CARTA HOLDINGS

English Translation
This is a translation of the original release in Japanese.
In the event of any discrepancy, the original release in Japanese shall prevail.

Financial Results for the Fiscal Year Ending December 31, 2022 〔Japanese Standards〕 (Consolidated)

Feb 13, 2023

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	
Contact: Title	Director and CFO	Name:	Hidenori Nagaoka	TEL +81-3-4577-1453

Scheduled date of Annual General Meeting of Shareholders:	Mar 25, 2023
Scheduled starting date of dividend payments:	Mar 13, 2023
Scheduled date to file Securities Report:	Mar 27, 2023
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 fiscal year ended December 31, 2022 (January 1, 2022 – December 31, 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	%
Year ended December 31, 2022	25,940	0.5	2,418	(51.4)	3,036	(45.9)	3,035	(2.2)
Year ended December 31, 2021	25,821	14.8	4,973	43.6	5,614	68.3	3,104	74.3

(Note) Comprehensive Income: Year ended December 31, 2022: ¥2,158 million (47.5)%
Year ended December 31, 2021: ¥4,113 million 152.8%

	Net income per share	Diluted net income per share	EBITDA		Return on equity	Ordinary income to total assets	Operating income to net sales
	¥	¥	¥million	%	%	%	%
Year ended December 31, 2022	119.20	118.60	6,093	(9.1)	11.1	5.7	9.3
Year ended December 31, 2021	122.68	121.32	6,703	48.1	12.0	10.7	19.3

(Reference) Equity in net losses of affiliated companies: Year ended December 31, 2022: ¥103 million
Year ended December 31, 2021: ¥(27) million

* 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, impairment loss, and loss on advance payments to suppliers 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
December 31, 2022	50,440	27,471	53.9	1,080.42
December 31, 2021	55,376	27,757	49.6	1,070.34

(Reference) Owned capital: December 31, 2022 ¥27,187 million
December 31, 2021 ¥27,444 million

(3) Consolidated cash flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at the end of the year
	¥million	¥million	¥million	¥million
Year ended December 31, 2022	(1,886)	(698)	(2,504)	16,101
Year ended December 31, 2021	7,102	(765)	(1,215)	21,031

2. Dividend status

	Annual dividends					Total amount of dividends(total)	Payout ratio (consolidated)	Dividend-to-net asset ratio (consolidated)
	1Q end	2Q end	3Q end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	¥million	%	%
FY 2021	―	25.00	―	26.00	51.00	1,299	41.6	5.0
FY 2022	―	27.00	―	27.00	54.00	1,368	45.3	5.0
FY 2023 (Forecast)	―	27.00	―	27.00	54.00		1,358.9	

3. Forecast of Consolidated Financial Results for FY 2021 (January 1, 2023 ― December 31, 2023)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	EBITDA	
	¥million	%	¥million	%	¥million	%	¥million	%	Yen	¥million	%
Full year	26,600	2.5	2,300	(4.9)	2,300	(24.3)	100	(96.7)	3.97	2,800	(54.0)

(Note) The forecast of consolidated financial results for the six months ending June 30, 2023 is omitted, as the Company manages its operations on a yearly basis. For details, see "1. Overview of Operating Results, etc. (4) Future Outlook" on page 6 of the attached documents.

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 "3. Consolidated Financial Statements (5) Notes to Condensed Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)" on page 17 of the attached documents.

