

Summary of Consolidated Financial Results for the First Three Quarters Ended December 2023 [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 quarterly report (tentative):	February 9, 2024
Date of commencement of dividend payment (tentative):	-
Supplementary materials for quarterly financial report:	Yes
Information meeting for quarterly financial report:	None

(Yen in millions, rounded down)

1. Consolidated financial results for the first nine months ended December 31, 2023 (April 1, 2023 – December 31, 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	%
Nine months ended Dec. 2023	14,423	(2.1)	1,643	35.6	1,624	22.2	1,039	8.5
Nine months ended Dec. 2022	14,736	35.5	1,212	-	1,329	967.7	957	142.3

Notes: Comprehensive income

Nine months ended December 31, 2023: 1,021 million yen (yoy 31.3%)

Nine months ended December 31, 2022: 777 million yen (yoy 26.5%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended Dec. 2023	111.16	-
Nine months ended Dec. 2022	108.17	-

Note: Diluted profit per share for the first nine months ended December 31, 2022 is not shown because there are no latent shares with a dilutive effect. Diluted profit per share for the first nine months ended December 31, 2023 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 December 31, 2023	11,457	6,193	54.1
As of March 31, 2023	12,912	5,691	44.1

Reference: Shareholders' equity

As of December 31, 2023: 6,193million 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	21.00	0.00		
Fiscal year ending March 2024 (forecast)				39.00	60.00

Note: Revisions to the most recently announced dividend forecast: Yes

Breakdown of the year-end dividend for the fiscal year ending March 2024

Ordinary dividend: 28.00 yen

Commemorative dividend: 11.00 yen

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
Full year	19,500	(2.5)	2,200	27.6	2,220	20.4	1,300	7.2	139.21

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

* Notes

- (1) Changes in significant subsidiaries during the first nine months ended December 31, 2023 (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
Newly included: N.A. Excluded: N.A.
 - (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 December 31, 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 December 31, 2023: 870,729 shares As of March 31, 2023: 903,666 shares
 - (c) Average number of shares during the period (quarterly consolidated cumulative period)
Period ended December 31, 2023: 9,347,763 shares Period ended December 31, 2022: 8,854,853 shares
- (Note) 1. The number of treasury shares at the end of the period includes 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 third 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 third quarter ended December 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 477,477 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 third quarter ended December 2022, the Company's shares held by the trust account regarding the stock benefit trust (BBT•J-ESOP), totaling 325,897 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 three quarters of the fiscal year (3) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 7 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

1. Qualitative information regarding earnings for the first three quarters of the fiscal year

(1) Explanation of results of operations

During the first three quarters of the fiscal year ending March 2024, the outlook for economic activities in Japan remained uncertain due to concerns about the continued 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). We focused not only on direct sales, but also on developing customer referrals and partner sales to expand sales channels. From the second quarter onward, orders for direct sales have particularly been strong.

In the IT Infrastructure business, the Group has been establishing solid relationships with the customer base of small and medium-size enterprises, or SMEs, while it continued to improve its internal productivity. The Group also supported the customers to improve their productivity consistently by proposing and providing solutions to them. 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 third quarter of the fiscal year, Startia, a consolidated subsidiary of the Company, acquired all shares of BUSINESS SERVICE CO., LTD. in Himeji, Hyogo Prefecture, on October 2, 2023, and made it a consolidated subsidiary of the Group. BUSINESS SERVICE engages in the OA equipment sales, support and maintenance service business. By this acquisition, the Company accumulated its subscription-based sales.

As a result, sales in the first three quarters of the fiscal year totaled 14,423,885 thousand yen (down 2.1% from a year before), operating profit of 1,643,412 thousand yen (up 35.6 % from a year before), ordinary profit of 1,624,338 thousand yen (up 22.2 % from a year before), and net profit attributable to shareholders of the parent of 1,039,086 thousand yen (up 8.5 % 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.

