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May 12, 2023

Summary of Consolidated Financial Results for the Year Ended March 31, 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 regular general meeting of shareholders:	June 22, 2023 (tentative)
Date of commencement of dividend payment:	June 23, 2023 (tentative)
Date of filing of securities report:	June 22, 2023 (tentative)
Supplementary documents for financial results:	Yes
Financial results briefing:	Yes (for securities analysts, institutional investors and media representatives)

(Yen in millions, rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Result of operations (Consolidated) (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	%
Fiscal year ended March 2023	20,004	24.9	1,724	400.0	1,844	233.1	1,212	26.5
Fiscal year ended March 2022	16,011	20.2	344	-	553	687.7	958	-

Note: Comprehensive income

Fiscal year ended March 31, 2023: 1,044 million yen (yoy 0.2%)

Fiscal year ended March 31, 2022: 1,042 million yen (yoy - %)

	Earnings per share	Diluted EPS	Return on equity	Return on asset (ROA)	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2023	135.11	-	24.4	15.2	8.6
Fiscal year ended March 2022	100.02	-	21.8	5.5	2.2

Reference: Share of profit (loss) of entities accounted for using equity method

Fiscal year ended March 31, 2023: 21 million yen

Fiscal year ended March 31, 2022: 68 million yen

(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	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	12,912	5,691	44.1	609.63
As of March 31, 2022	11,378	4,233	37.1	484.26

Reference: Shareholders’ equity

As of March 31, 2023: 5,691 million yen

As of March 31, 2022: 4,226 million yen

(3) Consolidated cash flow

	Cash flows from operating activity	Cash flows from investing activity	Cash flows from financing activity	Increase/decrease in cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2023	1,661	0	135	4,868
Fiscal year ended March 2022	(118)	(359)	276	3,055

2. Dividends

	Annual dividends					Aggregate amount (annual)	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2022	0.00	4.00	0.00	10.00	14.00	131	14.0	3.0
Fiscal year ended March 2023	0.00	5.00	0.00	36.00	41.00	393	30.3	7.5
Fiscal year ending March 2024 (forecast)	0.00	21.00	0.00	26.00	47.00		-	

Note: 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, 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		Earnings 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

Notes:

(1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
Newly included: N.A. Excluded: N.A.

(2) 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

(3) Number of outstanding shares (common shares)
- (a) Total number of issued shares at the end of the period (including treasury shares)
  As of March 31, 2023: 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 March 31, 2023: 903,666 shares As of March 31, 2022: 1,511,719 shares
- (c) Average number of shares during the period
  Fiscal year ended March 31, 2023: 8,973,673 shares Fiscal year ended March 31, 2022: 9,582,718 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) (325,600 shares for the fiscal year ended March 2023 and 326,600 shares for the fiscal year ended March 2022). In addition, the number of the Company's shares held by the trust account regarding the stock benefit trust (BBT・J-ESOP) 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 (325,823 shares for the fiscal year ended March 2023 and 336,162 shares for the fiscal year ended March 2022).

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Result of operations (Non-consolidated) (Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2023	1,113	32.7	60	-	75	-	121	(47.5)
Fiscal year ended March 2022	838	(24.4)	(109)	-	(55)	-	232	-

	Earnings per share	Diluted EPS
	Yen	Yen
Fiscal year ended March 2023	13.58	-
Fiscal year ended March 2022	24.24	-

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

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	9,873	3,047	30.9	326.35
As of March 31, 2022	7,798	2,556	32.7	292.19

Reference: Shareholders' equity
As of March 31, 2023: 3,047 million yen
As of March 31, 2022: 2,550 million yen

* This financial report is not subject to the audit conducted 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 such as earnings forecasts shown in this report are based on information currently available and certain assumptions that the Company regards as reasonable. The Company cautions that these statements do not guarantee future achievements. Actual results of operations may differ significantly from forward-looking statements for a number of reasons. Please refer to "1. Overview of results of operations (4) Outlook for the fiscal year ending March 2024" on page 10 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

1. Overview of results of operations

(1) Overview of results of operations in the fiscal year under review

During the first half of the fiscal year, there was another wave of the pandemic in Japan but pandemic restrictions gradually eased during the second half and economic activity began to recover. However, the outlook for the economy is still unclear because of monetary tightening in the United States and other developed countries, rising prices of energy and resources due to the Ukraine crisis and other events, the high cost of many materials because of inflation, and other concerns.

In this business environment, in the information technology industry, where the Startia Group operates, there is increasing demand for cybersecurity services and improving office network infrastructure environments. Interest in cybersecurity is high because many companies started using telework and shifting business processes to digital technologies for safety during the pandemic. Cybersecurity demand is strong in the digital transformation (DX) and other sectors too. Nevertheless, companies remain cautious about IT investments because of uncertainty about the economic outlook.

In the Digital Marketing business, the Company continues 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). In order to further enhance product functions and improve service quality of digital marketing tools, we raised the price of the SaaS tool's main plan and also focused 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.

In the fiscal year under review, customers began some business activities to cope with the situation amid the COVID-19 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 MFPs (multi-function printers) and network-related equipment, both main products in the segment, kept performing favorably following the third quarter, leading to a significant increase in consolidated operating profit in the fiscal year under review.

