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May 15, 2024

Summary of Consolidated Financial Results for the Year Ended March 31, 2024 [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 21, 2024 (tentative)
 Date of commencement of dividend payment: June 24, 2024 (tentative)
 Date of filing of securities report: June 21, 2024 (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, 2024 (April 1, 2023 – March 31, 2024)

(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 2024	19,571	(2.2)	2,282	32.4	2,253	22.2	1,546	27.5
Fiscal year ended March 2023	20,004	24.9	1,724	400.0	1,844	233.1	1,212	26.5

Note: Comprehensive income

Fiscal year ended March 31, 2024: 1,612 million yen (yoy 54.4%)

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

	Profit per share	Diluted profit per share	Return on equity	Return on asset (ROA)	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2024	165.32	-	24.8	16.3	11.7
Fiscal year ended March 2023	135.11	-	24.4	15.2	8.6

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

Fiscal year ended March 31, 2024: (32) million yen

Fiscal year ended March 31, 2023: 21 million yen

(Note) Diluted profit per share for 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 fiscal year ended March 31, 2024 is not shown because there are no latent shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	14,689	6,818	46.2	724.31
As of March 31, 2023	12,912	5,691	44.1	609.63

Reference: Shareholders' equity

As of March 31, 2024: 6,786 million yen

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

(3) Consolidated cash flow

	Cash flows from operating activity	Cash flows from investing activity	Cash flows from financing activity	Cash and cash equivalents at end of FY
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2024	2,523	(495)	447	7,366
Fiscal year ended March 2023	1,661	0	135	4,868

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 2023	0.00	5.00	0.00	36.00	41.00	393	30.3	7.5
Fiscal year ended March 2024	0.00	21.00	0.00	48.00	69.00	694	41.7	10.3
Fiscal year ending March 2025 (forecast)	0.00	46.00	0.00	51.00	97.00		55.1	

Note: Breakdown of the year-end dividend for the fiscal year ended March 2024

Ordinary dividend: 37.00 yen

Commemorative dividend: 11.00 yen

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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	10,520	6.2	1,200	(7.0)	1,200	(8.4)	792	(6.9)	84.53
Full year	21,200	8.3	2,500	9.5	2,500	10.9	1,650	6.7	176.10

***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 issued shares (common shares)
 - (a) Total number of issued shares at the end of the period (including treasury shares)
As of March 31, 2024: 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 March 31, 2024: 870,770 shares As of March 31, 2023: 903,666 shares
 - (c) Average number of shares during the period
Fiscal year ended March 31, 2024: 9,353,205 shares Fiscal year ended March 31, 2023: 8,973,673 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 fiscal year ended 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 fiscal year ended March 31, 2024, 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 530,979 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 fiscal year ended March 31, 2023, the Company's shares held by the trust account regarding the stock benefit trust (BBT • J-ESOP and J-ESOP-RS), totaling 325,823 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.

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(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 2024	3,815	242.7	2,614	-	2,582	-	2,578	-
Fiscal year ended March 2023	1,113	32.7	60	-	75	-	121	(47.5)

	Profit per share	Diluted profit per share
	Yen	Yen
Fiscal year ended March 2024	275.72	-
Fiscal year ended March 2023	13.58	-

(Note) Diluted profit per share for 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 fiscal year ended March 31, 2024 is not shown because there are no latent shares.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	11,580	5,071	43.8	541.27
As of March 31, 2023	9,873	3,047	30.9	326.35

Reference: Shareholders' equity

As of March 31, 2024: 5,071 million yen

As of March 31, 2023: 3,047 million yen

* This financial 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 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 2025" 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

In the fiscal year under review, economic activities in Japan remained uncertain due to the unstable situation of overseas economies, such as the continued monetary tightening in the United States and other developed countries, the continued weakening of the Japanese yen, and the geopolitical risks like the prolonged Ukraine crisis and the conflict in the Middle East, which are risks that put downward pressure on the Japanese economy, and the outlook remains uncertain.

In this business environment, the IT Infrastructure business in our Group 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 addition, BUSINESS SERVICE CO., LTD., which became a consolidated subsidiary of the Company in October 2023, showed a strong start-up. All of these led to the establishment of a more stable customer base and revenue base through both organic growth and M&A-led growth.

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. In particular, in the fiscal year under review, we were able to build up a customer base and structure, with which we can grow business without large investments in development and advertising, and as planned, we were able to turn the segment profitable and lay the foundation for further profitability as a subscription model.

