceeds from sales of investment securities	—	49,569
Purchase of investment securities	(21,030)	(1,575)
Proceeds from businesses transfer	—	1,289
Payments for guarantee deposits	(5,807)	(494)
Proceeds from collection of guarantee deposits	2,538	1,817
Proceeds from distributions from investment partnerships	1,635	6,357
Other	(4,251)	(4,241)
Net cash provided by (used in) investing activities	(201,533)	(174,106)
Cash flows from financing activities		
Proceeds from short-term borrowings	500,000	500,000
Repayments of short-term borrowings	(400,000)	(1,000,000)
Repayments of long-term borrowings	(543,720)	(668,388)
Proceeds from disposal of treasury shares	695,600	210,605
Purchase of treasury shares	(695,603)	—
Cash dividends paid	(347,844)	(482,989)
Other	(381)	(381)
Net cash provided by (used in) financing activities	(791,949)	(1,441,153)

(thousand yen)

	April 1, 2023 – Sept 30, 2023	April 1, 2024 – Sept 30, 2024
Effect of exchange rate change on cash and cash equivalents	20,760	(9,334)
Net increase (decrease) in cash and cash equivalents	187,289	(1,229,184)
Cash and cash equivalents at beginning of period	4,868,599	7,366,570
Cash and cash equivalents at end of period	5,055,889	6,137,386

(4) Notes to interim consolidated financial statements

(Notes to going concern assumptions)

No items to report

(Notes to significant changes in shareholders' equity)

In the first half of the current fiscal year, 245,300 shares were transferred from the "Stock Benefit Trusts (BBT and BBT-RS, J-ESOP and J-ESOP-RS)" to the eligible employees.

As a result, treasury shares decreased 280,288 thousand yen in the first half of the fiscal year.

(Changes in accounting policies)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, hereinafter, the "revised Accounting Standard 2022") and other related regulations have been applied from the beginning of the current interim consolidated accounting period.

With respect to the revision regarding the classification of income taxes (taxation on other comprehensive income), the transitional treatment stipulated in the proviso of paragraph 20-3 of the revised Accounting Standard 2022 and in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, hereinafter, the "revised Guidance 2022") were applied. This change in accounting policy has no impact on the interim consolidated financial statements.

In addition, for the revised accounting treatment for preparation of consolidated financial statements in the case where gain/loss on sales of subsidiaries' shares, etc. arising from a transaction between consolidated companies is deferred for the tax purpose, the Company has applied the revised Guidance 2022 since the beginning of the current interim consolidated accounting period. The change in accounting policy has been applied retrospectively, and the interim consolidated financial statements and the full-year consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. The change in accounting policy has no impact on the interim consolidated financial statements and the full-year consolidated financial statements for the previous fiscal year.

(Segment information, etc.)
[Segment information]

I. 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 interim consolidated statement of income.

II. For the first half ended September 30, 2024 (April 1, 2024 – September 30, 2024)

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	367,064	5,236,033	—	5,603,098	—
Goods that are transferred over a certain period of time	1,469,101	3,696,541	—	5,165,642	—
Revenue that is generated from contracts with customers	1,836,165	8,932,574	—	10,768,740	—
Sales to external customers	1,836,165	8,932,574	—	10,768,740	—
Inter-segment sales and transfers	5,932	45,162	—	51,094	—
Total	1,842,097	8,977,737	—	10,819,835	—
Segment profit (loss)	287,484	971,541	(500)	1,258,526	(1,325)

	Total	Adjustment (note 2)	Amount on statement of income (note 3)
Net sales			
Goods that are transferred at a point in time	5,603,098	2,221	5,605,319
Goods that are transferred over a certain period of time	5,165,642	—	5,165,642
Revenue that is generated from contracts with customers	10,768,740	2,221	10,770,962
Sales to external customers	10,768,740	2,221	10,770,962
Inter-segment sales and transfers	51,094	(51,094)	—
Total	10,819,835	(48,872)	10,770,962
Segment profit (loss)	1,257,200	64,974	1,322,174

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 interim consolidated statement of income.

(Important Subsequent Event)

At a meeting of the Board of Directors held on November 8, 2024, the Company resolved to acquire its own shares and decided the specific method of acquisition under Article 156 of the Companies Act as applied pursuant to Article 165, paragraph 3 of the said Act.

1. Reason for acquisition of treasury shares

The Company will buy back its own shares in order to implement a flexible capital policy in response to changes in the business environment and to enhance shareholder value.

2. Details of acquisition

- (1) Type of shares to be acquired: Shares of common stock of the Company
- (2) Total number of shares to be acquired: 155,000 shares (maximum)
(1.61% of the total number of shares issued (excluding treasury shares))
- (3) Total amount of acquisition costs: Up to the amount obtained by multiplying 155,000 shares by the closing price on November 8, 2024
- (4) Acquisition date: November 11, 2024
- (5) Method of acquisition: Purchase through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange