August 13, 2021

Summary of Consolidated Financial Results for the First Quarter Ended June 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):	August 13, 2020
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 three months ended June 30, 2021 (April 1, 2021 – June 30, 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	%
Three months ended June 2021	3,433	24.5	(39)	-	10	-	(34)	-
Three months ended June 2020	2,758	(4.0)	(143)	-	(132)	-	(100)	-

Notes: Comprehensive income

First three months ended June 30, 2021: (39) million yen (yoy -%)

First three months ended June 30, 2020: (49) million yen (yoy -%)

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 2021	(3.49)	-
Three months ended June 2020	(10.18)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June30, 2021	8,148	4,473	54.9
As of March 31, 2021	8,790	4,577	52.1

Reference: Shareholders' equity

As of June30, 2021: 4,473 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	-				
Fiscal year ending March 2022 (forecast)		4.00	-	7.00	11.00

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

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
First half	7,117	19.1	(200)	-	(200)	-	(130)	-	(13.19)
Full year	14,750	10.7	150	591.9	150	113.4	50	-	5.07

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

* Notes

(1) Changes in significant subsidiaries during the first three months ended June 30, 2021 (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
Newly included: 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 June 30, 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 June 30, 2021: 345,182 shares As of March 31, 2021: 355,582 shares
   (c) Average number of shares during the period (quarterly consolidated cumulative period)
   Period ended June 30, 2021: 9,888,533 shares Period ended June 30, 2020: 9,836,307 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) (345,100 shares for the first quarter ended June 2021 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 (351,784 shares for the first quarter ended June 2021 and 404,041 shares for the first quarter ended June 2020).

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

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

(Note on forward-looking statements)

The forward-looking statements shown in this report are based on information currently available and certain assumptions that the Company regards as reasonable. The Company cautions that these statements do not guarantee future achievements. Actual results of operations may differ significantly from forward-looking statements for a number of reasons. Please refer to “1. Qualitative information regarding earnings for the first quarter 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 quarter of the fiscal year

(1) Explanation of results of operations

In the first quarter of the fiscal year ending March 2022, the Japanese economy remained in a very severe environment as personal consumption and corporate earnings continued to worsen due to a standstill and contraction of economic activities amid the continuing impact of the global spread of COVID-19. Expectations of the resumption of social and economic activities heightened due to progress of vaccinations and other measures. However, the containment of COVID-19 was yet to be seen as the resurgence of the infection is seen and the economy still stays in an unclear situation.

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 quarter of the fiscal year ending March 2022, 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, sales recovered sharply from the same period of the previous fiscal year.

As a result, sales in the first quarter of the current fiscal year totaled 3,433,205 thousand yen (up 24.5% from a year before), operating loss of 39,695 thousand yen (operating loss of 143,848 thousand yen a year before), ordinary profit of 10,909 thousand yen (ordinary loss of 132,610 thousand yen a year before), and net loss attributable to shareholders of the parent of 34,539 thousand yen (net loss attributable to shareholders of the parent of 100,131 thousand yen a year before).

Business segment results were as follows.
In the first quarter of the current fiscal year, 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 quarter of the current fiscal year, we started to provide ‘Fullstar’, a tool for preventing cancellations and increasing repeaters that we had developed beforehand, in April. We also made a linkage between the chatbot business, which we had acquired in the previous fiscal year, and the Cloud CIRCUS, and started a new chatbot tool, ‘IZANAI’, in June. Furthermore, by expanding the functions of the 10 SaaS tools, including these new tools, by integrating their IDs, we managed to link and strengthen the Cloud CIRCUS as a SaaS platform. We aim to expand cross selling and prevent cancellations in a bid to improve the value of our services further. The investment in development of these tools and others led to an increase in cross selling for the Cloud CIRCUS and new orders. Accordingly, sales and profits from the subscription model business fared well in comparison with our plan.