As a result, net sales for the fiscal year under review totaled 19,571,506 thousand yen (down 2.2% from the previous fiscal year).

The cost of sales decreased 10.0% yoy to 10,394,822 thousand yen mainly due to a significant cost reduction in the IT Infrastructure business due to a decline in power procurement costs.

Selling, general and administrative expenses increased 2.4% yoy to 6,893,941 thousand yen. This was mainly due to an increase in selling, general, and administrative expenses, including personnel expenses, while expenses from advertising investments decreased.

As a result, operating profit was 2,282,741 thousand yen (up 32.4% from the previous fiscal year).

Ordinary profit was 2,253,302 thousand yen (up 22.2% from the previous year), albeit investment loss on equity method and loss on retirement of non-current assets.

In the fiscal year under review, the Company recorded an extraordinary gain from the sale of investment securities held, and an extraordinary loss from a loss on valuation of investment securities held and an impairment loss in the IT infrastructure business.

Profit before income taxes was 2,295,546 thousand yen (up 18.5% from the previous fiscal year). Income taxes paid after application of tax effect accounting were 750,689 thousand yen (up 3.5% from the previous fiscal year). As a result, net profit attributable to owners of parent was 1,546,277 thousand yen (up 27.5% 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 customers and turning potential customers 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 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, the fan marketing tool "Metabadge" newly implemented a voting function on its management screen, enabling customers to create their own voting content and analyze their measures. In addition, the marketing automation tool "BowNow" began to provide a service that enables e-mail generation using ChatGPT, which significantly reduces the work time of e-mail marketers and increases their labor productivity.

Furthermore, to strengthen partner sales, we concluded a "Three-way Business Alliance for Supporting DX at SMEs" with The Fukushima Bank, Ltd. and TOHOKU COPY SALE for the purpose of providing digital transformation support to SMEs in the Tohoku region as well as in Tochigi, Ibaraki and Saitama Prefectures.

In the fiscal year under review, the addition of the above functions, continuous strengthening of sales channels, and an increase in MRR (monthly recurring revenue) due to the increase in monthly fees for some Cloud CIRCUS plans in March 2024 resulted in strong sales in the subscription model. Furthermore, one-time revenues also increased due to increased outsourcing orders for Cloud CIRCUS-related contracted development and growth in web production.

Consequently, net sales were 3,510,543 thousand yen (up 9.8% from the previous fiscal year) and the segment profit (operating profit) of 292,143 thousand yen was recorded compared with the segment loss (operating loss) of 157,757 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.

As for the IT Infrastructure segment, in the electric power retailing business, 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, through the fiscal year under review. 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. Still, gross profit on power sales was in line with the internal plan. In addition, BUSINESS SERVICE CO., LTD. became a consolidated subsidiary of the Group in October 2023, and the IT infrastructure business was acquired from

Marusho Jimuki in November 2023, contributing to the expansion of sales of MFPs. Partner sales of MFPs were also strong, while sales of business phones and network-related equipment fared well, resulting in increased sales and profits in the segment.

Consequently, net sales were 16,057,436 thousand yen (down 4.5% from the previous fiscal year) and segment profit (operating profit) was 1,891,081 thousand yen (up 3.0% from the previous fiscal year).

(CVC)

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

In the CVC business, we invested in K&P Partners No. 4 Investment Limited Partnership.

Consequently, net sales were 3,107 thousand yen (no net sales in the previous fiscal year) and segment profit (operating profit) was 2,107 thousand yen (compared with segment loss (operating loss) of 1,000 thousand yen in the previous fiscal year).

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

(Current assets)

Current assets were 11,560,254 thousand yen at the end of the fiscal year under review, 1,663,518 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 497,970 thousand yen in cash and deposits and the decrease of 401,408 thousand yen in inventories, 364,841 thousand yen in notes and accounts receivable-trade and contract assets, and 75,466 thousand yen in other current assets.

(Non-current assets)

Noncurrent assets were 3,129,248 thousand yen at the end of the fiscal year under review, 113,105 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 72,024 thousand yen in goodwill, 45,701 thousand yen in software, 22,452 thousand yen in investment securities and the decrease of 27,947 thousand yen in deferred tax assets.

