

## Summary of Consolidated Financial Results for the First Quarter Ended June 2023 [Japan GAAP]

Name of Company:	Startia Holdings, Inc.
Stock Code:	3393
Stock Exchange Listing:	Tokyo Stock Exchange
URL:	<a href="https://www.startiaholdings.com/">https://www.startiaholdings.com/</a>
Representative Title:	Representative Director and President & CEO
Name:	Hideyuki Hongo
Contact Person Title:	Director
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Date of filing quarterly report (tentative):	August 10, 2023
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, 2023 (April 1, 2023 – June 30, 2023)

(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 2023	4,934	6.5	634	229.4	649	155.4	436	166.9
Three months ended June 2022	4,635	35.0	192	-	254	-	163	-

Notes: Comprehensive income

First three months ended June 30, 2023: 449 million yen (yoy 353.1%)

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

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 2023	46.77	-
Three months ended June 2022	18.75	-

Note: Diluted profit per share for the first quarter of the fiscal year ended March 31, 2023 is not shown because there are no latent shares with a dilutive effect. Diluted profit per share for the first quarter of the fiscal year ending March 31, 2024 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 June 30, 2023	11,316	5,793	51.2
As of March 31, 2023	12,912	5,691	44.1

Reference: Shareholders' equity

As of June 30, 2023: 5,793 million yen

As of March 31, 2023: 5,691 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 2023	0.00	5.00	0.00	36.00	41.00
Fiscal year ending March 2024	0.00				
Fiscal year ending March 2024 (forecast)		21.00	0.00	26.00	47.00

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

### 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	10,030	2.4	890	8.0	890	(6.3)	575	(14.5)	61.63
Full year	20,200	1.0	2,000	16.0	2,000	8.4	1,250	3.1	133.88

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, 2023 (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, 2023: 10,240,400 shares As of March 31, 2023: 10,240,400 shares
  - (b) Number of treasury shares at the end of the period  
As of June 30, 2023: 903,666 shares As of March 31, 2023: 903,666 shares
  - (c) Average number of shares during the period (quarterly consolidated cumulative period)  
Period ended June 30, 2023: 9,336,734 shares Period ended June 30, 2022: 8,729,267 shares

- (Note) 1. The number of treasury shares at the end of the period includes 325,600 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 first quarter of the current year ending March 31, 2024, and 325,600 shares of the Company's shares held by the trust account regarding the stock benefit trust (BBT ·J-ESOP and J-ESOP-RS) for the fiscal year ended March 31, 2023.
2. As for the average number of shares during the period, for the first quarter ended June 2023, the Company's shares held by the trust account regarding the stock benefit trust (BBT and BBT-RS ·J-ESOP and J-ESOP-RS), totaling 325,600 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 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.

\* 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 4 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 2024, recovery of consumption behavior was seen in the Japanese economy since social and economic activities were normalized after the government's reclassification of COVID-19's category to Class 5. However, the outlook for the economy was still unclear because of the monetary tightening in the United States and other developed countries, the prolonged Ukraine crisis, the rising cost of material procurement because of inflation, and other concerns.

In this business environment, the information technology industry, where the Startia Group operates, has attracted a wide range of interest from environmental improvement for the digital shift of business operations to the area of digital transformation (DX), resulting in growing demand for improvements in the office network infrastructure environment, including response to cybersecurity.

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), working to increase the number of customer acquisitions and ARR (annual recurring revenue). We focused not only on direct sales, but also on developing customer referrals and partner sales to expand sales channels.

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.

Historically, profitability tended to decline in the first quarter due to an increase in costs and training for new employees, but our productivity has improved since the previous fiscal year and we realized stable and better profitability in the first quarter under review. Both sales and segment profit achieved year-on-year increases in both the Digital Marketing business and the IT Infrastructure business in this first quarter.

As a result, sales in the first quarter of the current fiscal year totaled 4,934,684 thousand yen (up 6.5% from a year before), operating profit of 634,979 thousand yen (up 229.4 % from a year before), ordinary profit of 649,525 thousand yen (up 155.4 % from a year before), and net profit attributable to shareholders of the parent of 436,686 thousand yen (up 166.9 % 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 them 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 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.

During the first quarter, the MA tool "BowNow" won the High performer award in the MA and ABM categories of the "ITreview Grid Award 2023 Spring." It was recognized as a product with excellent satisfaction and recognition in the small and medium-size enterprise (SME) category. The setup work was dramatically reduced using our chatbot "IZANAI" due to the automatic generation of conversation flows through its ChatGPT linkage. Moreover, the addition of a new "Text to Website" feature to the "LP Builder Powered by Slideflow" allows users to create websites simply by inputting text using the ChatGPT and is expected to lower the hurdles to website creation for SMEs. These led to well-performing sales of the subscription model business. Furthermore, one-time revenues also increased due to increased outsourcing orders for Cloud CIRCUS-related contracted development and growth in web production.