* 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	―	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

Consequently, segment sales increased 14.4% from one year earlier to 595,536 thousand yen and the segment loss (operating loss) of 87,890 thousand yen was recorded compared with the segment profit (operating profit) of 10,748 thousand yen in the same period in the previous year.

(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 quarter of the current fiscal year, SMEs, which are our main customers, saw a standstill of their business activities due to remote work and shortened work hours amid COVID-19. Meanwhile, signs of a recovery in the business activities began to be seen for operations under the current COVID-19 environment and toward the era after the pandemic. Sales recovered substantially from the same period of the previous year due to the use of the in-house information infrastructure and the strengthened linkage between the Wakayama Contact Center and the customer success department to seek potential demand from customers and improve productivity.

Consequently, segment sales increased 27.6% from one year earlier to 2,837,299 thousand yen and the segment profit (operating profit) of 73,419 thousand yen was recorded compared with the segment loss (operating loss) of 154,814 thousand yen in the same period in the previous year.

(CVC)

The CVC business conducted no fresh investment during the year.

The CVC segment reported sales of 314 thousand yen (no sales in the same period in the previous year) and the segment profit (operating profit) of 65 thousand yen was recorded compared with the segment loss (operating loss) of 249 thousand yen in the same period in the previous year.

(2) Explanation of financial condition

Total assets were 8,148,226 thousand yen at the end of the first quarter, 642,037 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the increase of 70,949 thousand yen in software and the decreases of 214,807 thousand yen in cash and deposits, 241,613 thousand yen in notes and accounts receivable - trade and contract assets, and 241,284 thousand yen in other assets.

Liabilities were 3,674,630 thousand yen at the end of the first quarter, 538,372 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decreases of 167,301 thousand yen in accounts payable-trade, 68,758 thousand yen in current portion of long-term borrowings, 84,569 thousand yen in provision for bonuses and 162,666 thousand yen in long-term borrowings.

Net assets were 4,473,595 thousand yen at the end of the first quarter, 103,665 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decrease of 7,519 thousand yen in treasury shares, net loss attributable to shareholders of the parent of 34,539 thousand yen and dividend payment of 71,682 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 as there is the further expansion of the infection, and the future of the economy remains in an unclear situation.

Under this business environment, as we announced in the press release on June 22, 2021, “Notice of Reporting of Extraordinary Profit, and Revisions to Consolidated Earnings Forecasts for the Second Quarter of the Fiscal Year Ending March 2022 and for the Full Year,” StartiaRaise, Inc., the Startia Holdings’ fully-owned subsidiary, split its cloud storage business (the “Business”) to a newly established company, Chatwork Storage Technologies (“CST”) and transferred part of CST’s shares (51.0% of issued shares) to Chatwork Co., Ltd. (CEO: Masaki Yamamoto, TSE Mothers: 4448) as of July 1, 2021 (the “Share Transfer”). As a result of the Share Transfer, we expect to report 415 million yen in extraordinary profit as gain on the sale of shares of an affiliate in the second quarter of the current fiscal year. By this, the Business was removed from Startia Holdings’ consolidation and CST became its affiliate accounted for by the equity method on July 1, 2021.

As a result, we revised the forecasts for the second quarter of the fiscal year ending March 2022, announced on May 14, 2021. We now expect a decrease of 250 million yen in full-year net sales and an increase of 170 million yen in profit attributable to owners of parent due to the extraordinary profit worth 415 million yen.

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 150 million yen, up 113.4%, and profit attributable to owners of parent of 50 million yen, in a turnaround from loss of 130 million yen in the previous fiscal year.