In the first three quarters of the fiscal year, the functional linkage between products made progress: The chatbot "IZANAI" and the e-book and video sharing service "ActiBook" were linked with "LP Builder," which enables easy website conversion by simply uploading materials from PowerPoint and Google slides. There was also a system linkage between "BowNow," a marketing automation tool, and "Yoom," a SaaS-linked database of Yoom.Inc. In addition, the AR promotion tool "COCOAR" now supports the "building occlusion function" that utilizes "Streetscape Geometry," an API of Google ARCore. The addition of the above functions increased the number of proposal options, and sales from subscription models remained strong. Moreover, one-time sales also increased due to an increase in orders for Cloud CIRCUS-related contracted development and web production.

Consequently, segment sales in the first three quarters of the fiscal year totaled 2,515,738 thousand yen (up 10.9% from a year before) , and the segment profit (operating profit) of 145,317 thousand yen compared with the segment loss (operating loss) of 186,363 thousand yen in the same period in the previous year.

(IT Infrastructure)

In the IT Infrastructure business, the Company has successfully generated stable segment profit since the first quarter of the current fiscal year. However, in the third quarter, one-time sales decreased due to the impact of the launch of Japan's invoice system in October 2023. Prior to the start of the system, there was a rush of delivery demand of some of our major products, such as MFPs, to September within the second quarter from October onward.

In the electric power retailing business, in the first quarter, we had forecasted an increase in electricity procurement costs and a rise in electricity sales through price pass-through in anticipation of a sharp rise in fuel cost adjustments due to an increase in electricity demand during the summer and winter. However, electricity procurement costs unexpectedly fell due to factors such as the stabilization of fuel procurement prices at power generators, which contributed to cost reductions, resulting in a smaller size of price pass-through and significantly lower electricity sales than forecasted.

On October 2, 2023, BUSINESS SERVICE CO., LTD. became a consolidated subsidiary of the Group, resulting in the increase in subscription-based sales. By this acquisition, the Company will enjoy the economies of scale in its existing business, such as expansion of transactions with customers through cross-selling,

Consequently, segment sales in the first three quarters of the fiscal year totaled 11,904,753 thousand yen (down 4.5% from a year before) and the segment profit (operating profit) of 1,392,399 thousand yen (up 3.9% from a year before).

(CVC)

In the CVC business, we are engaged in the corporate venture capital business. In the CVC business, there were no new investments during the third quarter of the current fiscal year.

Consequently, segment sales in the first three quarters of the fiscal year totaled 3,107 thousand yen (no sales in the same period of the previous year) and segment profit (operating profit) of 2,357 thousand yen compared with the segment loss (operating loss) of 750 thousand yen in the same period of the previous year.

(2) Explanation of financial condition

Total assets were 11,457,011 thousand yen at the end of the third quarter, 1,455,867 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decrease of 764,095 thousand yen in notes and accounts receivable - trade and contract assets, 448,231 thousand yen in current assets - other, 299,668 thousand yen in inventories, 82,479 thousand yen in deferred tax assets, 52,226 thousand yen in investment securities and the increase of 91,070 thousand yen in goodwill, 85,222 thousand yen in software.

(Liabilities)

Liabilities were 5,263,615 thousand yen at the end of the third quarter, 1,957,311 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decrease of 673,949 thousand yen in accounts payable-trade, 592,388 thousand yen in income taxes payable, 527,781 thousand yen in long-term borrowings, 287,799 thousand yen in current portion of long-term borrowings and the increase of 100,000 thousand yen in short-term borrowings.

(Net assets)

Net assets were 6,193,396 thousand yen at the end of the third quarter, 501,443 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 1,039,086 thousand yen, the increase of 256,800 thousand yen in capital surplus, dividend payment of 559,152 thousand yen and the increase of 217,376 thousand yen in treasury shares.