Since the first quarter of the current fiscal year, the Digital Marketing business has shifted from the investment phase to the profitable phase, and achieved profitability alone. We will continue to invest in development and deploy advertising spending as necessary to generate segment profit further.

Consequently, segment sales in the first quarter of the fiscal year ending March 2024 totaled 841,724 thousand yen (up 21.4% from a year before) , and the segment profit (operating profit) of 32,481 thousand yen compared with the segment loss (operating loss) of 95,869 thousand yen in the same period in the previous year.

(IT Infrastructure)

In the IT Infrastructure business, the Company successfully generated stable segment profit from the first quarter by establishing a system that an improvement in the sales turnover ratio contributes to continuous enhancement of productivity. This is enabled by systematically developing a flow from business negotiations and proposals to order receipt, product delivery, and after-sales service, using our information assets and inter-organizational collaboration and approaches that make full use of internal systems in the in-house departments of marketing, contact centers, sales, technologies and CS (Customer Success). In the first quarter, the Company also continued to meet the needs for information security measures of SMEs, following the previous fiscal year, and solution projects such as the installation of network equipment centered on UTM (Unified Threat Management), an information security product, contributed to the improvement of profitability. In the MFP business, sales and profit increased significantly due to particularly strong partner sales. In the electric power retailing business, we had expected an increase in electricity sales due to fuel cost adjustments according to increased demand in summer passed on the price, but the size of the price pass-through was smaller than expected due to lower power procurement costs at power generation companies and others as fuel prices, such as liquefied natural gas (LNG), stabilized, resulting in lower electricity power sales than expected. However, gross profit increased year on year.

Consequently, segment sales totaled 4,092,937 thousand yen (up 3.8% from a year before) and the segment profit (operating profit) of 554,546 thousand yen (up 99.8% from a year before).

(CVC)

In the CVC business, we are engaged in the corporate venture capital business. This business is promoted by the Corporate Venture Capital Business Promotion Office (CVC Office), which specializes in investing in venture companies for the purpose of earning capital gains. The CVC Office invests its capital in IT-related startup companies that try to create new businesses with brand-new ideas and innovative technologies, and supports such companies, with the aim of exiting from the investments (by way of listing of shares or acquisition by third parties).

During the first quarter, the CVC Office invested in K&P Partners No. 4 Investment Limited Partnership.

Consequently, the segment reported no sales and the segment loss (operating loss) of 249 thousand yen 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 11,316,182 thousand yen at the end of the first quarter, 1,596,697 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decreases of 611,467 thousand yen in notes and accounts receivable - trade and contract assets, 434,863 thousand yen in cash and deposits, 383,136 thousand yen in other current assets, and 115,896 thousand yen in deferred tax assets, despite the increase of 19,192 thousand yen in operational investment securities.

Liabilities were 5,522,908 thousand yen at the end of the first quarter, 1,698,018 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decreases of 690,928 thousand yen in accounts payable-trade, 561,538 thousand yen in income taxes payable, 184,988 thousand yen in accounts payable-other, 175,927 thousand yen in long-term borrowings, and 169,733 thousand yen in provision for bonuses, despite the increase of 100,00 thousand yen in short-term borrowings.

Net assets were 5,793,273 thousand yen at the end of the first quarter, 101,320 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 436,686 thousand yen and the increase of 12,478 thousand yen in valuation difference on available-for-sale securities, albeit dividend payment of 347,844 thousand yen.

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

The Startia Group has partially revised its management plan for the remaining two years of the “Medium-Term Management Plan, ‘NEXT’S 2025’” (hereafter, the medium-term management plan) announced on May 15, 2020, for the fiscal years ending March 31, 2024 and March 31, 2025. 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.

In the Digital Marketing business, we have shifted our business model to a subscription model, in which revenue from a single client is small but accumulates continuously as stock, and have concentrated our management resources. This has resulted in a decrease in profits up to the previous fiscal year, but from the fiscal year ending March 2024, we will make a firm effort to turn this into a profit and generate segment profits.

