

Summary of Consolidated Financial Results for the First Quarter Ended June 2022 [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
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Date of filing quarterly report (tentative):	August 10, 2022
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, 2022 (April 1, 2022 – June 30, 2022)

(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 2022	4,635	35.0	192	-	254	-	163	-
Three months ended June 2021	3,433	24.5	(39)	-	10	-	(34)	-

Notes: Comprehensive income

First three months ended June 30, 2022: 99 million yen (yoy -%)

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

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 2022	18.75	-
Three months ended June 2021	(3.49)	-

Note: Diluted profit per share is not shown because there are no latent shares with a dilutive effect

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	9,970	4,242	42.5
As of March 31, 2022	11,378	4,233	37.1

Reference: Shareholders' equity

As of June 30, 2022: 4,235 million yen

As of March 31, 2022: 4,226 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 2022	-	4.00	-	10.00	14.00
Fiscal year ending March 2023	-				
Fiscal year ending March 2023 (forecast)		5.00	-	7.00	12.00

Notes:

- Revisions to the most recently announced dividend forecast: None
- Breakdown of the year-end dividend for the fiscal year ended March 2022

Ordinary dividend: 7.00 yen

Commemorative dividend: 3.00 yen

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	8,600	23.0	270	111.7	270	(0.6)	162	(58.9)	18.56
Full year	18,000	12.4	700	103.0	700	26.4	420	(56.2)	48.12

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, 2022(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: None

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

(4) Number of issued shares (common shares)

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

As of June 30, 2022: 10,240,400 shares

As of March 31, 2022: 10,240,400 shares

(b) Number of treasury shares at the end of the period

As of June 30, 2022: 1,511,019 shares

As of March 31, 2022: 1,511,719 shares

(c) Average number of shares during the period (quarterly consolidated cumulative period)

Period ended June 30, 2022: 8,729,267 shares

Period ended June 30, 2021: 9,888,533 shares

(Note) 1. 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) (325,900 shares for the first quarter ended June 2022 and 326,600 shares for the fiscal year ended March 2022).

2. As for the average number of shares during the period, for the first quarter ended June 2022, the Company's shares held by the trust account regarding the stock benefit trust (BBT•J-ESOP), totaling 326,013 shares, were included in the number of treasury shares, which were to be deducted from the calculation of the average number of shares during the period. For the first quarter ended June 2021, 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), totaling 351,784 shares, were included in the number of treasury shares, which were to be deducted from the calculation of the average number of shares during the period.

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

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

(Note on forward-looking statements)

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

During the first quarter of the fiscal year ending March 2023, economic activities in Japan remained uncertain due to the combination of the re-expansion of new coronavirus infections (COVID-19), the tapering of monetary easing in the United States and other developed countries, soaring crude oil prices, the shortages of supply of semiconductors and other products, and the strained situation in Ukraine. The future of economic activities is still uncertain.

In this business environment, there is an 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.

In the Digital Marketing business, the Company provides "Cloud CIRCUS," a digital marketing tool, which helps customer companies to "increase and nurture their customers," as a subscription model (recurring billing type), working to increase the number of customer acquisitions and ARR (annual recurring revenue).

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 2023, while we were affected by the partial self-restraint on economic activities due to COVID-19, customers began some business activities to cope with the situation amid the pandemic and in the era after it, and both the Digital Marketing business and the IT Infrastructure business increased sales from the same period of the previous year. Particularly, in the IT Infrastructure business, sales of network-related equipment, one of its main products, kept performing favorably, leading to a significant increase in consolidated operating profit for the first quarter of the current fiscal year.

As a result, sales in the first quarter of the current fiscal year totaled 4,635,328 thousand yen (up 35.0% from a year before), operating profit of 192,779 thousand yen (operating loss of 39,695 thousand yen a year before), ordinary profit of 254,292 thousand yen (ordinary profit of 10,909 thousand yen a year before), and net profit attributable to shareholders of the parent of 163,632 thousand yen (net loss attributable to shareholders of the parent of 34,539 thousand yen 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 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 fiscal year ending March 2023, we started offering plans for the online exhibition system as "CrowdBooth," we had acquired in the previous fiscal year. For the "BowNow" MA tool, we managed to expand the number of free users further as the distribution of e-mail became available in its free plan. Previously, we established and promoted an organizational structure under a Sales-Led Growth (SLG) strategy led by the sales team. However, as a result of the expansion of these tools and the increase in potential customers, we have started to build a new organizational structure by combining the SLG strategy with a Product-Led Growth (PLG) strategy, led by the product team, in the current fiscal year. By doing so, we are working to establish a customer acquisition pipeline and aim to obtain high unit-price orders with combined products, while we increase customers for single products reducing the unit cost for acquiring them. In the first quarter of the current fiscal year, we saw a slowdown in MRR (monthly recurring revenue) in SaaS of Cloud CIRCUS as a result of focusing on the launch of the new organizational structure as planned, but sales increased year on year. On the other hand, the Company has been investing in new growth businesses targeting corporate customers, that provides a one-stop support service for their projects utilizing NFT (Non-Fungible Token), a technology that proves the irreplaceability and uniqueness of a product by using blockchain technology.

