

Financial Results for the 2nd Quarter of the Fiscal Year Ending December 31, 2021
[Japanese Standards] (Consolidated)

Aug 6, 2021

Listed company name: CARTA HOLDINGS, Inc. Listed stock exchange: TSE first section
 Stock Code No.: 3688 URL: <https://cartaholdings.co.jp/en/ir/>
 Representative: Title Chairman Name: Shinsuke Usami
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Date to submit the Securities Report: Aug 6, 2021
 Scheduled date of dividend payments: Sep 30, 2021
 Availability of supplementary information: Yes
 Holding investors' meeting: Yes
 (For security analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated Financial Results for FY 2021 First Six Months (January 1, 2021 – June 30, 2021)

(1) Consolidated results of operations (cumulative total) (The percentage indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY 2021 first six months	12,629	13.6	2,940	47.6	3,301	76.2	2,215	122.3
FY 2020 first six months	11,113	—	1,992	—	1,874	—	996	—

(Note) Comprehensive Income: FY 2021 first six months: ¥2,727 million 165.5%
 FY 2020 first six months: ¥1,027 million —%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2021 first six months	87.84	87.42	4,034	60.7
FY 2020 first six months	39.36	39.17	2,511	—

(Note) The fiscal year ended December 31, 2019 was a transitional period for the change in accounting period and was an irregular accounting period that covered 15 months (October 1, 2018 to December 31, 2019), and as such, the consolidated financial results for the second quarter of the fiscal year ended December 31, 2019 represent October 1, 2018 through March 31, 2019. Consequently, the periods to be compared differ, and as such, the year-on-year change rate is not stated.

* EBITDA noted above (earnings before interest, tax, depreciation, and amortization) is calculated by adding interest expenses, depreciation, amortization, amortization of goodwill, loss on retirement of non-current assets, and impairment loss to the Company's profit before income taxes. The definition of EBITDA has been changed to include loss on retirement of non-current assets and impairment loss from FY2021 in order to improve the effectiveness of the indicator. Based on the previous definition, EBITDA for the second quarter of the fiscal year ended December 31, 2020, would be ¥2,453 million yen.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
June 30, 2021	47,651	26,369	55.0	1,035.93
December 31, 2020	49,259	24,553	49.5	967.47

(Reference) Owned capital: June 30, 2021: ¥26,215 million
 December 31, 2020: ¥24,376 million

2. Dividend status

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2020	—	8.00	—	40.00	48.00
FY 2021	—	25.00			
FY 2021 (Forecast)			—	25.00	50.00

(Note) Revisions to dividend forecast for the current quarter: No

3. Forecast of Consolidated Financial Results for FY 2021 (January 1, 2021 – December 31, 2021)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	EBITDA	
	¥million	%	¥million	%	¥million	%	¥million	%	Yen	¥million	%
Full year	25,000	11.2	4,500	29.9	4,800	43.9	3,120	75.2	123.71	6,000	45.2

(Note) Revisions to performance results forecast for the current quarter: Yes

※ Notes

- (1) Changes in significant subsidiaries during the period : None
(Change of specified subsidiaries that lead to a change in the scope of consolidation)
- (2) Specific accounting procedures : Yes
Please see “2. Consolidated Financial Statements (4) Notes to Condensed Interim Consolidated Financial Statements (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)” on page 12 of the attached documents.
- (3) Changes in accounting policies, changes in accounting estimates, corrections and restatements and retrospective restatements
- 1) Changes in accounting policy resulting from revisions to accounting standards : None
- 2) Changes in accounting policy other than above : None
- 3) Changes in accounting estimates : None
- 4) Retrospective restatements : None
- (4) Number of shares issued (common stock)

1) Number of shares issued and outstanding (including treasury stock)

As of June 30, 2021	25,306,032	As of December 31, 2020	25,496,852
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2) Number of treasury stock issued and outstanding

As of June 30, 2021	29	As of December 31, 2020	301,018
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3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Six months ended June 30, 2021	25,219,931	Six months ended June 30, 2020	25,312,400
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※ Notice regarding audit procedures

This financial result is excluded from audit procedures.

※ Explanations related to appropriate use of the performance forecast other special instructions

(Note on forward-looking statements)

Earnings forecasts and other forward-looking statements in this report are based on information currently available and certain assumptions judged to be reasonable. Therefore, these statements do not constitute a guarantee of achievement. Actual results may differ materially for various reasons.

Please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information” on page 5 of the attached documents.

(Supplementary materials)

Supplementary materials on financial results are on our website (in English and Japanese).