As a result, net sales for the fiscal year under review totaled 20,004,407 thousand yen (up 24.9% from the previous fiscal year).

The cost of sales increased 25.9% to 11,549,563 thousand yen mainly because of the acquisition of a business in the IT Infrastructure segment. Selling, general and administrative expenses increased 3.6% to 6,730,743 thousand yen. This was primarily the result of a decline in advertising expenses and increases in personnel and other selling and administrative expenses because of the newly acquired business in the IT Infrastructure segment.

As a result, operating profit was 1,724,100 thousand yen (up 400.0% from the previous fiscal year).

Ordinary profit was up 233.1% to 1,844,375 thousand yen in part because of a higher profit of equity-method companies due to the strong performance of these companies. Extraordinary profit totaled 452,830 thousand yen (down 40.4% from the previous year) mainly because of a 400,071 thousand yen gain on the sales of investment securities. The Company decided to record an asset impairment loss of 350,604 thousand yen in the fourth quarter of the fiscal year under review as an extraordinary loss.

Since the fiscal year ended March 2021, the Digital Marketing business ("this business") has been moving away from the business model of prior years that relied chiefly on only the sale of products and services. This business is concentrating resources on a subscription business model in which even a small sale results in a steady revenue stream. Activities also include strengthening development operations and investing in marketing activities. As a result, sales have been increasing consistently in this business. In the fiscal year ended March 2023, an organizational unit for implementing a product led growth (PLG) strategy was established in addition to the existing sales organization centered on sales activities. Basically, this strategy involves aiming for growth by embedding sales and marketing functions in SaaS products. However, shifting people in the sales-led growth (SLG) organization to the new PLG unit raised the percentage of new employees in the SLG unit. As a result, considerable time was required to train these new people as well as for starting PLG strategy activities. Furthermore, although monthly sales of SaaS tools increased consistently, subscription model sales slowed down because of cancellations of tool options. As a result, Digital Marketing performance was below the initial plan.

In the fiscal year ending March 2024 and following years, we will continue to make the subscription model the main business of this segment. Our goals are to make the Digital Marketing segment profitable in the fiscal year ending March 2024 and to improve the profitability of this segment.

Profit before income taxes was 1,937,927 thousand yen (up 47.5% from the previous fiscal year). Income taxes paid after application of tax effect accounting were 725,470 thousand yen (up 104.1% from the previous fiscal year). As a result, net profit attributable to owners of parent was 1,212,456 thousand yen (up 26.5% from the previous fiscal year).

Business segment results were as follows:

(Digital Marketing)

The overview of the Digital Marketing segment in the fiscal year under review is as follows.

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 provide marketing consulting and operational support based on our expertise for the management of advertising and establishment of websites. By providing comprehensive support for the evolution of marketing power, together with the tools, we respond to the potential need for shifting to digitalization and provide multiple services to a single customer.

In the fiscal year under review, subscription sales were strong. One reason was an increase in MRR resulting from a 20% increase in December 2022 of monthly fees for the main plan of Cloud CIRCUS. Cross-selling involving Cloud CIRCUS and the receipt of new orders also contributed to sales. In addition, sales from one-time orders for products and services were higher due to outsourced development orders involving Cloud CIRCUS and orders for creating websites.

* Cloud CIRCUS

Area of Issue	Tools to Be Provided	Services
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 Enhancing experienced value of customers	COCOAR	AR production software
	LESSAR	AR production software for web browsers
	CrowdBooth	Online exhibition system
	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, net sales were 3,195,829 thousand yen (up 13.9% from the previous fiscal year) and the segment loss (operating loss) of 157,757 thousand yen was recorded compared with the segment loss (operating loss) of 274,219 thousand yen in the previous fiscal year.

(IT Infrastructure)

The overview of the IT Infrastructure segment in the fiscal year under review is as follows.

In the fiscal year under review, 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 by the Wakayama Contact Center and Customer Success (CS). We have established the structure composed of the 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. In addition, during the fiscal year ended March 2022, wholly owned subsidiary Startia Lead, Inc. acquired businesses, which led to consolidation of business sites and efficient allocation of maintenance personnel. These measures made a big contribution to improving productivity during the past fiscal year. One priority of sales activities is the information security needs of small and medium-size companies. Very strong customer interest in our security solutions, such as installation of our UTM (unified threat management) information security product and other network hardware, improved profitability. Furthermore, multifunction printer (MFP) sales were very strong both for direct sales and sales using our partners. As a result, sales and earnings were much higher than one year earlier.

Consequently, net sales were 16,807,948 thousand yen (up 28.0% from the previous fiscal year) and segment profit (operating profit) was 1,835,622 thousand yen (up 142.4% from the previous fiscal year).

(CVC)

The overview of the CVC segment in the fiscal year under review is as follows.

The CVC business conducted no fresh investment during the year.

Consequently, the segment reported no sales and the segment loss (operating loss) of 1,000 thousand yen compared with the segment profit (operating profit) of 46,529 thousand yen in the previous fiscal year.