(2) 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

(3) Number of shares issued (common stock)

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

As of December 31, 2022	25,163,971	As of December 31, 2021	25,643,132

2) Number of treasury stock issued and outstanding

As of December 31, 2022	―	As of December 31, 2021	2,234

3) Average number of shares during the period

Year ended December 31, 2022	25,468,327	Year ended December 31, 2021	25,301,804

(Reference) Summary of Non-Consolidated Financial Results
Non-Consolidated Financial Results for fiscal year ended December 31, 2022
(January 1, 2022 — December 31, 2022)
(1) Non-consolidated results of operations

(The percentage indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
Year ended December 31, 2022	9,116	187.8	4,748	133.6	5,073	144.5	7,156	235.3
Year ended December 31, 2021	3,167	2.4	2,032	(22.2)	2,075	(21.4)	2,134	(18.9)

	Net income per share	Diluted net income per share
	¥	¥
Year ended December 31, 2022	281.00	279.58
Year ended December 31, 2021	84.37	83.43

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
December 31, 2022	26,661	20,754	75.5	800.10
December 31, 2021	25,859	14,935	57.3	577.71

(Reference) Owned capital: December 31, 2022 ¥20,133 million
December 31, 2021 ¥14,813 million

※ Notice regarding audit procedures
This financial result is excluded from audit procedures.

※ Explanations related to appropriate use of the performance forecast and 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. Overview of Operating Results, etc. (4) Future Outlook" on page 6 of the attached documents.

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

Attachment

Contents

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

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 ¥25,940 million, or an increase of 0.5% year on year, operating income of ¥2,418 million, or a decrease of 51.4% 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 ¥3,036 million, or a decrease of 45.9% year on year, and profit attributable to owners of parent of ¥3,035 million, or a decrease of 2.2% 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, from the fiscal year under review, 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 ¥11,712 million, or a decrease of 6.1% year on year, mainly due to a drop in demand for advertising placements by large-scale advertisers, and segment income of ¥1,985 million, or a decrease of 37.2% 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 ¥7,088 million, or an increase of 6.3% year or year, and segment income of ¥944 million, or a decrease of 37.1% 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 ¥7,176 million, or an increase of 7.2% year on year, and segment loss of ¥511 million (segment income of ¥312 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) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Consolidated assets as of the end of the period under review totaled ¥50,440 million, a decrease of ¥4,936 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 ¥22,969 million, a decrease of ¥4,650 million from the end of the previous fiscal year. This was mainly attributable to decreases in accounts payable – trade, income taxes payable, and provision for bonuses.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥27,471 million, a decrease of ¥285 million from the end of the previous fiscal year. This was mainly attributable to a decrease in valuation difference on available-for-sale securities, despite an increase in retained earnings due to the recording of profit attributable to owners of parent.

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

Cash and cash equivalents at the end of the fiscal year under review (hereinafter “funds”) totaled ¥16,101 million, a decrease of ¥4,929 million from the end of the previous fiscal year. The following is the status and factors of each cash flow during the fiscal year under review.

(Net cash flows from operating activities)

Net cash flows used in operating activities amounted to ¥1,886 million (¥7,102 million was provided in the previous fiscal year). The main negative factors included a decrease in funds resulting from income taxes paid and decrease in provision for bonuses, partially offset by an increase due to the recording of profit before income taxes.

(Net cash flows from investing activities)

Net cash flows used in investing activities amounted to ¥698 million (¥765 million was used in the previous fiscal year). The main negative factors included a decrease in funds resulting from purchase of investment securities.

