

Financial Results for the 3rd Quarter of the Fiscal Year Ending December 31, 2022
[Japanese Standards] (Consolidated)

Nov 14, 2022

Listed company name: CARTA HOLDINGS, Inc. Listed stock exchange: TSE Prime Market
 Stock Code No.: 3688 URL: <https://cartaholdings.co.jp/en/ir/>
 Representative: Title Chairman and CEO Name: Shinsuke Usami
 Contact: Title Director and CFO Name: Hidenori Nagaoka TEL +81-3-4577-1453

Date to submit the Securities Report: Nov 14, 2022
 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 2022 First Nine Months (January 1, 2022 – September 30, 2022)

(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 2022 first nine months	19,464	5.4	2,056	(42.2)	2,822	(29.8)	2,616	1.6
FY 2021 first nine months	18,464	13.1	3,554	37.8	4,019	65.0	2,574	87.5

(Note) Comprehensive Income: FY 2022 first nine months: ¥1,823 million (45.3)%
 FY 2021 first nine months: ¥3,336 million 174.3%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2022 first nine months	102.33	101.73	4,819	(3.5)
FY 2021 first nine months	101.92	101.41	4,994	49.1

* 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.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
September 30, 2022	46,434	27,224	52.2	1,071.97
December 31, 2021	55,376	27,757	49.6	1,070.34

(Reference) Owned capital: September 30, 2022: ¥27,018 million
 December 31, 2021: ¥27,444 million

2. Dividend status

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2021	—	25.00	—	26.00	51.00
FY 2022	—	27.00	—		
FY 2022 (Forecast)				27.00	54.00

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

3. Forecast of Consolidated Financial Results for FY 2022 (January 1, 2022 — December 31, 2022)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	EBITDA	
	¥million	%	¥million	%	¥million	%	¥million	%	Yen	¥million	%
Full year	28,300	9.6	3,500	(29.6)	4,100	(27.0)	4,100	32.0	159.83	7,600	13.4

(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)
 Excluded from consolidation: 1 company (Name) Cyber Communications Inc.
 (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 : Yes
 - 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, 2022	25,801,805	As of December 31, 2021	25,643,132
--------------------------	------------	-------------------------	------------
 - 2) Number of treasury stock issued and outstanding

As of September 30, 2022	597,134	As of December 31, 2021	2,234
--------------------------	---------	-------------------------	-------
 - 3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Nine months ended September 30, 2022	25,567,887	Nine months ended September 30, 2021	25,255,579
--------------------------------------	------------	--------------------------------------	------------

※ 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

- (1) Analysis of Operating Results
- (2) Analysis of Financial Position
- (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

2. Consolidated Financial Statements

- (1) Consolidated Balance Sheets
- (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
 - (Consolidated Statements of Income)
 - (Consolidated Statements of Comprehensive Income)
- (3) Notes to Condensed Interim Consolidated Financial Statements
 - (Going Concern Assumption)
 - (Notes on Significant Changes in the Amount of Shareholders' Equity)
 - (Changes in Significant Subsidiaries during the Period)
 - (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)
 - (Changes in Accounting Policies)
 - (Changes in Accounting Estimates)
 - (Additional Information)
 - (Segment Information)

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 2021, the impact of the novel coronavirus (COVID-19) eased in the second half of the year and the advertising market as a whole recovered significantly, with internet advertising spending reaching ¥2,705.2 billion, or an increase of 21.4% year on year, surpassing for the first time the total of traditional media advertising expenditures, which was ¥2,453.8 billion.

In addition, internet advertising medium expenditures, which consists of internet advertising spending excluding internet advertising production costs and merchandise-related EC platforms within advertising expenditures in Japan, grew to ¥2,157.1 billion, or an increase of 22.8% year on year, driven by growth in video and social media advertising. Of this amount, performance-based advertising costs, which are the mainstay of transactions in internet advertising medium expenditures, amounted to ¥1,838.2 billion, or an increase of 26.3% year on year, accounting for 85.2% of total internet advertising medium expenditures.

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 “Marketing Solutions 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 provides media solutions and operates its services in the EC, game, and HR fields.

As a result, the Group posted net sales of ¥19,464 million, or an increase of 5.4% year on year, operating income of ¥2,056 million, or a decrease of 42.2% year on year, due to an increase in advertising expenses for the “TELECY” operational TV advertising platform and aggressive upfront investments in the D2C domain, ordinary income of ¥2,822 million, or a decrease of 29.8% year on year, and profit attributable to owners of parent of ¥2,616 million, or an increase of 1.6% year on year, mainly due to the recording of an extraordinary income from gain on sales of investment securities in the period under review.