(2) Overview of financial position in the fiscal year under review

(Current assets)

Current assets were 9,896,736 thousand yen at the end of the fiscal year under review, 2,131,148 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 1,813,306 thousand yen in cash and deposits, 183,240 thousand yen in inventories, 186,061 thousand yen in other assets and the decrease of 36,672 thousand yen in notes and accounts receivable-trade and contract assets.

(Non-current assets)

Noncurrent assets were 3,016,143 thousand yen at the end of the fiscal year under review, 596,942 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decrease of 637,288 thousand yen in investment securities, 176,243 thousand yen in software, 59,135 thousand yen in goodwill, 16,336 thousand yen in tools, furniture and fixtures and the increase of 261,951 thousand yen in deferred tax assets, 30,778 thousand yen in guarantee deposits.

(Current liabilities)

Current liabilities were 5,953,795 thousand yen at the end of the fiscal year under review, 272,673 thousand yen less than at the end of the previous fiscal year. This was attributable primarily to the decrease of 947,000 thousand yen in short-term borrowings and the increase of 219,712 thousand yen in current portion of long-term borrowings, 216,325 thousand yen in accrued consumption taxes, 106,643 thousand yen in accounts payable-trade, 79,886 thousand yen in income taxes payable, 34,968 thousand yen in accrued expenses.

(Non-current liabilities)

Noncurrent liabilities were 1,267,131 thousand yen at the end of the fiscal year under review, 348,047 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 336,834 thousand yen in long-term borrowings, 22,659 thousand yen in provision for share awards and the decrease of 17,012 thousand yen in deferred tax liabilities.

(Net assets)

Net assets were 5,691,952 thousand yen at the end of the fiscal year under review, 1,458,832 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase in retained earnings due to the profit attributable to owners of parent of 1,212,456 thousand yen, disposal of treasury stock of 666,504 thousand yen and the decrease in retained earnings due to dividends from surplus of 135,829 thousand yen, the decrease of 112,929 thousand yen in retained earnings due to a decrease in the number of companies accounted for by the equity method, 167,538 thousand yen in valuation difference on available-for-sale securities due to decline in market value of investment securities.

(3) Overview of the cash flows in the fiscal year under review

Cash and cash equivalents (“cash”) were 4,868,599 thousand yen at the end of the fiscal year under review, 1,813,306 thousand yen (59.3%) more than at the end of the previous fiscal year.

An overview of the cash flows by category in the fiscal year under review is as follows.

1) Cash flows from operating activities

Net cash provided by operating activities was 1,661,684 thousand yen, compared with 118,772 thousand yen used in the previous fiscal year. Major sources of cash were profit before income taxes of 1,937,927 thousand yen, depreciation of 474,794 thousand yen and impairment losses of 350,604 thousand yen. The primary use of cash was 987,071 thousand yen for income taxes paid and gain on sales of investment securities of 400,071 thousand yen.

2) Cash flows from investing activities

Net cash provided by investing activities was 227 thousand yen compared with 359,266 thousand yen used in the previous fiscal year. Major source of cash was 494,612 thousand yen generated from sales of investment securities and proceeds of 230,000 thousand yen from the sale of shares of subsidiary and associates. The primary uses of cash were 686,911 thousand yen for acquiring non-current assets and 61,176 thousand yen for payments for guarantee deposits.

3) Cash flows from financing activities

Net cash provided in financing activities was 135,238 thousand yen (down 51.1% from the previous fiscal year). Major source of cash was 1,200,000 thousand yen from short-term borrowings, 1,500,000 thousand yen from long-term borrowings and 665,988 thousand yen of proceeds from disposal of treasury shares resulting from exercise of share acquisition rights. The primary uses of cash were 2,147,000 thousand yen for repayment of short-term borrowings, 943,454 thousand yen for repayment of long-term borrowings and 135,829 thousand yen for dividends paid.

(4) Outlook for the fiscal year ending March 2024

The Startia Group has been operating its businesses to achieve the targets of the “Medium-Term Management Plan, ‘NEXT’S 2025‘” (the "Medium-Term Management Plan"), announced on May 15, 2020, a five-year plan from the fiscal year ended March 2021. Under the Medium-Term Management Plan, we have been developing DX in our businesses and services and promoting DX in our internal business environment to improve productivity by increasing operational efficiency. However, we have made revisions to the last two years of the current medium-term plan, which are the fiscal years ending March 2024 and March 2025 because the current business climate differs greatly from when the plan was created. The high cost of electricity and shortages of semiconductors and other components are two significant changes. Furthermore, the impact of the pandemic was far greater than anticipated because we originally assumed the crisis would end by around September 2020. (More information is in the release dated May 12, 2023 titled “Notice of Revisions to the “NEXT’S 2025” Medium-term Management Plan.”)

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, the goal is organic growth backed by M&A to increase the number of customers and by promoting alliances with other companies. We will continue to place priority on M&A and alliances in the fiscal year ending March 2024 and afterward.

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).

Following is the segment-by-segment plans.

(Digital Marketing)

In the Digital Marketing business, the Group will continue to expand sales of “Cloud Circus,” a group of SaaS tools that is a comprehensive digital marketing service by which the user can use our multiple software products for corporate uses, such as COCOAR and BowNow, at fixed prices.