(Current liabilities)

Current liabilities were 6,135,490 thousand yen at the end of the fiscal year under review, 181,695 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 250,540 thousand yen in current portion of long-term borrowings, 200,000 thousand yen in short-term borrowings, 164,374 thousand yen in accounts payable-other, 119,784 thousand yen in provision for share awards and the decrease of 347,369 thousand yen in income taxes payable, 216,005 thousand yen in accounts payable-trade.

(Non-current liabilities)

Noncurrent liabilities were 1,735,524 thousand yen at the end of the fiscal year under review, 468,392 thousand yen more than at the end of the previous fiscal year. This was attributable primarily to the increase of 563,216 thousand yen in long-term borrowings, 13,718 thousand yen in deferred tax liabilities and the decrease of 81,372 thousand yen in provision for share awards, 26,406 thousand yen in provision for share awards for directors (and other officers).

(Net assets)

Net assets were 6,818,488 thousand yen at the end of the fiscal year under review, 1,126,535 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 1,546,277 thousand yen, 256,800 thousand yen in capital surplus and the decrease in retained earnings due to dividends from surplus of 559,152 thousand yen and the increase of 217,440 thousand yen in treasury shares.

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

Cash and cash equivalents ("cash") were 7,366,570 thousand yen at the end of the fiscal year under review, 2,497,970 thousand yen (51.3%) 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 2,523,130 thousand yen (up 51.8% from the previous fiscal year). Major sources of cash were profit before income taxes of 2,295,546 thousand yen, the decrease of 417,861 thousand yen in inventories, depreciation of 363,235 thousand yen. The primary use of cash was 1,090,634 thousand yen for income taxes paid.

2) Cash flows from investing activities

Net cash used by investing activities was 495,666 thousand yen compared with 227 thousand yen provided in the previous fiscal year. Major source of cash was 113,194 thousand yen generated from sales of investment securities. The primary uses of cash were 444,147 thousand yen for acquiring non-current assets, 108,000 thousand yen for payments for acquisition of businesses, 51,027 thousand yen for purchase of shares of subsidiaries.

3) Cash flows from financing activities

Net cash provided in financing activities was 447,171 thousand yen (up 230.7 % from the previous fiscal year). Major source of cash was 1,100,000 thousand yen from short-term borrowings and 1,900,000 thousand yen from long-term borrowings. The primary uses of cash were 900,000 thousand yen for repayment of short-term borrowings, 1,126,244 thousand yen for repayment of long-term borrowings and 559,152 thousand yen for dividends paid.

(4) Outlook for the fiscal year ending March 2025

In the fiscal year ending March 2025, the Startia Group will see the final year of the “Medium-Term Management Plan, ‘NEXT’S 2025’” (hereafter, the Medium-Term Management Plan), on which 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.

Since the fiscal year ended March 2021, we have shifted our business model to a subscription model in the Digital Marketing business, in which the revenue earned at one time from customers is small but accumulates continuously as stock, and have concentrated our management resources by making large investments in development and advertising. As a result, we were able to make the segment profitable in the fiscal year ended March 2024. We will continue to promote further profit growth by expanding sales of the Cloud CIRCUS tools through direct sales and partner development, and by promoting the use of multiple tools through cross-selling.

In the IT Infrastructure business, we have made a cumulative total of four cases of M&A (including business acquisitions) during the period from the fiscal year ended March 2021 to the fiscal year ended March 2024, contributing to the expansion of our customer base and increases in sales and profits. We will continue to promote business expansion through organic growth as well as 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 2025, we forecast consolidated net sales of 21,200 million yen (up 8.3% from the previous fiscal year), consolidated operating profit of 2,500 million yen (up 9.5% from the previous fiscal year), consolidated ordinary profit of 2,500 million yen (up 10.9% from the previous fiscal year) and profit attributable to owners of parent of 1,650 million yen (up 6.7% 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 utilize 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 concluded a customer referral agency agreement with NANGOKU CORPORATION, a general trading company based in Kagoshima Prefecture, in September 2023, and in January 2024, we entered a three-way

business alliance with The Fukushima Bank, Ltd. and TOHOKU COPY SALE, promoting partner sales in regional cities. Furthermore, in August 2023, we made a major update to the "Metabadge" fan marketing tool. In addition to NFT (Non-Fungible Token: digital data that cannot be replaced, created based on the blockchain), we implemented a number of features to increase fan engagement, such as quizzes and polls. We were able to improve customer convenience by integrating our existing products, such as "LP Builder," which achieves easy website conversion by simply uploading PowerPoint or Google Slide documents, as well as the chatbot "IZANAI" and "BowNow," with ChatGPT.