Attachment

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Analysis of Operating Results

With regard to the online advertising market where the Group operates its mainstay business, according to research by Dentsu Inc., in 2020, despite sluggish consumption and a decrease in advertising placements due to the spread of the novel coronavirus (COVID-19), internet advertising spending recovered faster than other media and reached ¥2,229.0 billion, or an increase of 5.9% year on year.

Performance-based advertising costs amounted to ¥1,455.8 billion, or an increase of 9.7% year on year, due to increased contact opportunities with SNS, EC, and video distribution services as a result of nest-egg demand, and increased demand for operational advertising mainly from large-scale platformers. In addition, costs for digital advertising from the four traditional types of mass media amounted to ¥80.3 billion, or an increase of 12.3% year on year, as the use of operational advertising made further progress.

Under these circumstances, the Group worked to develop its business in the following three segments and has been promoting vertical integration throughout the Group to achieve sustainable growth: 1) the “Partner Sales Business” which provides advertising sales and solutions mainly through a media rep; 2) the “Ad Platform Business” which operates ad distribution platforms; and 3) the “Consumer Business” which operates its owned media and services in the EC, game, and HR fields.

As a result, the Group posted net sales of ¥12,629 million, or an increase of 13.6% year on year, operating income of ¥2,940 million, or an increase of 47.6% year on year, ordinary income of ¥3,301 million, or an increase of 76.2% year on year, and profit attributable to owners of parent of ¥2,215 million, or an increase of 122.3% year on year, in the period under review.

Financial results for each segment were as follows. Sales of each segment include intersegment sales and transfers.

In addition, from the first quarter of the fiscal year ending December 31, 2021, some business that was previously included in the “Ad Platform” segment has been reclassified into the “Partner Sales” segment due to organizational restructuring. Therefore, the following year-on-year comparisons are based on figures for the same period of the previous fiscal year that have been reclassified to reflect the new reporting segment classification.

1) Partner Sales Business

The Partner Sales Business sells advertising space and provides solutions mainly through a media rep. The Group has been working to acquire new profit sources through initiatives in operational advertising and sales promotion/EC-related services, as well as expanding sales of our own products and solutions, while promoting operational efficiency to secure the existing media rep margins.

As a result, the Partner Sales Business recorded net sales of ¥5,793 million, or an increase of 33.0% year on year, and segment income of ¥1,755 million, or an increase of 94.7% year on year, in the period under review.

2) Ad Platform Business

The Ad Platform Business operates “Zucks,” “PORTO,” “TELECY,” and others as operational advertising platforms, as well as “fluct” and BEYOND X” as media support services. We worked to improve and expand the functions of each platform and service, and also captured demand from corporate clients, which led to solid performance.

As a result, the Ad Platform Business recorded net sales of ¥3,546 million, or a decrease of 0.3% year on year, and segment income of ¥938 million, or an increase of 12.2% year on year, in the period under review.

3) Consumer Business

In the Consumer Business, we operate sales promotion media centered on “EC Navi” and “PeX”, and content media such as “KAMI GAME” and “Kotobank”, as well as services in the areas of EC, games, and human resources. We have promoted the expansion of the scale of existing media and the strengthening of initiatives in growth areas.

As a result, the Consumer Business recorded net sales of ¥3,295 million, or an increase of 2.5% year on year, and segment income of ¥246 million, or a decrease of 3.2% year on year, in the period under review.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

(Assets)

Consolidated assets as of the end of the period under review totaled ¥47,651 million, a decrease of ¥1,607 million from the end of the previous fiscal year. This was mainly attributable to a decrease in accounts receivable – trade.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥21,282 million, a decrease of ¥3,423 million from the end of the previous fiscal year. This was mainly attributable to a decrease in accounts payable – trade.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥26,369 million, an increase of ¥1,815 million from the end of the previous fiscal year. This was primarily owing to an increase in retained earnings due to the recording of profit attributable to owners of parent.

2) Cash Flows

Cash and cash equivalents at the end of the period under review (hereinafter, “funds”) totaled ¥17,949 million. The following is the status and factors of each cash flow during the period under review.

(Net cash flows from operating activities)

Net cash flows provided by operating activities amounted to ¥3,498 million (¥1,159 million was provided in the same period of the previous fiscal year.). The main positive factors included a decrease in notes and accounts receivable – trade and the recording of profit before income taxes, while the main negative factors included a decrease in notes and accounts payable – trade.

(Net cash flows from investing activities)

Net cash flows used in investing activities amounted to ¥350 million (¥466 million was provided in the same period of the previous fiscal year.). The main negative factors included the purchase of property, plant and equipment.

(Net cash flows from financing activities)

Net cash flows used in financing activities amounted to ¥1,032 million (¥632 million was used in the same period of the previous fiscal year.). The main negative factors included the payment of cash dividends.