By using Cloud Circus, customer companies are able to do marketing automation, namely, automated sales promotion that adds AR devices on paper media, such as posters, to guide viewers to their websites, measures the browsing history on the websites, finds promising customers who are interested in their products and services, and sends e-mails to them based on scenarios fit for their interests.

We are working even harder for the expansion of sales using partner companies too. In September 2022, we linked our “BowNow” marketing automation tool with the “kintone” workplace platform of Cybozu, Inc. Other partnership activities include a customer referral contract with Otsuka Corporation in October 2022 and a distributor agreement with SB C&S Corp. in February 2023. There have also been several measures to enlarge our product lineup. In October 2022, we began operating “fancity,” a non-fungible token (NFT) marketplace specializing in the anime sector. In December, we started providing the Metabadge, a consulting service for the planning and production of NFT community services. In February 2023, we launched “LP Builder powered by Slideflow,” which converts PowerPoint files into websites.

New functions will be added in order to enlarge the Cloud CIRCUS product lineup and make tools more effective. These measures will be accompanied by more data linkage between Cloud CIRCUS tools in order to improve ease of use, such as by providing a unified UI/UX. We believe these activities will provide greater convenience for users, attract new customers and increase cross-selling. Preventing cancelations is another goal. By using these measures, our goal is to make this segment profitable beginning in the fiscal year ending in March 2024 and achieve earnings growth in the following years.

(IT Infrastructure)

In the IT Infrastructure business, M&A and business acquisitions will continue as in prior years to serve a broader range of customers. In addition, we will ensure that all executives and employees have a firm commitment to the mission of this business, which is “supporting the sound growth and sustainability of our customers’ businesses.” This business is also dedicated to the vision of “creating big opportunities as an organization that has a positive influence on the operations of small and medium-size companies.”

In the fiscal year ending March 2024, we again plan to continue strengthening ties between marketing operations and the Wakayama Contact Center for the cross-selling of major products and higher productivity. Furthermore, by further reinforcing ties with all sales departments, we plan to boost the productivity of sales operations and improve customer satisfaction.

(CVC)
In the fiscal year ending March 2024 as before, the business will focus on the support for growth of the existing investee companies and exit from the investments.

(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. Basic idea for adoption of accounting standards

In preparing its consolidated financial statements, the Company Group adopts the Japanese accounting standards for the time being, considering comparability from period to period and among companies.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(thousand yen)

	FY 2021 (As of March 31, 2022	FY 2022 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	3,055,293	4,868,599
Notes and accounts receivable-trade and contract assets	3,365,623	3,328,950
Operational investment securities	108,852	118,760
Inventories	585,240	768,481
Other	802,644	988,705
Allowance for doubtful accounts	(152,067)	(176,761)
Total current assets	7,765,587	9,896,736
Non-current assets		
Property, plant and equipment		
Buildings	246,850	267,848
Accumulated depreciation	(121,364)	(131,148)
Buildings, net	125,486	136,699
Vehicles	23,110	22,720
Accumulated depreciation	(17,874)	(19,282)
Vehicles, net	5,235	3,437
Tools, furniture and fixtures	352,757	334,295
Accumulated depreciation	(250,529)	(248,403)
Tools, furniture and fixtures, net	102,228	85,891
Land	—	252
Other	600	600
Accumulated depreciation	(600)	(600)
Other, net	0	0
Total property, plant and equipment	232,949	226,282
Intangible assets		
Goodwill	450,705	391,569
Software	1,131,615	955,371
Other	7,513	6,183
Total intangible assets	1,589,834	1,353,124
Investments and other assets		
Investment securities	1,003,209	365,921
Deferred tax assets	379,909	641,860
Guarantee deposits	258,983	289,762
Other	148,198	139,192
Total investments and other assets	1,790,301	1,436,736
Total non-current assets	3,613,085	3,016,143
Total assets	11,378,673	12,912,879

(thousand yen)

	FY 2021 (As of March 31, 2022	FY 2022 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,502,986	1,609,630
Shor-term borrowings	1,847,000	900,000
Current portion of long-term borrowings	866,532	1,086,244
Accounts payable-other	541,410	515,532
Accrued expenses	248,949	283,918
Income taxes payable	596,618	676,504
Accrued consumption taxes	103,195	319,520
Advances received	157,357	156,499
Provision for bonuses	289,887	323,296
Provision for share awards	—	20,846
Provision for share awards for directors (and other officers)	—	3,302
Other	72,532	58,500
Total current liabilities	6,226,469	5,953,795
Non-current liabilities		
Long-term borrowings	815,872	1,152,706
Provision for share awards	58,713	81,372
Provision for share awards for directors (and other officers)	20,013	26,406
Deferred tax liabilities	20,934	3,921
Other	3,551	2,725
Total non-current liabilities	919,084	1,267,131
Total liabilities	7,145,553	7,220,926
NET ASSETS		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	903,459	905,814
Retained earnings	3,725,483	4,689,182
Treasury shares	(1,468,600)	(802,152)
Total shareholders' equity	3,984,658	5,617,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	242,331	74,792
Total accumulated other comprehensive income	242,331	74,792
Share acquisition rights	6,130	—
Total net assets	4,233,119	5,691,952
Total liabilities and net assets	11,378,673	12,912,879