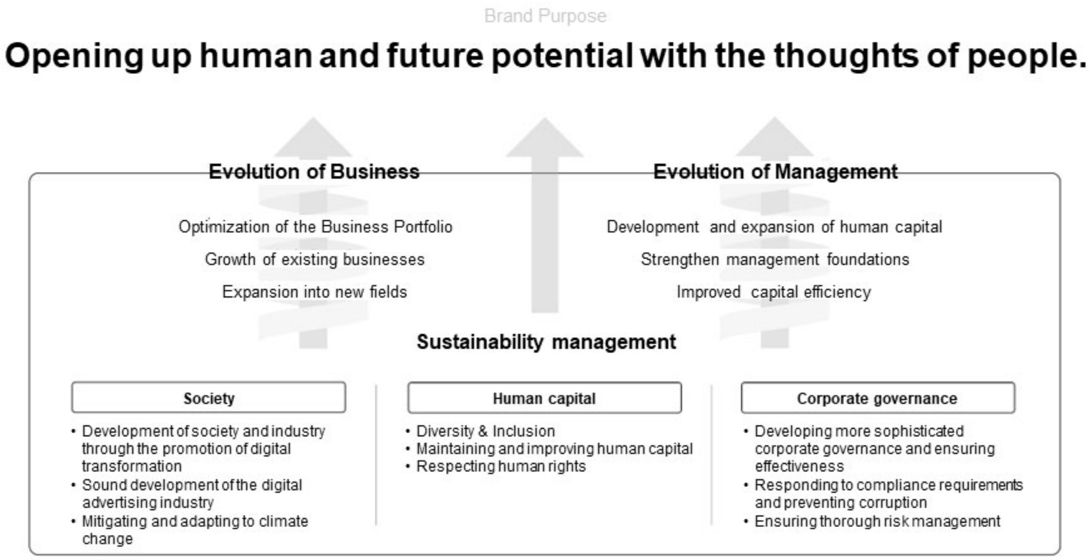
(Net cash flows from financing activities)

Net cash flows used in financing activities amounted to ¥2,504 million (¥1,215 million was used in the previous fiscal year). The main negative factors included a decrease in funds resulting from cash dividends paid and purchase of treasury shares.

(4) Future Outlook

As stated in the medium-term business policy released today (February 13, 2023), the Company aims to achieve its purpose, “Opening up human and future potential with the thoughts of people.” by evolving both business and management with sustainability management at the basis.

Overall Vision for the New Medium-Term Business Plan



Since 2019, the Company has driven forward various initiatives as part of management integration. Such initiatives include establishing the management philosophy and purpose, optimizing decision-making processes and authorities through the restructuring of the Group, unifying HR and evaluation systems, standardizing accounting and business management systems, introducing a common information system infrastructure, and centralizing the corporate function. As the final stage of management integration, we decided to integrate office functions in Tokyo, which are split between Shibuya and Higashiginza, and relocate to Toranomon Hills Station Tower in December 2023. We intend to bring out the abilities of our people and facilitate value creation by creating a workplace that enables flexible and diverse workstyles and enhancing creativity through face-to-face communication in the new, physically integrated office.

As a structural reform of our business, the existing Marketing Solutions Business and Ad Platform Business will merge in 2023 to constitute the Digital Marketing Business. We will thus formulate the overall strategy for the digital marketing field and seek to optimize and strengthen the business framework. We will also continue to strengthen our expertise and product development capabilities, which have been our strengths, and press ahead with a shift to a business structure that focuses on advertisers and advertising agencies. The existing Consumer Business will change its name to the Internet-Related Services Business. In addition to aiming for growth by taking advantage of and collaborating with the knowledge and capabilities owned by the Digital Marketing Business, we will withdraw from unprofitable businesses and take other measures to facilitate the improvement of profitability.

Under these circumstances, in the consolidated financial results for the fiscal year ending December 31, 2023, we expect to post net sales of ¥26,600 million, or an increase of 2.5% year on year, operating income of ¥2,300 million, or a decrease of 4.9% year on year, ordinary income of ¥2,300 million, or a decrease of 24.3% year on year, and EBITDA of ¥2,800 million, or a decrease of 54.0% year on year. Net income is expected to be ¥100 million, or a decrease of 96.7% year on year. The decrease is attributable to estimated extraordinary losses of ¥2,230 million related to office relocation, including relocation expenses and impairment losses on non-current assets of existing offices.