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

In addition, in the first quarter of the fiscal year ending December 31, 2022, the “Partner Sales Business” segment has been renamed the “Marketing Solutions Business” segment and some business that was previously included in the “Marketing Solutions Business” segment and the “Ad Platform Business” segment has been reclassified between the two segments 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) Marketing Solutions Business

The Marketing Solutions Business sells advertising space and provides solutions mainly through media communication. The Group has been working to acquire new profit sources and strengthen the sales structure through initiatives in operational advertising and sales promotion/EC-related services, as well as expanding sales of our own products and solutions.

As a result, the Marketing Solutions Business recorded net sales of ¥8,710 million, or a decrease of 0.7% year on year, mainly due to a drop in demand for advertising placements by large-scale advertisers, and segment income of ¥1,461 million, or a decrease of 32.8% year on year, primarily due to an increase in personnel and recruiting costs because of aggressive hiring of personnel, 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” 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 ¥5,578 million, or an increase of 16.0% year on year, and segment income of ¥955 million, or a decrease of 17.2% year on year, mainly due to an increase in advertising expenses because of aggressive upfront investments in the “TELECY” operational TV advertising platform, in the period under review.

3) Consumer Business

In the Consumer Business, we operate sales promotion media centered on “EC Navi,” “PeX,” and “Digico,” as well as services in the EC, game, and HR domains. In media solutions, we have worked to expand the scale of existing media, and in the EC, game, and HR domains, we have made aggressive upfront investments to promote the strengthening of initiatives in the growing D2C domain in particular.

As a result, the Consumer Business recorded net sales of ¥5,197 million, or an increase of 6.0% year on year, and segment loss of ¥360 million (segment income of ¥224 million for the same period of the previous fiscal year), mainly due to an increase in advertising expenses because of aggressive upfront investments in the D2C domain, 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 ¥46,434 million, a decrease of ¥8,942 million from the end of the previous fiscal year. This was mainly attributable to decreases in cash and deposits and accounts receivable – trade.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥19,210 million, a decrease of ¥8,409 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 ¥27,224 million, a decrease of ¥532 million from the end of the previous fiscal year. This was primarily owing to the purchase of treasury shares and a decrease in valuation difference on available-for-sale securities mainly due to the sales of investment securities, despite an increase in retained earnings due to the recording of profit attributable to owners of parent.

(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, 2022” on August 12, 2022.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	21,031	17,361
Accounts receivable - trade	18,349	12,818
Securities	175	180
Merchandise	50	106
Supplies	288	774
Other	2,675	3,204
Allowance for doubtful accounts	(56)	(64)
Total current assets	42,513	34,380
Non-current assets		
Property, plant and equipment	1,290	1,462
Intangible assets		
Goodwill	1,836	1,607
Other	2,853	2,602
Total intangible assets	4,689	4,209
Investments and other assets		
Investment securities	5,235	4,286
Deferred tax assets	229	202
Other	1,423	1,898
Allowance for doubtful accounts	(6)	(5)
Total investments and other assets	6,883	6,382
Total non-current assets	12,863	12,054
Total assets	55,376	46,434
Liabilities		
Current liabilities		
Accounts payable – trade	16,899	12,089
Asset retirement obligations	162	–
Provision for bonuses	1,237	14
Provision for directors' bonuses	9	–
Provision for point card certificates	466	502
Incom taxes payable	1,356	–
Deposits received	3,444	3,383
Short-term loans payable	–	147
Current portion of long-term loans payable	117	33
Other	2,587	2,358
Total current liabilities	26,280	18,528
Non-current liabilities		
Long-term loans payable	63	–
Asset retirement obligations	238	238
Deferred tax liabilities	725	118
Lease obligations	16	19
Other	296	305
Total non-current liabilities	1,339	682
Total liabilities	27,619	19,210

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Net assets		
Shareholders' equity		
Capital stock	1,410	1,511
Capital surplus	12,337	12,438
Retained earnings	12,255	13,516
Treasury shares	(0)	(1,107)
Total shareholders' equity	26,002	26,357
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,428	625
Foreign currency translation adjustment	13	35
Total accumulated other comprehensive income	1,441	660
Share acquisition rights	122	75
Non-controlling interests	190	129
Total net assets	27,757	27,224
Total liabilities and net assets	55,376	46,434