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(thousand yen)

	FY 2021 (April 1, 2021 – March 31, 2022)	FY 2022 (April 1, 2022– March 31, 2023)
Net sales	16,011,043	20,004,407
Cost of sales	9,171,092	11,549,563
Gross profit	6,839,951	8,454,844
Selling, general and administrative expenses	6,495,144	6,730,743
Operating profit	344,806	1,724,100
Non-operating income		
Gain on forgiveness of consumption taxes	20,327	59,962
Foreign exchange gains	10,505	16,156
Share of profit of entities accounted for using equity method	68,041	21,190
Subsidy income	32,846	15,271
Gain on investments in investment partnerships	51,769	2,957
Other	39,803	23,951
Total non-operating income	223,293	139,489
Non-operating expenses		
Interest expenses	7,833	12,029
Loss on investments in investment partnerships	102	—
Settlement payments	1,920	661
Non-deductible consumption tax	3,725	5,460
Other	752	1,063
Total non-operating expenses	14,332	19,214
Ordinary profit	553,766	1,844,375
Extraordinary income		
Gain on sales of investment securities	343,539	400,071
Gain on sales of shares of subsidiaries and associates	416,552	52,759
Total extraordinary income	760,091	452,830
Extraordinary losses		
Loss on change in equity	—	8,675
Impairment losses	—	350,604
Total extraordinary losses	—	359,279
Profit before income taxes	1,313,858	1,937,927
Income taxes-current	665,275	927,484
Income taxes-deferred	(309,870)	(202,013)
Total income taxes	355,404	725,470
Profit (loss)	958,454	1,212,456
Profit (loss) attributable to owners of parent	958,454	1,212,456

Consolidated statements of comprehensive income

(thousand yen)

	FY 2021 (April 1, 2021 – March 31, 2022)	FY 2022 (April 1, 2022 – March 31, 2023)
Profit (loss)	958,454	1,212,456
Other comprehensive income		
Valuation difference on available-for-sale securities	83,938	(167,538)
Total other comprehensive income	83,938	(167,538)
Comprehensive income	1,042,392	1,044,918
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,042,392	1,044,918

(3) Consolidated statements of changes in equity

FY 2021 (April 1, 2021 – March 31, 2022)

(thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	824,315	903,459	2,879,596	(188,503)	4,418,868
Changes of items during period					
Dividends of surplus			(112,643)		(112,643)
Profit (loss) attributable to owners of parent			958,454		958,454
Purchase of treasury shares				(1,300,018)	(1,300,018)
Disposal of treasury shares				19,921	19,921
Changes in the scope of consolidation or equity method			76		76
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	845,886	(1,280,097)	(434,210)
Balance at end of current period	824,315	903,459	3,725,483	(1,468,600)	3,984,658

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	158,392	158,392	–	4,577,261
Changes of items during period				
Dividends of surplus				(112,643)
Profit (loss) attributable to owners of parent				958,454
Purchase of treasury shares				(1,300,018)
Disposal of treasury shares				19,921
Changes in the scope of consolidation or equity method				76
Net changes of items other than shareholders' equity	83,938	83,938	6,130	90,068
Total changes of items during period	83,938	83,938	6,130	(344,141)
Balance at end of current period	242,331	242,331	6,130	4,233,119

FY 2022 (April 1, 2022 – March 31, 2023)

(thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	824,315	903,459	3,725,483	(1,468,600)	3,984,658
Changes of items during period					
Dividends of surplus			(135,829)		(135,829)
Profit (loss) attributable to owners of parent			1,212,456		1,212,456
Purchase of treasury shares				(57)	(57)
Disposal of treasury shares		2,355		666,504	668,860
Changes in the scope of consolidation or equity method			(112,929)		(112,929)
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	2,355	963,698	666,447	1,632,501
Balance at end of current period	824,315	905,814	4,689,182	(802,152)	5,617,159

	Accumulated other comprehensive income		Share Acquisition Rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	242,331	242,331	6,130	4,233,119
Changes of items during period				
Dividends of surplus				(135,829)
Profit (loss) attributable to owners of parent				1,212,456
Purchase of treasury shares				(57)
Disposal of treasury shares				668,860
Changes in the scope of consolidation or equity method				(112,929)
Net changes of items other than shareholders' equity	(167,538)	(167,538)	(6,130)	(173,668)
Total changes of items during period	(167,538)	(167,538)	(6,130)	1,458,832
Balance at end of current period	74,792	74,792	–	5,691,952

(4) Consolidated statements of cash flows

(thousand yen)