We will continue to promote data linkage between Cloud CIRCUS tools and enhance usability by unifying UI/UX, while enhancing the Cloud CIRCUS product lineup and adding new functions to increase the effectiveness of the tools, and strive to further develop new customers, improve cross-selling, and prevent churn, leading to future profit growth.

(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, that 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 2025, we will expand sales of our main products, MFPs, business phones, and network-related equipment, and strengthen our subscription-type products and services. We will promote cross-selling of these main products to improve productivity and further collaboration among all sales divisions, aiming to increase productivity of sales divisions and customer satisfaction.

(CVC)

In the fiscal year ending March 2025 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 2022 (As of March 31, 2023)	FY 2023 (As of March 31, 2024)
ASSETS		
Current assets		
Cash and deposits	4,868,599	7,366,570
Notes and accounts receivable-trade and contract assets	3,328,950	2,964,108
Operational investment securities	118,760	143,662
Inventories	768,481	367,073
Other	988,705	913,239
Allowance for doubtful accounts	(176,761)	(194,399)
Total current assets	9,896,736	11,560,254
Non-current assets		
Property, plant and equipment		
Buildings	267,848	294,072
Accumulated depreciation	(131,148)	(144,010)
Buildings, net	136,699	150,061
Vehicles	22,720	19,437
Accumulated depreciation	(19,282)	(17,147)
Vehicles, net	3,437	2,289
Tools, furniture and fixtures	334,295	373,621
Accumulated depreciation	(248,403)	(293,899)
Tools, furniture and fixtures, net	85,891	79,722
Land	252	252
Other	600	600
Accumulated depreciation	(600)	(600)
Other, net	0	0
Total property, plant and equipment	226,282	232,325
Intangible assets		
Goodwill	391,569	463,594
Software	955,371	1,001,073
Other	6,183	5,433
Total intangible assets	1,353,124	1,470,101
Investments and other assets		
Investment securities	365,921	388,374
Deferred tax assets	641,860	613,913
Guarantee deposits	289,762	305,196
Other	139,192	119,337
Total investments and other assets	1,436,736	1,426,821
Total non-current assets	3,016,143	3,129,248
Total assets	12,912,879	14,689,503

(thousand yen)

	FY 2022 (As of March 31, 2023)	FY 2023 (As of March 31, 2024)
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,609,630	1,393,625
Shor-term borrowings	900,000	1,100,000
Current portion of long-term borrowings	1,086,244	1,336,784
Accounts payable-other	515,532	679,906
Accrued expenses	283,918	303,733
Income taxes payable	676,504	329,135
Accrued consumption taxes	319,520	290,377
Advances received	156,499	125,844
Provision for bonuses	323,296	321,930
Provision for share awards	20,846	140,630
Provision for share awards for directors (and other officers)	3,302	36,130
Other	58,500	77,392
Total current liabilities	5,953,795	6,135,490
Non-current liabilities		
Long-term borrowings	1,152,706	1,715,922
Provision for share awards	81,372	—
Provision for share awards for directors (and other officers)	26,406	—
Deferred tax liabilities	3,921	17,639
Other	2,725	1,962
Total non-current liabilities	1,267,131	1,735,524
Total liabilities	7,220,926	7,871,015
NET ASSETS		
Shareholders' equity		
Share capital	824,315	824,315
Capital surplus	905,814	1,162,614
Retained earnings	4,689,182	5,676,306
Treasury shares	(802,152)	(1,019,593)
Total shareholders' equity	5,617,159	6,643,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,792	142,864
Total accumulated other comprehensive income	74,792	142,864
Non-controlling interests	—	31,980
Total net assets	5,691,952	6,818,488
Total liabilities and net assets	12,912,879	14,689,503

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(thousand yen)