(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 fiscal year ending March 31, 2024, as we announced a revision to our consolidated earnings forecasts for the full year on November 10, 2023, we expect consolidated net sales of 19,500 million yen (down 2.5% from the previous fiscal year), operating profit of 2,200 million yen (up 27.6% from the previous fiscal year), consolidated ordinary profit of 2,220 million yen (up 20.4% from the previous fiscal year), and profit attributable to owners of parent of 1,300 million yen (up 7.2% 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	4,868,599	4,871,755
Notes and accounts receivable - trade and contract assets	3,328,950	2,564,854
Operational investment securities	118,760	135,142
Inventories	768,481	468,812
Other	988,705	540,474
Allowance for doubtful accounts	(176,761)	(191,598)
Total current assets	9,896,736	8,389,442
Non-current assets		
Property, plant and equipment	226,282	213,410
Intangible assets		
Goodwill	391,569	482,640
Software	955,371	1,040,594
Other	6,183	5,620
Total intangible assets	1,353,124	1,528,855
Investments and other assets		
Investment securities	365,921	313,695
Deferred tax assets	641,860	559,381
Guarantee deposits	289,762	326,866
Other	139,192	125,360
Total investments and other assets	1,436,736	1,325,304
Total non-current assets	3,016,143	3,067,569
Total assets	12,912,879	11,457,011
Liabilities		
Current liabilities		
Accounts payable-trade	1,609,630	935,680
Short-term borrowings	900,000	1,000,000
Current portion of long-term borrowings	1,086,244	798,445
Accounts payable-other	515,532	519,592
Accrued expenses	283,918	304,168
Income taxes payable	676,504	84,115
Accrued consumption taxes	319,520	242,302
Advances received	156,499	157,082
Provision for bonuses	323,296	267,004
Provision for share awards	20,846	130,844
Provision for share awards for directors (and other officers)	3,302	30,018
Other	58,500	166,934
Total current liabilities	5,953,795	4,636,190
Non-current liabilities		
Long-term borrowings	1,152,706	624,925
Provision for share awards	81,372	—
Provision for share awards for directors (and other officers)	26,406	—
Deferred tax liabilities	3,921	346
Other	2,725	2,153
Total non-current liabilities	1,267,131	627,424

(thousand yen)

	As of March 31, 2023	As of December 31, 2023
Total liabilities	7,220,926	5,263,615
Net assets		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	905,814	1,162,614
Retained earnings	4,689,182	5,169,115
Treasury shares	(802,152)	(1,019,528)
Total shareholders' equity	5,617,159	6,136,516
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,792	56,880
Total accumulated other comprehensive income	74,792	56,880
Total net assets	5,691,952	6,193,396
Total liabilities and net assets	12,912,879	11,457,011

(2) Quarterly consolidated statement of income and comprehensive income
Quarterly consolidated statement of income
For the first three quarters (April 1 – December 31)

(thousand yen)

	April 1, 2022 – December 31, 2022	April 1, 2023 – December 31, 2023
Net sales	14,736,782	14,423,885
Cost of sales	8,645,992	7,688,431
Gross profit	6,090,790	6,735,453
Selling, general and administrative expenses	4,878,715	5,092,040
Operating profit (loss)	1,212,074	1,643,412
Non-operating income		
Dividend income	8,122	5,741
Foreign exchange gains	14,771	11,963
Share of profit of entities accounted for using equity method	26,461	—
Gain on investments in investment partnerships	12,485	1,370
Subsidy income	13,395	7,296
Gain on consumption tax exemption	44,149	—
Other	7,824	10,552
Total non-operating income	127,209	36,923
Non-operating expenses		
Interest expenses	9,314	10,291
Non-recoverable consumption tax	—	3,954
Share of loss of entities accounted for using equity method	—	39,648
Loss on investments in investment partnerships	201	454
Other	726	1,649
Total non-operating expenses	10,242	55,997
Ordinary profit (loss)	1,329,041	1,624,338
Extraordinary income		
Gain on sales of investment securities	115,201	—
Gain on sale of shares of subsidiaries and associates	52,759	—
Total extraordinary income	167,960	—
Profit (loss) before income taxes	1,497,002	1,624,338
Income taxes-current	500,507	467,743
Income taxes-deferred	38,666	117,509
Total income taxes	539,174	585,252
Profit (loss)	957,828	1,039,086
Profit (loss) attributable to owners of parent	957,828	1,039,086