For detail, please see the press release on June 22, 2021, “Notice of Reporting of Extraordinary Profit, and Revisions to Consolidated Earnings Forecasts for the Second Quarter of the Fiscal Year Ending March 2022 and for the Full 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 quarter of the fiscal year ending March 2022,” announced today on August 13.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(thousand yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	3,245,235	3,030,428
Notes and accounts receivable-trade	2,331,454	—
Notes and accounts receivable - trade and contract assets	—	2,089,840
Raw materials	168,500	148,347
Operational investment securities	120,606	120,465
Other	742,071	500,787
Allowance for doubtful accounts	(138,326)	(140,143)
Total current assets	6,469,542	5,749,725
Non-current assets		
Property, plant and equipment	137,890	147,985
Intangible assets		
Software	791,433	862,382
Goodwill	37,968	32,117
Other	8,113	7,978
Total intangible assets	837,515	902,478
Investments and other assets		
Investment securities	863,932	882,892
Deferred tax assets	154,378	141,044
Guarantee deposits	221,066	217,756
Other	105,937	106,343
Total investments and other assets	1,345,315	1,348,036
Total non-current assets	2,320,721	2,398,500
Total assets	8,790,264	8,148,226
Liabilities		
Current liabilities		
Accounts payable-trade	901,626	734,324
Current portion of long-term borrowings	855,970	787,211
Income taxes payable	44,463	36,188
Provision for bonuses	218,987	134,418
Provision for bonuses for directors (and other officers)	11,748	—
Provision for share awards	20,215	20,215
Other	1,022,738	982,887
Total current liabilities	3,075,748	2,695,245
Non-current liabilities		
Long-term borrowings	1,032,404	869,738
Provision for share awards for directors (and other officers)	12,382	14,304
Provision for share awards	36,804	42,789
Deferred tax liabilities	55,163	52,052
Other	500	500
Total non-current liabilities	1,137,254	979,384
Total liabilities	4,213,003	3,674,630
Net assets		
Shareholders’ equity		
Share capital	824,315	824,315

(thousand yen)

	As of March 31, 2021	As of June 30, 2021
Capital surplus	903,459	903,459
Retained earnings	2,879,596	2,773,374
Treasury shares	(188,503)	(180,983)
Total shareholders’ equity	4,418,868	4,320,165
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	158,392	153,429
Total accumulated other comprehensive income	158,392	153,429
Total net assets	4,577,261	4,473,595
Total liabilities and net assets	8,790,264	8,148,226

(2) Quarterly consolidated statement of income and comprehensive income

Quarterly consolidated statement of income

For the first quarter (April 1 – June 30)

(thousand yen)

	April 1, 2020 –June 30, 2020	April 1, 2021 –June 30, 2021
Net sales	2,758,650	3,433,205
Cost of sales	1,597,690	1,927,643
Gross profit	1,160,960	1,505,561
Selling, general and administrative expenses	1,304,808	1,545,256
Operating profit (loss)	(143,848)	(39,695)
Non-operating income		
Dividend income	752	2,296
Share of profit of entities accounted for using equity method	5,441	26,928
Subsidy income	−	20,616
Other	6,684	2,750
Total non-operating income	12,879	52,591
Non-operating expenses		
Interest expenses	1,179	1,768
Other	462	216
Total non-operating expenses	1,641	1,985
Ordinary profit (loss)	(132,610)	10,909
Extraordinary losses		
Loss on valuation of investment securities	9,999	−
Total extraordinary losses	9,999	−
Profit (loss) before income taxes	(142,610)	10,909
Income taxes-current	8,468	32,875
Income taxes-deferred	(50,948)	12,574
Total income taxes	(42,479)	45,449
Profit (loss)	(100,131)	(34,539)
Profit (loss) attributable to owners of parent	(100,131)	(34,539)

Quarterly consolidated statement of comprehensive income
For the first quarter (April 1 – June 30)

(thousand yen)

	April 1, 2020 – June 30, 2020	April 1, 2021 – June 30, 2021
Profit (loss)	(100,131)	(34,539)
Other comprehensive income		
Valuation difference on available-for-sale securities	51,767	(4,962)
Foreign currency translation adjustment	(794)	–
Total other comprehensive income	50,972	(4,962)
Comprehensive income	(49,158)	(39,502)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(49,158)	(39,502)