In the IT Infrastructure business, in addition to organic growth, we will achieve further growth 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 year ending March 2024, we forecast consolidated net sales of 20,200 million yen (up 1.0% from the previous fiscal year), consolidated operating profit of 2,000 million yen (up 16.0% from the previous fiscal year), consolidated ordinary profit of 2,000 million yen (up 8.4% from the previous fiscal year) and profit attributable to owners of parent of 1,250 million yen (up 3.1% from 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.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheets

(thousand yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	4,868,599	4,433,736
Notes and accounts receivable - trade and contract assets	3,328,950	2,717,483
Operational investment securities	118,760	137,953
Inventories	768,481	721,876
Other	988,705	605,569
Allowance for doubtful accounts	(176,761)	(183,164)
Total current assets	9,896,736	8,433,453
Non-current assets		
Property, plant and equipment	226,282	215,588
Intangible assets		
Goodwill	391,569	377,674
Software	955,371	958,614
Other	6,183	5,995
Total intangible assets	1,353,124	1,342,285
Investments and other assets		
Investment securities	365,921	375,550
Deferred tax assets	641,860	525,964
Guarantee deposits	289,762	286,009
Other	139,192	137,330
Total investments and other assets	1,436,736	1,324,854
Total non-current assets	3,016,143	2,882,728
Total assets	12,912,879	11,316,182
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,609,630	918,701
Short-term borrowings	900,000	1,000,000
Current portion of long-term borrowings	1,086,244	990,311
Accounts payable-other	515,532	330,543
Accrued expenses	283,918	308,928
Income taxes payable	676,504	114,966
Accrued consumption taxes	319,520	213,556
Advances received	156,499	211,386
Provision for bonuses	323,296	153,563
Provision for share awards	20,846	109,469
Provision for share awards for directors (and other officers)	3,302	31,540
Other	58,500	156,774
Total current liabilities	5,953,795	4,539,742
Non-current liabilities		
Long-term borrowings	1,152,706	976,779
Provision for share awards	81,372	—
Provision for share awards for directors (and other officers)	26,406	—
Deferred tax liabilities	3,921	3,853
Other	2,725	2,534
Total non-current liabilities	1,267,131	983,166

(thousand yen)

	As of March 31, 2023	As of June 30, 2023
Total liabilities	7,220,926	5,522,908
Net assets		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	905,814	905,814
Retained earnings	4,689,182	4,778,024
Treasury shares	(802,152)	(802,152)
Total shareholders' equity	5,617,159	5,706,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,792	87,271
Total accumulated other comprehensive income	74,792	87,271
Total net assets	5,691,952	5,793,273
Total liabilities and net assets	12,912,879	11,316,182

(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, 2022 –June 30, 2022	April 1, 2023 –June 30, 2023
Net sales	4,635,328	4,934,684
Cost of sales	2,800,814	2,628,864
Gross profit	1,834,513	2,305,819
Selling, general and administrative expenses	1,641,734	1,670,840
Operating profit	192,779	634,979
Non-operating income		
Dividend income	893	2,463
Foreign exchange gains	18,229	14,401
Share of profit of entities accounted for using equity method	29,369	1,311
Gain on forgiveness of consumption taxes	13,531	—
Other	2,974	1,443
Total non-operating income	64,999	19,619
Non-operating expenses		
Interest expenses	3,206	3,725
Non-recoverable consumption tax	—	1,284
Other	279	63
Total non-operating expenses	3,486	5,074
Ordinary profit	254,292	649,525
Profit before income taxes	254,292	649,525
Income taxes-current	40,824	102,548
Income taxes-deferred	49,835	110,289
Total income taxes	90,659	212,838
Profit (loss)	163,632	436,686
Profit (loss) attributable to owners of parent	163,632	436,686

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

(thousand yen)

	April 1, 2022 – June 30, 2022	April 1, 2023 – June 30, 2023
Profit (loss)	163,632,	436,686
Other comprehensive income		
Valuation difference on available-for-sale securities	(64,495)	12,478
Total other comprehensive income	(64,495)	12,478
Comprehensive income	99,137	449,164
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	99,137	449,164

(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, 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 (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 (note 2)	Amount on statement of income (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.

II. For the first quarter ended June 30, 2023 (April 1, 2023– June 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	212,056	2,379,650	—	2,591,706	—
Goods that are transferred over a certain period of time	629,667	1,713,286	—	2,342,954	—
Revenue that is generated from contracts with customers	841,724	4,092,937	—	4,934,661	—
Sales to external customers	841,724	4,092,937	—	4,934,661	—
Inter-segment sales and transfers	2,652	14,420	—	17,073	—
Total	844,377	4,107,357	—	4,951,734	—
Segment profit (loss)	32,481	554,546	(249)	586,778	(1,045)

	Total	Adjustment (note 2)	Amount on statement of income (note 3)
Net sales			
Goods that are transferred at a point in time	2,591,706	22	2,591,729
Goods that are transferred over a certain period of time	2,342,954	—	2,342,954
Revenue that is generated from contracts with customers	4,934,661	22	4,934,684
Sales to external customers	4,934,661	22	4,934,684
Inter-segment sales and transfers	17,073	(17,073)	—
Total	4,951,734	(17,050)	4,934,684
Segment profit (loss)	585,732	49,246	634,979

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.