(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

With regard to the consolidated performance forecast, net sales are expected to be higher than the forecast previously announced as demand for brand advertising placements in the Partner Sales Business, which had been subdued by the impact of the last year’s spread of COVID-19, remained robust with no declines in and after April, although a decrease in net sales in the Ad Platform Business is expected due to plans to strengthen the ad creative screening system.

In addition, as a change in sales mix improved profit margins, operating profit, ordinary profit, profit attributable to owners to parent, and EBITDA are also expected to exceed the forecast previously announced.

For details, please see the “Notice Regarding Revisions to the Full Year Consolidated Financial Forecast” announced today (August 6, 2021).

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	15,600	17,949
Accounts receivable - trade	17,697	14,234
Securities	95	115
Merchandise	29	31
Supplies	535	629
Other	3,097	1,846
Allowance for doubtful accounts	(51)	(51)
Total current assets	37,004	34,754
Non-current assets		
Property, plant and equipment	1,276	1,553
Intangible assets		
Goodwill	2,317	2,103
Other	3,144	2,975
Total intangible assets	5,462	5,079
Investments and other assets		
Investment securities	3,959	4,883
Deferred tax assets	155	185
Other	1,402	1,198
Allowance for doubtful accounts	(0)	(2)
Total investments and other assets	5,516	6,263
Total non-current assets	12,255	12,896
Total assets	49,259	47,651
Liabilities		
Current liabilities		
Accounts payable – trade	16,655	12,429
Asset retirement obligations	70	–
Provision for bonuses	1,193	913
Provision for directors' bonuses	24	3
Provision for point card certificates	515	544
Income taxes payable	–	720
Deposits received	2,963	3,023
Short-term loans payable	19	–
Current portion of long-term loans payable	118	118
Other	1,725	1,987
Total current liabilities	23,287	19,740
Non-current liabilities		
Long-term loans payable	180	120
Asset retirement obligations	397	397
Deferred tax liabilities	596	777
Other	243	246
Total non-current liabilities	1,417	1,542
Total liabilities	24,705	21,282

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
Net assets		
Shareholders' equity		
Capital stock	1,111	1,150
Capital surplus	12,031	12,077
Retained earnings	11,046	11,999
Treasury shares	(264)	(0)
Total shareholders' equity	23,924	25,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	463	981
Foreign currency translation adjustment	(10)	6
Total accumulated other comprehensive income	452	988
Share acquisition rights	7	7
Non-controlling interests	170	146
Total net assets	24,553	26,369
Total liabilities and net assets	49,259	47,651

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)**

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	11,113	12,629
Cost of sales	1,547	1,377
Gross profit	9,566	11,251
Selling, general and administrative expenses	7,573	8,310
Operating profit	1,992	2,940
Non-operating income		
Interest income and dividends income	16	32
Gain on investments in partnership	5	6
Foreign exchange gains	—	231
Share of gain of entities accounted for using equity method	—	19
Miscellaneous gains	11	77
Other	36	19
Total non-operating income	69	386
Non-operating expenses		
Interest expenses	0	1
Share of loss of entities accounted for using equity method	83	—
Loss on investments in partnership	67	24
Foreign exchange losses	35	—
Other	1	—
Total non-operating expenses	188	25
Ordinary profit	1,874	3,301
Extraordinary income		
Gain on sales of investment securities	166	258
Gain on sales of investments in subsidiaries	46	—
Other	14	0
Total extraordinary income	227	258
Extraordinary losses		
Loss on retirement of non-current assets	57	39
Loss on sales of shares of subsidiaries and associates	77	2
Loss on valuation of investment securities	31	33
Loss on change in equity	—	11
Impairment loss	—	74
Other	10	—
Total extraordinary losses	177	162
Profit before income taxes	1,924	3,398
Income taxes	903	1,206
Profit	1,021	2,192
Profit attributable to non-controlling interests	25	(23)
Profit attributable to owners of parent	996	2,215

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Profit	1,021	2,192
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	558
Foreign currency translation adjustment	(0)	2
Share of other comprehensive income of entities accounted for using equity method	7	(24)
Total other comprehensive income	6	535
Comprehensive income	1,027	2,727
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,002	2,751
Comprehensive income attributable to non-controlling interests	25	(23)