	FY 2022 (April 1, 2022– March 31, 2023)	FY 2023 (April 1, 2023– March 31, 2024)
Net sales	20,004,407	19,571,506
Cost of sales	11,549,563	10,394,822
Gross profit	8,454,844	9,176,683
Selling, general and administrative expenses	6,730,743	6,893,941
Operating profit	1,724,100	2,282,741
Non-operating income		
Gain on forgiveness of consumption taxes	59,962	—
Interest income	3,146	7,998
Dividend income	8,374	6,126
Foreign exchange gains	16,156	23,334
Share of profit of entities accounted for using equity method	21,190	—
Subsidy income	15,271	9,816
Gain on investments in investment partnerships	2,957	4,465
Other	12,429	11,782
Total non-operating income	139,489	63,522
Non-operating expenses		
Interest expenses	12,029	13,287
Share of loss of entities accounted for using equity method	—	32,027
Settlement payments	661	—
Non-deductible consumption tax	5,460	10,744
Loss on retirement of non-current assets	—	33,125
Other	1,063	3,776
Total non-operating expenses	19,214	92,962
Ordinary profit	1,844,375	2,253,302
Extraordinary income		
Gain on sales of investment securities	400,071	73,337
Gain on sales of shares of subsidiaries and associates	52,759	—
Total extraordinary income	452,830	73,337
Extraordinary losses		
Loss on change in equity	8,675	—
Loss on valuation of investment securities	—	19,968
Impairment losses	350,604	11,124
Total extraordinary losses	359,279	31,093
Profit before income taxes	1,937,927	2,295,546
Income taxes-current	927,484	716,741
Income taxes-deferred	(202,013)	33,947
Total income taxes	725,470	750,689
Profit (loss)	1,212,456	1,544,857
Profit (loss) attributable to non-controlling interests	—	(1,419)
Profit (loss) attributable to owners of parent	1,212,456	1,546,277

Consolidated statements of comprehensive income

(thousand yen)

	FY 2022 (April 1, 2022– March 31, 2023)	FY 2023 (April 1, 2023– March 31, 2024)
Profit (loss)	1,212,456	1,544,857
Other comprehensive income		
Valuation difference on available-for-sale securities	(167,538)	68,072
Total other comprehensive income	(167,538)	68,072
Comprehensive income	1,044,918	1,612,929
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,044,918	1,614,349
Comprehensive income attributable to non-controlling interests	—	(1,419)

(3) Consolidated statements of changes in equity
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

FY 2023 (April 1, 2023 – March 31, 2024)

(thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	824,315	905,814	4,689,182	(802,152)	5,617,159
Changes of items during period					
Dividends of surplus			(559,152)		(559,152)
Profit (loss) attributable to owners of parent			1,546,277		1,546,277
Purchase of treasury shares				(695,668)	(695,668)
Disposal of treasury shares		256,800		478,227	735,027
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	256,800	987,124	(217,440)	1,026,483
Balance at end of current period	824,315	1,162,614	5,676,306	(1,019,593)	6,643,643

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	74,792	74,792	—	5,691,952
Changes of items during period				
Dividends of surplus				(559,152)
Profit (loss) attributable to owners of parent				1,546,277
Purchase of treasury shares				(695,668)
Disposal of treasury shares				735,027
Net changes of items other than shareholders' equity	68,072	68,072	31,980	100,052
Total changes of items during period	68,072	68,072	31,980	1,126,535
Balance at end of current period	142,864	142,864	31,980	6,818,488

(4) Consolidated statements of cash flows

(thousand yen)

	FY 2022 (April 1, 2022 – March 31, 2023)	FY 2023 (April 1, 2023 – March 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	1,937,927	2,295,546
Depreciation	474,794	363,235
Impairment losses	350,604	11,124
Amortization of goodwill	59,135	66,071
Increase (decrease) in allowance for doubtful accounts	24,694	17,637
Increase (decrease) in provision for bonuses	33,408	(1,365)
Increase (decrease) in provision for share awards	43,506	38,411
Increase (decrease) in provision for share awards for directors (and other officers)	9,694	6,421
Interest and dividend income	(11,521)	(14,124)
Interest expenses	12,029	13,287
Foreign exchange losses (gains)	(16,156)	(23,334)
Share of loss (profit) of entities accounted for using equity method	(21,190)	32,027
Loss on retirement of non-current assets	—	33,125
Loss (gain) on sales of investment securities	(400,071)	(73,337)
Loss (gain) on valuation of investment securities	—	19,968
Loss (gain) on sales of shares of subsidiaries and associates	(52,759)	—
Loss (gain) on investments in investment partnerships	(2,957)	(4,465)
Loss (gain) on change in equity	8,675	—
Decrease (increase) in notes and accounts receivable—trade	36,672	385,844
Decrease (increase) in inventories	(183,240)	417,861
Decrease (increase) in investment securities for sale	—	(9,000)
Increase (decrease) in notes and accounts payable-trade	106,643	(242,624)
Increase (decrease) in accounts payable-other	28,125	141,222
Increase (decrease) in accrued consumption taxes	216,325	(28,132)
Subsidy income	(15,271)	(9,816)
Other	(16,871)	38,361
Subtotal	2,622,197	3,473,948
Interest and dividend income received	13,046	14,124
Interest paid	(11,899)	(13,969)
Income taxes paid	(987,071)	(1,090,634)
Income taxes refund	10,138	129,844
Proceeds from subsidy income	15,271	9,816
Net cash provided by (used in) operating activities	1,661,684	2,523,130
Cash flows from investing activities		
Purchase of non-current assets	(686,911)	(444,147)
Purchase of investment securities	(1,594)	(21,701)
Proceeds from sales of investment securities	494,612	113,194
Proceeds from sale of shares of subsidiaries and associates	230,000	—
Payments for acquisition of businesses	—	(108,000)
Purchase of shares of subsidiaries	—	(51,027)
Proceeds from distributions from investment partnerships	12,994	2,729
Proceeds from return of capital from investment partnerships	2,705	—