* 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
	CrowdBooth	Online exhibition system
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 in the first quarter of the fiscal year ending March 2023 totaled 693,577 thousand yen (up 16.5% from a year before), and the segment loss (operating loss) of 95,869 thousand yen compared with the segment loss (operating loss) of 87,890 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. In addition, it provides “RoboTANGO,” an original RPA (Robotic Process Automation) solution tool to automate back-office operations, as well as AI-OCR and an electronic signature tool.

In the first quarter of the current fiscal year, in addition to promoting the expansion of the customer base through mergers and acquisitions, the accumulation of customer and asset information through a customer and sales management system has enabled the visualization of information, which has allowed us to conduct cross-selling of products and services, and their replacement at the appropriate time. Furthermore, the systematic development of the customer approach mechanism through marketing has enabled the development of a customer follow-up system both by the sales staff, and by the Wakayama Contact Center and Customer Success (CS). During the previous fiscal year, we established the structure composed of organization and system, in which not only the sales staff, but also the Wakayama Contact Center, and Customer Success (CS) can handle the series of processes from an approach, negotiation/proposal, order receipt, to delivery, resulting in an improvement in the sales turnover rate and enabling us to get to a great start in the first quarter of the current fiscal year. In particular, sales and profit increased due to strong sales of network equipments, centering on UTM (Unified Threat Management) instruments, information security products that meet the needs for information security measures of small and medium-sized enterprises. Sales of MFPs also remained firm, mainly through partner sales, resulting in an increase in sales and profit.

Consequently, segment sales totaled 3,941,717 thousand yen (up 38.9% from a year before) and the segment profit (operating profit) of 277,528 (up 278.0% from a year before).

(CVC)

The CVC business conducted no fresh investment during the period.

Consequently, the segment reported no sales and the segment loss (operating loss) of 249 thousand yen compared with the segment profit (operating profit) of 65 thousand yen in the same period in the previous year.

(2) Explanation of financial condition

Total assets were 9,970,416 thousand yen at the end of the first quarter, 1,408,256 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decreases of 635,640 thousand yen in cash and deposits, 453,563 thousand yen in notes and accounts receivable - trade and contract assets, and 352,716 thousand yen in other assets, despite the increase of 61,299 thousand yen in inventories.

Liabilities were 5,728,350 thousand yen at the end of the first quarter, 1,417,203 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decreases of 560,307 thousand yen in income taxes payable, 463,741 thousand yen in accounts payable-trade, 118,260 thousand yen in provision for bonuses and 150,099 thousand yen in long-term borrowings.

Net assets were 4,242,066 thousand yen at the end of the first quarter, 8,946 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to net profit attributable to shareholders of the parent of

163,632 thousand yen , albeit dividend payment of 90,522 thousand yen and the decrease of 64,495 thousand yen in valuation difference on available-for-sale securities.

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

In the current fiscal year ending March 2023, while we are striving to achieve further growth, the external business environment remains severe and the outlook for economic activities remains uncertain, due to the combination of the still unclear situation of COVID-19, the tapering of monetary easing policy in the U.S. and other developed countries, soaring oil prices, the supply shortages of semiconductors and other products, inflation, and the strained situation in Ukraine.

This is especially true in the Group's business environment, where the impact of COVID-19 has not yet subsided, and the effects of soaring electricity transaction prices and shortages in the supply of semiconductors and other products continue to be felt. We have been revising our Medium-Term Management Plan announced on May 15, 2020, including business strategies once again as a solid plan, since we recognize that the impact of COVID-19 has significantly exceeded the scale of the impact assumed when the plan was formulated. At that time, we assumed that the pandemic would be contained around September 2020.

The Company plans to revise its Medium-Term Management Plan for the two-year period of the fiscal year ending March 2024 and that ending March 2025. The timing of the announcement has not yet been determined, but we will announce the revised plan as soon as it is finalized.

Going forward, in addition to continuing already successful measures, that is expanding our customer base and securing stable earnings in the IT Infrastructure business, we will focus on the "Cloud CIRCUS", digital marketing tool in the Digital Marketing business, and further deepen the strategies of the "NEXT'S 2025" Medium-Term Management Plan. By doing so, we will promote further productivity improvement while developing DX in our businesses and services.

For the year ending March 2023, we forecast consolidated net sales of 18,000 million yen (up 12.4% from the previous fiscal year), consolidated operating profit of 700 million yen (up 103.0% from the previous fiscal year), consolidated ordinary profit of 700 million yen (up 26.4% from the previous fiscal year) and profit attributable to owners of parent of 420 million yen (compared to 958 million yen in the previous fiscal year).

