

Financial Results for the 3rd Quarter of the Fiscal Year Ending December 31, 2021
[Japanese Standards] (Consolidated)

Nov 11, 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: Nov 11, 2021
 Scheduled date of dividend payments: —
 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 Nine Months (January 1, 2021 – September 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 nine months	18,464	13.1	3,554	37.8	4,019	65.0	2,574	87.5
FY 2020 first nine months	16,321	—	2,578	—	2,435	—	1,372	—

(Note) Comprehensive Income: FY 2021 first nine months: ¥3,336 million 174.3%
 FY 2020 first nine months: ¥1,216 million —%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2021 first nine months	101.92	101.41	4,994	49.1
FY 2020 first nine months	54.34	54.07	3,349	—

(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 third quarter of the fiscal year ended December 31, 2019 represent October 1, 2018 through June 30, 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 third quarter of the fiscal year ended December 31, 2020, would be ¥3,276 million.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
September 30, 2021	47,485	26,434	55.3	1,035.42
December 31, 2020	49,259	24,553	49.5	967.47

(Reference) Owned capital: September 30, 2021: ¥26,277 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: No

※ Notes

- (1) Changes in significant subsidiaries during the period : Yes
 (Change of specified subsidiaries that lead to a change in the scope of consolidation)
 New: 1 company (Name) CARTA COMMUNICATIONS Inc. Excluded from consolidation: — company (Name) —
 (Note) For details, please see “2. Consolidated Financial Statements (3) Notes to Condensed Interim Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)” on page 10 of the attached documents.
- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements : Yes
 (Note) For details, please see “2. Consolidated Financial Statements (3) Notes to Condensed Interim Consolidated Financial Statements (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)” on page 10 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 September 30, 2021 | 25,380,832 | As of December 31, 2020 | 25,469,852 |
|--------------------------|------------|-------------------------|------------|
- 2) Number of treasury stock issued and outstanding
- | | | | |
|--------------------------|-------|-------------------------|---------|
| As of September 30, 2021 | 2,191 | As of December 31, 2020 | 301,018 |
|--------------------------|-------|-------------------------|---------|
- 3) Average number of shares during the period (quarterly consolidated cumulative accounting period)
- | | | | |
|--------------------------------------|------------|--------------------------------------|------------|
| Nine months ended September 30, 2021 | 25,255,579 | Nine months ended September 30, 2020 | 25,262,766 |
|--------------------------------------|------------|--------------------------------------|------------|

※ 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

Contents

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

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- (2) Analysis of Financial Position
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2. Consolidated Financial Statements

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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 media communication; 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 ¥18,464 million, or an increase of 13.1% year on year, operating income of ¥3,554 million, or an increase of 37.8% year on year, ordinary income of ¥4,019 million, or an increase of 65.0% year on year, and profit attributable to owners of parent of ¥2,574 million, or an increase of 87.5% year on year, in the period under review.

1) Partner Sales Business

The Partner Sales Business sells advertising space and provides solutions mainly through media communication. 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 securing profits from existing businesses through the promotion of better operational efficiency.

As a result, the Partner Sales Business recorded net sales of ¥8,146 million, or an increase of 30.2% year on year, and segment income of ¥1,980 million, or an increase of 112.4% 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 ¥5,431 million, or an increase of 3.3% year on year, and segment income of ¥1,349 million, or an increase of 1.1% 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. Particularly in the EC-related business, advertising expenses in the form of upfront investment are rising as our business grows.

As a result, the Consumer Business recorded net sales of ¥4,902 million, or an increase of 1.9% year on year, and segment income of ¥224 million, or a decrease of 27.8% 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 ¥47,485 million, a decrease of ¥1,773 million from the end of the previous fiscal year. This was mainly

attributable to decreases in accounts receivable – trade and goodwill.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥21,050 million, a decrease of ¥3,655 million from the end of the previous fiscal year. This was mainly attributable to decreases in accounts payable – trade and provision for bonuses.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥26,434 million, an increase of ¥1,881 million from the end of the previous fiscal year. This was primarily owing to increases in retained earnings and valuation difference on available-for-sale securities.