	FY 2021 (April 1, 2021 – March 31, 2022)	FY 2022 (April 1, 2022 – March 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	1,313,858	1,937,927
Depreciation	282,088	474,794
Impairment losses	—	350,604
Amortization of goodwill	34,631	59,135
Increase (decrease) in allowance for doubtful accounts	23,847	24,694
Increase (decrease) in provision for bonuses	70,899	33,408
Increase (decrease) in provision for bonuses for directors (and other officers)	(11,748)	—
Increase (decrease) in provision for share awards	1,692	43,506
Increase (decrease) in provision for share awards for directors (and other officers)	7,631	9,694
Interest and dividend income	(12,644)	(11,521)
Interest expenses	7,833	12,029
Foreign exchange losses (gains)	(10,505)	(16,156)
Share of loss (profit) of entities accounted for using equity method	(68,041)	(21,190)
Loss (gain) on sales of investment securities	(343,539)	(400,071)
Loss (gain) on sales of shares of subsidiaries and associates	(416,552)	(52,759)
Loss (gain) on investments in investment partnerships	(51,666)	(2,957)
Loss (gain) on change in equity	—	8,675
Decrease (increase) in notes and accounts receivable–trade	(1,034,168)	36,672
Decrease (increase) in inventories	(396,933)	(183,240)
Decrease (increase) in investment securities for sale	22,541	—
Increase (decrease) in notes and accounts payable-trade	600,566	106,643
Increase (decrease) in accounts payable-other	64,803	28,125
Increase (decrease) in accrued consumption taxes	(33,514)	216,325
Subsidy income	(32,846)	(15,271)
Other	(109,025)	(16,871)
Subtotal	(90,789)	2,622,197
Interest and dividend income received	11,080	13,046
Interest expenses paid	(8,029)	(11,899)
Income taxes paid	(132,226)	(987,071)
Income taxes refund	68,344	10,138
Proceeds from subsidy income	32,846	15,271
Net cash provided by (used in) operating activities	(118,772)	1,661,684
Cash flows from investing activities		
Purchase of non-current assets	(734,490)	(686,911)
Purchase of investment securities	(32,975)	(1,594)
Proceeds from sales of investment securities	505,771	494,612
Proceeds from sale of shares of subsidiaries and associates	—	230,000
Payment for investments in capital of subsidiaries and associates	(53,900)	—
Payments for acquisition of businesses	(529,262)	—
Proceeds from distributions from investment partnerships	46,785	12,994

(thousand yen)

	FY 2021 (April 1, 2021 – March 31, 2022)	FY 2022 (April 1, 2022 – March 31, 2023)
Proceeds from return of capital from investment partnerships	15,978	2,705
Payments for guarantee deposits	(32,517)	(61,176)
Proceeds from collection of guarantee deposits	5,576	19,431
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	453,900	—
Other	(4,131)	(9,833)
Net cash provided by (used in) investing activities	(359,266)	227
Cash flows from financing activities		
Proceeds from short-term borrowings	1,847,000	1,200,000
Repayments of short-term borrowings	—	(2,147,000)
Proceeds from long-term borrowings	650,000	1,500,000
Repayments of long-term borrowings	(855,970)	(943,454)
Purchase of treasury shares	(1,300,018)	(57)
Proceeds from disposal of treasury shares	40,310	191
Cash dividends paid	(112,643)	(135,829)
Proceeds from issuance of share acquisition rights	6,130	—
Proceeds from disposal of treasury shares resulting from exercise of share acquisition rights	—	665,988
Payments for purchase and cancellation of share acquisition rights	—	(3,774)
Other	1,923	(826)
Net cash provided by (used in) financing activities	276,731	135,238
Effect of exchange rate change on cash and cash equivalents	10,505	16,156
Net increase (decrease) in cash and cash equivalents	(190,802)	1,813,306
Cash and cash equivalents at beginning of period	3,245,235	3,055,293
Increase in cash and cash equivalents resulting from new consolidation of subsidiaries	859	—
Cash and cash equivalents at end of period	3,055,293	4,868,599

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

None

(Consolidated Statement of Income)

Impairment loss

The Startia Group recorded an impairment loss on the following assets in the fiscal year ended March 2023.

Application	Category	Impairment loss (thousand yen)
Digital Marketing	Software	350,604
	Total	350,604

Asset groupings are based on categories used for management accounting. For assets for disposal and idle assets not used for business activities, judgments and measurements concerning the recognition of an impairment loss are made for individual assets.

In the fiscal year ended March 2023, based on the Accounting Standard for the Impairment of Fixed Assets, an impairment loss of 350,604 thousand yen was recognized for some software in the Digital Marketing business due to indications of the need for impairment following an examination of prospects for recovering the value of these assets.

Since the fiscal year ended March 2021, the Digital Marketing business has been moving away from the business model of prior years that relied chiefly on only the sale of products and services. This business is concentrating resources on a subscription business model in which even a small sale results in a steady revenue stream. Activities also include strengthening development operations and investing in marketing activities. As a result, sales have been increasing consistently in this business. In the fiscal year ended March 2023, an organizational unit for implementing a product led growth (PLG) strategy was established in addition to the existing sales organization centered on sales activities. Basically, this strategy involves aiming for growth by embedding sales and marketing functions in SaaS products. However, shifting people in the sales-led growth (SLG) organization to the new PLG unit raised the percentage of new employees in the SLG unit. As a result, considerable time was required to train these new people as well as for starting PLG strategy activities. Furthermore, although monthly sales of SaaS tools increased consistently, subscription model sales slowed down because of cancellations of tool options. As a result, Digital Marketing performance was below the initial plan.