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

No items to report

(Notes to significant changes in shareholders' equity)

No items to report

(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 quarter 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 quarter, net sales decreased by 135,961 thousand yen and cost of sales decreased by 135,961 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 quarter 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 quarter ended June 30, 2020 (April 1, 2020 – June 30, 2020)

1. Sales and profit (loss) for each reportable segment

(thousand yen)

	Reportable segments				
	Digital Marketing	IT Infrastructure	CVC	Subtotal	Other Businesses (see note 1)
Net sales					
Sales to external customers	520,639	2,224,457	—	2,745,097	13,539
Inter-segment sales and transfers	1,703	3,174	—	4,877	—
Total	522,343	2,227,631	—	2,749,974	13,539
Segment profit (loss)	10,748	(154,814)	(249)	(144,316)	(11,183)

	Total	Adjustment (see note 2)	Amount on statement of income (see note 3)
Net sales			
Sales to external customers	2,758,636	13	2,758,650
Inter-segment sales and transfers	4,877	(4,877)	—
Total	2,763,513	(4,863)	2,758,650
Segment profit (loss)	(155,499)	11,650	(143,848)

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 quarter ended June 30, 2021 (April 1, 2021 – June 30, 2021)

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 (see note 1)
Net sales					
Goods that are transferred at a point in time	143,491	1,600,907	314	1,744,714	–
Goods that are transferred over a certain period of time	452,044	1,236,392	–	1,688,436	–
Revenue that is generated from contracts with customers	595,536	2,837,299	314	3,433,151	–
Sales to external customers	595,536	2,837,299	314	3,433,151	–
Inter-segment sales and transfers	3,070	7,146	–	10,216	–
Total	598,606	2,844,446	314	3,443,368	–
Segment profit (loss)	(87,890)	73,419	65	(14,405)	(471)

	Total	Adjustment (see note 2)	Amount on statement of income (see note 3)
Net sales			
Goods that are transferred at a point in time	1,744,714	53	1,744,768
Goods that are transferred over a certain period of time	1,688,436	–	1,688,436
Revenue that is generated from contracts with customers	3,433,151	53	3,433,205
Sales to external customers	3,433,151	53	3,433,205
Inter-segment sales and transfers	10,216	(10,216)	–
Total	3,443,368	(10,163)	3,433,205
Segment profit (loss)	(14,877)	(24,818)	(39,695)

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 quarter of the current fiscal year, sales in the Digital Marketing segment decreased by 74,111 thousand yen and those in the IT Infrastructure segment decreased by 61,849 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 quarter of the previous fiscal year is based on the reclassified segmentation.

(Significant subsequent events)

At a Board of Directors meeting held on June 22, 2021, Startia Holdings decided that StartiaRaise, Inc., its wholly-owned subsidiary, will split its cloud storage business (the “Business”) to a new company, and, in a bid to organize the new company as a joint venture company with Chatwork Co., Ltd. (“Chatwork”) , which develops and sells business chat tool Chatwork, and the Company and Chatwork will conclude an agreement on a partial share transfer of the new company to Chatwork and a shareholder agreement on the business alliance regarding the Business.

Specifically, on July 1, 2021, StartiaRaise split the Business and established our wholly-owned subsidiary, Chatwork Storage Technologies (“CST”). On the same day, 51.0% of CST’s issued shares were transferred from StartiaRaise to Chatwork for 453,900 thousand yen (the “Share Transfer”). As a result, Startia Holdings reported 416,552 thousand yen in gain on the sale of the shares for the second quarter of the current fiscal year.

With the Share Transfer, the Business was excluded from our consolidation in the second quarter of the current fiscal year. CST became an affiliate accounted for by the equity method on July 1, 2021, but this will have a minimal impact on our business results.