(thousand yen)

	FY 2022 (April 1, 2022 – March 31, 2023)	FY 2023 (April 1, 2023 – March 31, 2024)
Payments for guarantee deposits	(61,176)	(22,523)
Proceeds from collection of guarantee deposits	19,431	40,047
Other	(9,833)	4,237
Net cash provided by (used in) investing activities	227	(495,666)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,200,000	1,100,000
Repayments of short-term borrowings	(2,147,000)	(900,000)
Proceeds from long-term borrowings	1,500,000	1,900,000
Repayments of long-term borrowings	(943,454)	(1,126,244)
Purchase of treasury shares	(57)	(695,668)
Proceeds from disposal of treasury shares	191	695,600
Cash dividends paid	(135,829)	(559,152)
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)	—
Proceeds from share issuance to non-controlling shareholders	—	33,400
Other	(826)	(762)
Net cash provided by (used in) financing activities	135,238	447,171
Effect of exchange rate change on cash and cash equivalents	16,156	23,334
Net increase (decrease) in cash and cash equivalents	1,813,306	2,497,970
Cash and cash equivalents at beginning of period	3,055,293	4,868,599
Cash and cash equivalents at end of period	4,868,599	7,366,570

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

None

(Consolidated Statement of Income)

Previous fiscal year (from April 1, 2022 to March 31, 2023)

Impairment loss

The Startia Group recorded an impairment loss on the following asset groups.

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

Asset groupings are based on categories used for management accounting.

In the fiscal year ended March 31, 2023, an extraordinary loss of 350,604 thousand yen was recorded as an impairment loss for some software in the Digital Marketing business, as a result of an examination of the prospects for recovering the value of these assets, as the signs for impairment was recognized.

The recoverable amount of the asset group was measured by value in use and calculated by discounting future cash flows at a discount rate of 12.66%.

Fiscal year under review (from April 1, 2023 to March 31, 2024)

Impairment loss

The Startia Group recorded an impairment loss on the following asset groups.

Application	Category	Impairment loss (thousand yen)
IT Infrastructure	Software	11,124
	Total	11,124

Asset groupings are based on categories used for management accounting.

In the fiscal year under review, an extraordinary loss of 11,124 thousand yen was recorded as an impairment loss for some software in the IT Infrastructure business, as a result of an examination of the prospects for recovering the value of these assets, as the signs for impairment was recognized.

The recoverable amount of the asset group was measured by value in use and evaluated as zero because no future cash flows were expected.

(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 segment, we provide an integrated digital marketing service, Cloud CIRCUS, which is SaaS in the area of digital marketing. Primarily targeting the SME market, the service includes a group of cloud tools that helps customers cope with five issue areas to increase their customers: "information dissemination," "attracting customers," "improvement of customer experience value," "cultivation of prospective customers and conversion to customers," and "prevention of cancellations and increase in repeat customers." We develop and offer the cloud tools that make it easy for anyone to get started with digital marketing, even if they are new to the field.

The "IT Infrastructure" segment provides comprehensive network integrations that meet customer companies' 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 sales of business phones, multi-function printers, and counter fee-based services to proposing and selling office layouts that factor in local area networks and other aspects of communications environment, to leverage the Group's many years of experience and know-how in selling information and communications equipments and arranging ISP lines. We also generate incentive revenues from telecommunications carrier by handling telephone line arrangements and subscription registrations on their behalf.