In the fiscal year ending March 2024 and following years, we will continue to make the subscription model the main business of this segment. Our goals are to make the Digital Marketing segment profitable in the fiscal year ending March 2024 and to improve the profitability of this segment.

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

(1) Method for determining reportable segments

The Group's reportable segments are units for which segregated financial data is available and which are regularly reviewed by the Board of Directors in determining resource allocation and in evaluating business performance.

The Company Group adopts a holding company structure. The Company's functions include establishing the Group's overall management strategy and conducting business administration of each business company, which engages in flexible operations in handling its own products and services.

Accordingly, the Group is comprised of the segments by products and services based on the business companies. We have the following three reportable segments: Digital Marketing, IT Infrastructure and CVC.

(2) Types of products and services in each reportable segment

In the Digital Marketing business, we provide "Cloud Circus," a comprehensive digital marketing service, e-book production software "ActiBook," and "ActiBook AR COCOAR," which enables customers to apply easy e-book production using ActiBook to AR, and engage in the planning, development and sale of web applications, centered on "CMS Blue Monkey" and "Plusdb." We also provide total solutions related to web applications with the aim of increasing sales and improving operational efficiency of customers, such as web production, consulting to boost access counts and entrusted system development and customization.

The "IT Infrastructure" segment provides comprehensive network integrations that meet client company needs and the paces of their growth and system integrations such as cloud technologies. It aims to provide total solutions that combine sales of network equipment and services. It extends from business phone, multi-function printers, and counter fee-based services to leverage the Group's many years of experience in selling information and communications equipment and arranging ISP lines to focus on proposing and selling office layouts that factor in local area networks and other aspects of communications environments. We also generate incentive revenues from telecommunications carrier by handling telephone line arrangements and subscription registrations on their behalves.

The Corporate Venture Capital (CVC) business invests in IT venture companies that try to create new businesses with brand-new ideas and innovative technologies. It also supports growth of the investment targets by using the Group's management resources, such as its customer base and IT solutions capabilities. It also aims to generate new enterprise value by triggering innovations within the Group through the capital alliances with the investment targets.

2. Method for calculating the net sales, profit or loss, assets, liabilities or other data for each reportable segment

The accounting method for the reportable business segments is generally same with that adopted in making the consolidated income statements.

Reportable segment profit is on an operating profit basis.

Intersegment sales and transfers are based on prevailing market prices.

3. Net sales, profit or loss, asset, liability and other data, and revenue breakdown in each reportable segment
Previous fiscal year (from April 1, 2021 to March 31, 2022)

(thousand yen)

	Reportable segments				Other Businesses (note 1)
	Digital Marketing	IT Infrastructure	CVC	Total	
Net sales					
Goods that are transferred at a point in time	828,252	7,241,457	70,070	8,139,780	—
Goods that are transferred over a certain period of time	1,976,681	5,894,340	—	7,871,021	—
Revenue that is generated from contracts with customers	2,804,934	13,135,797	70,070	16,010,802	—
Sales to external customers	2,804,934	13,135,797	70,070	16,010,802	—
Inter-segment sales and transfers	12,155	28,109	—	40,264	—
Total	2,817,089	13,163,906	70,070	16,051,067	—
Segment profit (loss)	(274,219)	757,351	46,529	529,662	(2,748)
Segment assets	1,890,714	5,856,855	108,852	7,856,423	8,893
Other					
Depreciation and amortization	150,050	79,809	—	229,860	—
Amortization of goodwill	—	34,631	—	34,631	—
Increase in property, plant and equipment and intangible assets	644,648	26,087	—	670,735	—

	Total	Adjustment (note 2, 4, 5, 6)	Amounts in consolidated financial statements (note 3)
Net sales			
Goods that are transferred at a point in time	8,139,780	241	8,140,022
Goods that are transferred over a certain period of time	7,871,021	—	7,871,021
Revenue that is generated from contracts with customers	16,010,802	241	16,011,043
Sales to external customers	16,010,802	241	16,011,043
Inter-segment sales and transfers	40,264	(40,264)	—
Total	16,051,067	(40,023)	16,011,043
Segment profit (loss)	526,913	(182,107)	344,806
Segment assets	7,865,317	3,513,356	11,378,673
Other			
Depreciation and amortization	229,860	52,228	282,088
Amortization of goodwill	34,631	—	34,631
Increase in property, plant and equipment and intangible assets	670,735	49,082	719,818

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 on the consolidated statement of income.
4. Within segment assets, 3,513,356 thousand yen of companywide assets are included in the adjustments item. This consists mainly of cash and deposits that are not attributable to any reportable segment, as well as companywide assets that cannot be allocated to any reportable segment.

5. The 52,228 thousand yen adjustment to depreciation and amortization expenses represents companywide expenses that cannot be allocated to any reportable segment.