Quarterly consolidated statement of comprehensive income
For the first three quarters (April 1 – December 31)

(thousand yen)

	April 1, 2022 – December 31, 2022	April 1, 2023 – December 31, 2023
Profit (loss)	957,828	1,039,086
Other comprehensive income		
Valuation difference on available-for-sale securities	(180,234)	(17,912)
Total other comprehensive income	(180,234)	(17,912)
Comprehensive income	777,594	1,021,173
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	777,594	1,021,173

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

No items to report

(Notes to significant changes in shareholders' equity)

The Company disposed of treasury stock through a third-party allotment in accordance with a resolution at the Board of Directors meeting held on August 24, 2023. As a result, capital surplus increased 256,800 thousand yen and treasury shares decreased 438,800 thousand yen in the first three quarters of the current fiscal year.

In addition, the Company made an additional contribution to the "stock benefit trust (J-ESOP and J-ESOP-RS)" based on a resolution at the Board of Directors meeting held on August 24, 2023. As a result, treasury shares increased 695,600 thousand yen in the first three quarters of the current fiscal year.

(Segment information, etc.)

[Segment information]

I. For the first three quarters ended December 31, 2022 (April 1, 2022 – December 31, 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	573,185	6,507,105	—	7,080,290	—
Goods that are transferred over a certain period of time	1,694,645	5,961,317	—	7,655,963	—
Revenue that is generated from contracts with customers	2,267,831	12,468,423	—	14,736,254	—
Sales to external customers	2,267,831	12,468,423	—	14,736,254	—
Inter-segment sales and transfers	6,622	32,986	—	39,608	—
Total	2,274,453	12,501,409	—	14,775,862	—
Segment profit (loss)	(186,363)	1,339,997	(750)	1,152,884	(3,627)

	Total	Adjustment (note 2)	Amount on statement of income (note 3)
Net sales			
Goods that are transferred at a point in time	7,080,290	528	7,080,818
Goods that are transferred over a certain period of time	7,655,963	—	7,655,963
Revenue that is generated from contracts with customers	14,736,254	528	14,736,782
Sales to external customers	14,736,254	528	14,736,782
Inter-segment sales and transfers	39,608	(39,608)	—
Total	14,775,862	(39,080)	14,736,782
Segment profit (loss)	1,149,256	62,817	1,212,074

Notes:

1. The "Other" is a business segment that is not included in the reportable segments.
2. The adjustment amount for the inter-segment sales and transfers consists of eliminated inter-segment transactions. The adjusted amount for segment profit (loss) includes company-wide profit (loss) and the elimination of inter-segment transactions.
3. The total segment profit (loss) matches the operating profit (loss) on the quarterly consolidated statement of income.

II. For the first three quarters ended December 31, 2023 (April 1, 2023 – December 31, 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	581,241	6,743,027	3,107	7,327,375	—
Goods that are transferred over a certain period of time	1,934,497	5,161,726	—	7,096,223	—
Revenue that is generated from contracts with customers	2,515,738	11,904,753	3,107	14,423,598	—
Sales to external customers	2,515,738	11,904,753	3,107	14,423,598	—
Inter-segment sales and transfers	9,048	48,456	—	57,504	—
Total	2,524,786	11,953,209	3,107	14,481,103	—
Segment profit (loss)	145,317	1,392,399	2,357	1,540,074	(1,939)

	Total	Adjustment (note 2)	Amount on statement of income (note 3)
Net sales			
Goods that are transferred at a point in time	7,327,375	286	7,327,661
Goods that are transferred over a certain period of time	7,096,223	—	7,096,223
Revenue that is generated from contracts with customers	14,423,598	286	14,423,885
Sales to external customers	14,423,598	286	14,423,885
Inter-segment sales and transfers	57,504	(57,504)	—
Total	14,481,103	(57,217)	14,423,885
Segment profit (loss)	1,538,134	105,278	1,643,412

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.