(3) Overview of Cash Flows for the Fiscal Year under Review

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	1,924	3,398
Depreciation	384	363
Impairment loss	—	74
Amortization of goodwill	143	158
Increase (decrease) in allowance for doubtful accounts	(34)	2
Share of (profit) loss of entities accounted for using equity method	83	(19)
Decrease (increase) in notes and accounts receivable – trade	6,784	3,463
Decrease (increase) in inventories	(91)	(96)
Increase (decrease) in notes and accounts payable – trade	(7,112)	(4,226)
Increase (decrease) in provision for bonuses	(746)	(280)
Increase (decrease) in provision for directors' bonuses	(27)	(21)
Increase (decrease) in provision for point card certificates	34	28
Loss (gain) on sales of investment securities	(89)	(258)
Loss (gain) on sales of investments in subsidiaries	(46)	—
Loss (gain) on change in equity	—	11
Loss on retirement of non-current assets	57	39
Interest and dividend income	(16)	(32)
Decrease (increase) in accounts receivable – other	1,056	191
Other, net	(642)	770
Subtotal	1,663	3,568
Interest and dividend income received	16	32
Interest expenses paid	(0)	(1)
Income taxes (paid) refund	(519)	(100)
Net cash provided by (used in) operating activities	1,159	3,498
Cash flows from investing activities		
Purchase of property, plant and equipment	(31)	(346)
Purchase of intangible assets	(89)	(197)
Purchase for asset retirement obligations	—	(63)
Purchase of investment securities	(222)	(256)
Proceeds from sales of investment securities	480	330
Payments for lease and guarantee deposits	(1)	—
Proceeds from collection of lease and guarantee deposits	—	205
Purchase of loans receivable	(135)	(105)
Proceeds from loans receivable	11	103
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	16	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	358	—
Other, net	79	(18)
Net cash provided by (used in) investing activities	466	(350)

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(19)
Repayments of long-term loans payable	(136)	(60)
Proceeds from exercise of share options	1	80
Cash dividends paid	(203)	(1,004)
Purchase of treasury shares	(265)	(0)
Repayments of lease obligations payable	(30)	(27)
Other, net	2	—
Net cash provided by (used in) financing activities	(632)	(1,032)
Effect of exchange rate change on cash and cash equivalents	(28)	233
Net increase (decrease) in cash and cash equivalents	964	2,348
Cash and cash equivalents at beginning of period	14,546	15,600
Cash and cash equivalents at end of period	15,511	17,949

**(4) Notes to Condensed Interim Consolidated Financial Statements
(Going Concern Assumption)**

None

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Based on a Board of Directors' meeting held on June 15, 2021, the Company retired 289,420 treasury shares on June 30, 2021. As a result, in the period under review, treasury shares decreased ¥254 million, and as of the end of the period under review, treasury shares amounted to ¥0 million.

(Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)

Tax expenses for the period are calculated by multiplying net income before income taxes for the period by the reasonably estimated annual effective tax rate after applying tax effect accounting which is calculated based on the estimated net income before income taxes for the entire fiscal year.

(Changes in Accounting Policies)

None

(Changes in Accounting Estimates)

None

(Segment Information)

I For the six months ended June 30, 2020 (January 1, 2020 to June 30, 2020)

1. Information on sales and income or loss by reportable business segment

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	4,354	3,543	3,215	11,113	—	11,113
Intersegment Sales or Transfer	0	15	—	15	(15)	—
Total	4,355	3,558	3,215	11,129	(15)	11,113
Segment Income	901	836	254	1,992	—	1,992

2. Information concerning impairment loss on non-current assets, goodwill and other items by reportable business segment

(Material impairment loss on non-current assets)

None

(Material changes in goodwill)

None

(Material profit from negative goodwill)

None

II For the six months ended June 30, 2021 (January 1, 2021 to June 30, 2021)

1. Information on sales and income or loss by reportable business segment

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	5,793	3,540	3,295	12,629	—	12,629
Intersegment Sales or Transfer	—	6	—	6	(6)	—
Total	5,793	3,546	3,295	12,635	(6)	12,629
Segment Income	1,755	938	246	2,940	—	2,940

2. Information concerning impairment loss on non-current assets, goodwill and other items by reportable business segment

(Material impairment loss on non-current assets)

None

(Material changes in goodwill)

In the Consumer Business, as a result of reviewing the progress of rakanu Co., Ltd., a consolidated subsidiary, against its business plan and future business prospects, 74 million yen of the unamortized balance of goodwill recorded at the time of acquisition of the company's shares was recorded as an impairment loss in the period under review as an extraordinary loss.

(Material profit from negative goodwill)

None

3. Matters concerning changes etc. in reportable segments

From the first quarter of the fiscal year ending December 31, 2021, some business that was previously included in the "Ad Platform" segment has been reclassified into the "Partner Sales" segment due to organizational restructuring.

Segment information for the six months ended June 30, 2020 has been prepared based on the classification method after the change.