6. The 49,082 thousand yen adjustment to the increase in property, plant and equipment and intangible assets consists mainly of investment in companywide assets.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

(thousand yen)

	Reportable segments				Other Businesses (note 1)
	Digital Marketing	IT Infrastructure	CVC	Total	
Net sales					
Goods that are transferred at a point in time	900,175	8,957,483	–	9,857,658	–
Goods that are transferred over a certain period of time	2,295,653	7,850,464	–	10,146,118	–
Revenue that is generated from contracts with customers	3,195,829	16,807,948	–	20,003,777	–
Sales to external customers	3,195,829	16,807,948	–	20,003,777	–
Inter-segment sales and transfers	11,257	47,479	–	58,736	–
Total	3,207,086	16,855,427	–	20,062,513	–
Segment profit (loss)	(157,757)	1,835,622	(1,000)	1,676,864	(5,095)
Segment assets	1,740,857	6,013,670	118,760	7,873,287	4,817
Other					
Depreciation and amortization	335,064	91,236	–	426,301	–
Amortization of goodwill	–	59,135	–	59,135	–
Increase in property, plant and equipment and intangible assets	493,178	59,256	–	552,434	–

	Total	Adjustment (note 2, 4, 5, 6)	Amounts in consolidated financial statements (note 3)
Net sales			
Goods that are transferred at a point in time	9,857,658	630	9,858,288
Goods that are transferred over a certain period of time	10,146,118	–	10,146,118
Revenue that is generated from contracts with customers	20,003,777	630	20,004,407
Sales to external customers	20,003,777	630	20,004,407
Inter-segment sales and transfers	58,736	(58,736)	–
Total	20,062,513	(58,106)	20,004,407
Segment profit (loss)	1,671,768	52,332	1,724,100
Segment assets	7,878,105	5,034,774	12,912,879
Other			
Depreciation and amortization	426,301	48,493	474,794
Amortization of goodwill	59,135	–	59,135
Increase in property, plant and equipment and intangible assets	552,434	80,473	632,907

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 on the consolidated statement of income.

4. Within segment assets, 5,034,774 thousand yen of companywide assets are included in the adjustments item. This consists mainly of cash and deposits that are not attributable to any reportable segment, as well as companywide assets that cannot be allocated to any reportable segment.

5. The 48,493 thousand yen adjustment to depreciation and amortization expenses represents companywide expenses that

cannot be allocated to any reportable segment.

6. The 80,473 thousand yen adjustment to the increase in property, plant and equipment and intangible assets consists mainly of investment in companywide assets.

4. Impairment losses on non-current assets for reportable segments

Previous fiscal year (from April 1, 2021 to March 31, 2022)

None

Fiscal year under review (from April 1, 2022 to March 31, 2023)

(thousand yen)

	Digital Marketing	IT Infrastructure	CVC	Other	Adjustment	Total
Impairment loss	350,604	—	—	—	—	350,604

(Per-share information)

(yen)

	FY 2021 (For the year ended March 31, 2022)	FY 2022 (For the year ended March 31, 2023)
Net assets per share	484.26	609.63
Profit (loss) per share	100.02	135.11

Notes: 1. Diluted profit per share is not shown because there are no latent shares with a dilutive effect.

2. The basis for calculating profit (loss) per share is as follows.

Item	FY 2021 (For the year ended March 31, 2022)	FY 2022 (For the year ended March 31, 2023)
Profit (loss) per share		
Profit (loss) attributable to owners of parent (thousand yen)	958,454	1,212,456
Profit not attributable to common shareholders (thousand yen)	—	—
Profit (loss) attributable to owners of parent related to common stock (thousand yen)	958,454	1,212,456
Average number of outstanding shares of common stock during the fiscal year (shares)	9,582,718	8,973,673
Outline of latent shares not included in the calculation of diluted profit per share due to the absence of dilutive effect	Share acquisition rights by resolution of the Board of Directors on December 20, 2021 15,800 Series 6 share acquisition rights (1,580,000 shares of common stock)	—

3. The basis for calculating net assets per share is as follows.

	FY 2021 (For the year ended March 31, 2022)	FY 2022 (For the year ended March 31, 2023)
Total net assets (thousand yen)	4,233,119	5,691,952
Amount deducted from total net assets (thousand yen)	6,130	—
(of which share acquisition rights) (thousand yen)	(6,130)	—
Net assets attributable to common stock at end of the fiscal year (thousand yen)	4,226,989	5,691,952
Number of shares of common stock used as the basis of calculating net assets per share (shares)	8,728,681	9,336,734

4. Shares of the Company’s stock remaining in trust recorded as treasury shares under shareholders’ equity are included under treasury shares excluded from calculations of the average number of shares during the fiscal year for the purposes of calculating net income (loss) per share and are included under treasury shares excluded from total shares issued and

outstanding at the end of the fiscal year for the purposes of calculating net assets per share.
The average number of shares of such treasury shares excluded from calculations of net income (loss) per share during the fiscal year was 336,162 shares for the previous fiscal year and 325,823 shares for the fiscal year under review. The number of shares of such treasury shares excluded from calculations of net assets per share at the end of the fiscal year was 326,600 shares for the previous fiscal year and 325,600 shares for the fiscal year under review.

(Important Subsequent Event)
None