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

No revisions have been made to the full-year consolidated performance forecast announced in “Financial Results for the 2nd Quarter of the Fiscal Year Ending December 31, 2021” on August 6, 2021.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	15,600	17,925
Accounts receivable - trade	17,697	13,611
Securities	95	160
Merchandise	29	33
Supplies	535	833
Other	3,097	1,821
Allowance for doubtful accounts	(51)	(51)
Total current assets	37,004	34,332
Non-current assets		
Property, plant and equipment	1,276	1,522
Intangible assets		
Goodwill	2,317	2,027
Other	3,144	2,890
Total intangible assets	5,462	4,917
Investments and other assets		
Investment securities	3,959	5,339
Deferred tax assets	155	189
Other	1,402	1,187
Allowance for doubtful accounts	(0)	(2)
Total investments and other assets	5,516	6,713
Total non-current assets	12,255	13,152
Total assets	49,259	47,485
Liabilities		
Current liabilities		
Accounts payable – trade	16,655	12,119
Asset retirement obligations	70	–
Provision for bonuses	1,193	607
Provision for directors' bonuses	24	6
Provision for point card certificates	515	522
Income taxes payable	–	644
Deposits received	2,963	3,655
Short-term loans payable	19	–
Current portion of long-term loans payable	118	117
Other	1,725	1,709
Total current liabilities	23,287	19,383
Non-current liabilities		
Long-term loans payable	180	91
Asset retirement obligations	397	397
Deferred tax liabilities	596	888
Other	243	290
Total non-current liabilities	1,417	1,666
Total liabilities	24,705	21,050

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
Net assets		
Shareholders' equity		
Capital stock	1,111	1,195
Capital surplus	12,031	12,122
Retained earnings	11,046	11,725
Treasury shares	(264)	(0)
Total shareholders' equity	23,924	25,043
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	463	1,225
Foreign currency translation adjustment	(10)	9
Total accumulated other comprehensive income	452	1,234
Share acquisition rights	7	6
Non-controlling interests	170	150
Total net assets	24,553	26,434
Total liabilities and net assets	49,259	47,485

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

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net sales	16,321	18,464
Cost of sales	2,185	1,999
Gross profit	14,136	16,464
Selling, general and administrative expenses	11,558	12,910
Operating profit	2,578	3,554
Non-operating income		
Interest income and dividends income	30	51
Gain on investments in partnership	4	71
Foreign exchange gains	—	261
Share of gain of entities accounted for using equity method	—	4
Miscellaneous gains	13	84
Other	46	24
Total non-operating income	94	499
Non-operating expenses		
Interest expenses	1	1
Share of loss of entities accounted for using equity method	114	—
Loss on investments in partnership	73	33
Foreign exchange losses	46	—
Other	1	—
Total non-operating expenses	237	34
Ordinary profit	2,435	4,019
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	72	75
Loss on sales of shares of subsidiaries and associates	77	2
Loss on valuation of investment securities	31	63
Loss on change in equity	—	11
Impairment loss	—	74
Other	10	—
Total extraordinary losses	192	227
Profit before income taxes	2,471	4,050
Income taxes	1,042	1,495
Profit	1,428	2,554
Profit attributable to non-controlling interests	55	(19)
Profit attributable to owners of parent	1,372	2,574

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Profit	1,428	2,554
Other comprehensive income		
Valuation difference on available-for-sale securities	(211)	801
Foreign currency translation adjustment	(0)	2
Share of other comprehensive income of entities accounted for using equity method	(0)	(22)
Total other comprehensive income	(214)	782
Comprehensive income	1,216	3,336
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,160	3,356
Comprehensive income attributable to non-controlling interests	55	(19)

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

None

(Changes in Significant Subsidiaries during the Period)

In the period under review, CARTA COMMUNICATIONS Inc. was included in the scope of consolidation as a newly established company through a corporate split by the Company's consolidated subsidiary Cyber Communications Inc.

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

Based on a resolution of a Board of Directors' meeting held on April 20, 2021, the Company disposed of 11,622 treasury shares on May 19, 2021 in the form of restricted stock compensation. In addition, 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 ¥264 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 nine months ended September 30, 2020 (January 1, 2020 to September 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	6,256	5,254	4,811	16,321	—	16,321
Intersegment Sales or Transfer	0	5	—	6	(6)	—
Total	6,256	5,259	4,811	16,327	(6)	16,321
Segment Income	932	1,335	311	2,578	—	2,578

(Note) Segment income is adjusted against operating profit in the Consolidated Statements of Income.

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 nine months ended September 30, 2021 (January 1, 2021 to September 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	8,146	5,415	4,902	18,464	—	18,464
Intersegment Sales or Transfer	—	16	—	16	(16)	—
Total	8,146	5,431	4,902	18,480	(16)	18,464
Segment Income	1,980	1,349	224	3,554	—	3,554

(Note) Segment income is adjusted against operating profit in the Consolidated Statements of Income.

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 nine months ended September 30, 2020 has been prepared based on the classification method after the change.