(Note) Forward-looking statements described in the text, including the annual earnings forecast, do not guarantee future performance and they include risks and uncertainties because there are various factors such as unforeseeable changes in the economic situation. The Medium-Term Management Plan for the five-year period from the fiscal year ended March 2021 to that ending March 2025 is based on the assumption that the impact of COVID-19 will be contained by around September 2020. Thus we plan to review the Medium-Term Management Plan for the fiscal year ending March 2024 and that ending March 2025.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(thousand yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	3,055,293	2,419,652
Notes and accounts receivable - trade and contract assets	3,365,623	2,912,059
Inventories	585,240	646,540
Operational investment securities	108,852	121,562
Other	802,644	449,928
Allowance for doubtful accounts	(152,067)	(147,016)
Total current assets	7,765,587	6,402,726
Non-current assets		
Property, plant and equipment	232,949	240,761
Intangible assets		
Software	1,131,615	1,184,425
Goodwill	450,705	433, 252
Other	7,513	7,338
Total intangible assets	1,589,834	1,625,016
Investments and other assets		
Investment securities	1,003,209	922,899
Deferred tax assets	379,909	352,338
Guarantee deposits	258,983	279,404
Other	148,198	147,269
Total investments and other assets	1,790,301	1,701,912
Total non-current assets	3,613,085	3,567,690
Total assets	11,378,673	9,970,416
Liabilities		
Current liabilities		
Accounts payable-trade	1,502,986	1,039,245
Short-term borrowings	1,847,000	1,847,000
Current portion of long-term borrowings	866,532	799,799
Income taxes payable	596,618	36,310
Provision for bonuses	289,887	171,626
Other	1,123,444	1,068,513
Total current liabilities	6,226,469	4,962,495
Non-current liabilities		
Long-term borrowings	815,872	665,773
Provision for share awards	58,713	65,429
Provision for share awards for directors (and other officers)	20,013	21,600
Deferred tax liabilities	20,934	9,754
Other	3,551	3,297
Total non-current liabilities	919,084	765,854
Total liabilities	7,145,553	5,728,350
Net assets		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	903,459	903,459
Retained earnings	3,725,483	3,798,563

(thousand yen)

	As of March 31, 2022	As of June 30, 2022
Treasury shares	(1,468,600)	(1,468,239)
Total shareholders' equity	3,984,658	4,058,099
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	242,331	177,836
Total accumulated other comprehensive income	242,331	177,836
Share acquisition rights	6,130	6,130
Total net assets	4,233,119	4,242,066
Total liabilities and net assets	11,378,673	9,970,416

(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, 2021 – June 30, 2021	April 1, 2022 – June 30, 2022
Net sales	3,433,205	4,635,328
Cost of sales	1,927,643	2,800,814
Gross profit	1,505,561	1,834,513
Selling, general and administrative expenses	1,545,256	1,641,734
Operating profit (loss)	(39,695)	192,779
Non-operating income		
Dividend income	2,296	893
Foreign exchange gains	142	18,229
Share of profit of entities accounted for using equity method	26,928	29,369
Subsidy income	20,616	—
Gain on consumption tax exemption	—	13,531
Other	2,608	2,974
Total non-operating income	52,591	64,999
Non-operating expenses		
Interest expenses	1,768	3,206
Other	216	279
Total non-operating expenses	1,985	3,486
Ordinary profit (loss)	10,909	254,292
Profit (loss) before income taxes	10,909	254,292
Income taxes-current	32,875	40,824
Income taxes-deferred	12,574	49,835
Total income taxes	45,449	90,659
Profit (loss)	(34,539)	163,632
Profit (loss) attributable to owners of parent	(34,539)	163,632

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

(thousand yen)

	April 1, 2021 – June 30, 2021	April 1, 2022 – June 30, 2022
Profit (loss)	(34,539)	163,632,
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,962)	(64,495)
Total other comprehensive income	(4,962)	(64,495)
Comprehensive income	(39,502)	99,137
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(39,502)	99,137

(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

(Segment information, etc.)

[Segment information]

I. 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.

II. For the first quarter ended June 30, 2022 (April 1, 2022– June 30, 2022)

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

	Reportable segments				
	Digital Marketing	IT Infrastructure	CVC	Subtotal	Other Businesses (see note 1)
Net sales					
Goods that are transferred at a point in time	134,359	2,090,088	—	2,224,448	—
Goods that are transferred over a certain period of time	559,218	1,851,628	—	2,410,846	—
Revenue that is generated from contracts with customers	693,577	3,941,717	—	4,635,295	—
Sales to external customers	693,577	3,941,717	—	4,635,295	—
Inter-segment sales and transfers	1,515	9,267	—	10,782	—
Total	695,092	3,950,985	—	4,646,078	—
Segment profit (loss)	(95,869)	277,528	(249)	181,409	(484)

	Total	Adjustment (see note 2)	Amount on statement of income (see note 3)
Net sales			
Goods that are transferred at a point in time	2,224,448	33	2,224,481
Goods that are transferred over a certain period of time	2,410,846	—	2,410,846
Revenue that is generated from contracts with customers	4,635,295	33	4,635,328
Sales to external customers	4,635,295	33	4,635,328
Inter-segment sales and transfers	10,782	(10,782)	—
Total	4,646,078	(10,749)	4,635,328
Segment profit (loss)	180,925	11,854	192,779

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.