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

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	18,464	19,464
Cost of sales	1,999	2,031
Gross profit	16,464	17,433
Selling, general and administrative expenses	12,910	15,377
Operating profit	3,554	2,056
Non-operating income		
Interest income and dividends income	51	55
Gain on investments in partnership	71	49
Foreign exchange gains	261	319
Share of gain of entities accounted for using equity method	4	88
Income from lease termination related a company	54	283
Miscellaneous gains	29	13
Other	24	14
Total non-operating income	499	823
Non-operating expenses		
Interest expenses	1	0
Loss on investments in partnership	33	40
Other	—	16
Total non-operating expenses	34	57
Ordinary profit	4,019	2,822
Extraordinary income		
Gain on sales of investment securities	258	1,022
Gain on sales of investments in subsidiaries	—	67
Gain on sales of shares of subsidiaries and associates	—	116
Other	0	—
Total extraordinary income	258	1,207
Extraordinary losses		
Loss on retirement of non-current assets	75	14
Loss on sales of shares of subsidiaries and associates	2	—
Loss on valuation of investment securities	63	9
Loss on change in equity	11	—
Impairment loss	74	25
Total extraordinary losses	227	50
Profit before income taxes	4,050	3,979
Income taxes	1,495	1,375
Profit	2,554	2,604
Profit attributable to non-controlling interests	(19)	(11)
Profit attributable to owners of parent	2,574	2,616

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	2,554	2,604
Other comprehensive income		
Valuation difference on available-for-sale securities	801	(791)
Foreign currency translation adjustment	2	2
Share of other comprehensive income of entities accounted for using equity method	(22)	8
Total other comprehensive income	782	(780)
Comprehensive income	3,336	1,823
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,356	1,835
Comprehensive income attributable to non-controlling interests	(19)	(11)

**(3) 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 May 13, 2022, the Company acquired 400,000 treasury shares during the period under review. In addition, based on a Board of Directors' meeting held on August 12, 2022, the Company acquired 194,900 treasury shares. As a result, in the period under review, treasury shares increased ¥1,107 million, and as of the end of the period under review, treasury shares amounted to ¥1,107 million.

(Changes in Significant Subsidiaries during the Period)

The Company carried out an absorption-type merger, effective January 1, 2022, in which the Company was the merging company and VOYAGE GROUP, Inc. and Cyber Communications Inc., its consolidated subsidiaries, were merged companies. Therefore, VOYAGE GROUP, Inc. and Cyber Communications Inc. have been excluded from the scope of consolidation.

(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)

(Application of Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the first quarter of the fiscal year ending December 31, 2022, the Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard"), etc. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Group has decided to adopt the new accounting policy stipulated by the Fair Value Measurement Accounting Standard, etc. prospectively from the date of the change. There is no impact on the consolidated financial statements.

(Changes in Accounting Estimates)

None

(Additional Information)

(Application of the Accounting Standard for Revenue Recognition)

Effective from the beginning of the first quarter of the fiscal year ending December 31, 2022, the Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. There is no impact on the consolidated financial statements. In addition, the Group applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) etc. from the beginning of the fiscal year ended December 31, 2019.

(Segment Information)

I 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)
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	8,770	4,790	4,902	18,464	—	18,464
Intersegment Sales or Transfer	—	16	—	16	(16)	—
Total	8,770	4,806	4,902	18,480	(16)	18,464
Segment Income (Loss)	2,176	1,153	224	3,554	—	3,554

(Note) Segment income (loss) 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

II For the nine months ended September 30, 2022 (January 1, 2022 to September 30, 2022)

1. Information on sales and income or loss, and information on disaggregation of profit, by reportable business segment

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Sales						
Profit from contracts with customers	8,710	5,556	5,197	19,464	—	19,464
Other profit	—	—	—	—	—	—
Outside Sales	8,710	5,556	5,197	19,464	—	19,464
Intersegment Sales or Transfer	—	22	—	22	(22)	—
Total	8,710	5,578	5,197	19,487	(22)	19,464
Segment Income (Loss)	1,461	955	(360)	2,056	—	2,056

(Note) Segment income (loss) 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 Ad Platform Business, as a result of reviewing the progress of KAIKETSU Inc., a consolidated subsidiary, against its business plan and future business prospects, 25 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

In the first quarter of the fiscal year ending December 31, 2022, the "Partner Sales Business" segment has been renamed the "Marketing Solutions Business" segment and some business that was previously included in the "Marketing Solutions Business" segment and the "Ad Platform Business" segment has been reclassified between the two segments due to organizational restructuring.

Segment information for the same period of the previous fiscal year has been prepared based on the classification method after the change.

In addition, beginning in the first quarter of the fiscal year ending December 31, 2022, due to reorganization, the method for allocating common expenses has been partially reviewed and the method of calculating income or loss by business segment was changed.

However, since the impact of the partial revision of the method for allocating common expenses is minor, segment information for the same period of the previous fiscal year is presented based on the method used before the change.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information disaggregating revenue from contracts with customers for the same period of the previous fiscal year is not presented.