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 investee companies 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 investee companies.

2. Method for calculating 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, 2022 to March 31, 2023)

(thousand yen)

	Reportable segments				Other Businesses (note 1)
	Digital Marketing	IT Infrastructure	CVC	Subtotal	
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.

Fiscal year under review (from April 1, 2023 to March 31, 2024)

(thousand yen)

	Reportable segments				Other Businesses (note 1)
	Digital Marketing	IT Infrastructure	CVC	Subtotal	
Net sales					
Goods that are transferred at a point in time	889,643	9,190,131	3,107	10,082,882	—
Goods that are transferred over a certain period of time	2,620,900	6,867,304	—	9,488,205	—
Revenue that is generated from contracts with customers	3,510,543	16,057,436	3,107	19,571,087	—
Sales to external customers	3,510,543	16,057,436	3,107	19,571,087	—
Inter-segment sales and transfers	11,850	70,525	—	82,376	—
Total	3,522,394	16,127,962	3,107	19,653,463	—
Segment profit (loss)	292,143	1,891,081	2,107	2,185,332	(3,600)
Segment assets	1,656,851	5,474,777	143,662	7,275,291	5,821
Other					
Depreciation and amortization	249,554	74,242	—	323,797	—
Amortization of goodwill	—	66,071	—	66,071	—
Increase in property, plant and equipment and intangible assets	280,843	133,903	—	414,746	—

	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	10,082,882	419	10,083,301
Goods that are transferred over a certain period of time	9,488,205	—	9,488,205
Revenue that is generated from contracts with customers	19,571,087	419	19,571,506
Sales to external customers	19,571,087	419	19,571,506
Inter-segment sales and transfers	82,376	(82,376)	—
Total	19,653,463	(81,957)	19,571,506
Segment profit (loss)	2,181,731	101,010	2,282,741
Segment assets	7,281,113	7,408,390	14,689,503
Other			
Depreciation and amortization	323,797	39,438	363,235
Amortization of goodwill	66,071	—	66,071
Increase in property, plant and equipment and intangible assets	414,746	140,799	555,546

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, 7,408,390 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 39,438 thousand yen adjustment to depreciation and amortization expenses represents companywide expenses that

cannot be allocated to any reportable segment.

6. The 140,799 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, 2022 to March 31, 2023)

(thousand yen)

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

Fiscal year under review (from April 1, 2023 to March 31, 2024)

(thousand yen)

	Digital Marketing	IT Infrastructure	CVC	Other	Adjustment	Total
Impairment loss	—	11,124	—	—	—	11,124

(Per-share information)

(yen)

	FY 2022 (For the year ended March 31, 2023)	FY 2023 (For the year ended March 31, 2024)
Net assets per share	609.63	724.31
Profit (loss) per share	135.11	165.32

Notes: 1. Diluted profit per share for 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 fiscal year ended March 31, 2024 is not shown because there are no latent shares.

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

Item	FY 2022 (For the year ended March 31, 2023)	FY 2023 (For the year ended March 31, 2024)
Profit (loss) per share		
Profit (loss) attributable to owners of parent (thousand yen)	1,212,456	1,546,277
Profit not attributable to common shareholders (thousand yen)	—	—
Profit (loss) attributable to owners of parent related to common stock (thousand yen)	1,212,456	1,546,277
Average number of outstanding shares of common stock during the fiscal year (shares)	8,973,673	9,353,205
Outline of latent shares not included in the calculation of diluted profit per share due to the absence of dilutive effect	—	—

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

	FY 2022 (For the year ended March 31, 2023)	FY 2023 (For the year ended March 31, 2024)
Total net assets (thousand yen)	5,691,952	6,818,488
Amount deducted from total net assets (thousand yen)	—	31,980
(of which noncontrolling interests) (thousand yen)	—	(31,980)
Net assets attributable to common stock at end of the fiscal year (thousand yen)	5,691,952	6,786,508
Number of shares of common stock used as the basis of calculating net assets per share (shares)	9,336,734	9,369,630

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 325,823 shares for the previous fiscal year and 530,979 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 325,600 shares for the previous fiscal year and 692,660 shares for the fiscal year under review.

(Important Subsequent Event)

None