The performance forecast above is based on information available at the time this document was announced, and therefore, actual operating results may differ from the forecasts owing to a variety of factors.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

1) Basic Policy on Profit Distribution

The Company considers the return of profits to shareholders to be a pivotal spoke in the management of the business, and endeavors for the sustainable increase in shareholder value through growth of the business and improvements to capital efficiency. In addition, we offer dividends on a continuous basis and adopt a flexible approach to share buybacks. These and other initiatives form a central pillar in our approach to driving benefits back to shareholders. The Company decides dividend amounts with a target DOE (Note) of 5%, while aiming for stable and continuous increases in dividends in the long-term. Furthermore, the Company intends to implement share buybacks based on maintaining a ratio of tradeable shares of 35%, which is one of the listing criteria of the "Prime Market," a new market classification at the Tokyo Stock Exchange.

(Note) DOE (dividend on equity): Total annual dividends / Shareholders' equity

2) Dividends of Surplus for the Current Fiscal Year

The Company specifies in its Articles of Incorporation that it may distribute surplus, etc. based on a resolution by the Board of Directors, in order to flexibly implement its capital policy, pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act. As for the distribution of surplus for the fiscal year under review, the Company plans to pay a dividend of ¥54 per share (including an interim dividend of ¥27 per share).

3) Dividends of Surplus for the Next Fiscal Year

As for the dividend of surplus for the next fiscal year, according to the basic policy on profit distribution as in 1) above, the Company plans to pay an interim dividend and year-end dividend of ¥27 per share, respectively, which brings the annual dividend to ¥54 per share.

2. Basic Stance on the Choice of Accounting Standards

The Group adopts Japanese accounting standards. The Group will make a decision on the adoption of International Financial Reporting Standards (IFRS) after considering the situation in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	21,031	16,101
Accounts receivable - trade	18,349	15,796
Securities	175	180
Merchandise	50	83
Supplies	288	577
Other	2,675	5,646
Allowance for doubtful accounts	(56)	(20)
Total current assets	42,513	38,364
Non-current assets		
Property, plant and equipment		
Buildings	1,680	1,577
Accumulated depreciation	(624)	(545)
Buildings, net	1,056	1,031
Tools, furniture and fixtures	485	798
Accumulated depreciation	(269)	(394)
Tools, furniture and fixtures, net	216	403
Lease assets	30	39
Accumulated depreciation	(13)	(17)
Lease assets, net	16	22
Other	1	56
Total property, plant and equipment	1,290	1,515
Intangible assets		
Goodwill	1,836	1,521
Other	2,853	2,454
Total intangible assets	4,689	3,975
Investments and other assets		
Investment securities	5,235	4,611
Deferred tax assets	229	87
Other	1,423	1,886
Allowance for doubtful accounts	(6)	(0)
Total investments and other assets	6,883	6,584
Total non-current assets	12,863	12,075
Total assets	55,376	50,440

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	16,899	14,855
Asset retirement obligations	162	−
Provision for bonuses	1,237	12
Provision for directors' bonuses	9	−
Provision for point card certificates	466	472
Deposits received	3,444	3,463
Incom taxes payable	1,356	−
Short-term loans payable	−	147
Current portion of long-term loans payable	117	8
Other	2,587	2,882
Total current liabilities	26,280	21,841
Non-current liabilities		
Long-term loans payable	63	−
Asset retirement obligations	238	238
Deferred tax liabilities	725	563
Other	312	325
Total non-current liabilities	1,339	1,127
Total liabilities	27,619	22,969
Net assets		
Shareholders' equity		
Capital stock	1,410	1,514
Capital surplus	12,337	12,434
Retained earnings	12,255	12,741
Treasury shares	(0)	−
Total shareholders' equity	26,002	26,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,428	482
Foreign currency translation adjustment	13	15
Total accumulated other comprehensive income	1,441	498
Share acquisition rights	122	75
Non-controlling interests	190	207
Total net assets	27,757	27,471
Total liabilities and net assets	55,376	50,440

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

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	25,821	25,940
Cost of sales	2,620	2,751
Gross profit	23,200	23,189
Selling, general and administrative expenses	※1 18,227	※1 20,771
Operating profit	4,973	2,418
Non-operating income		
Interest and dividend income	69	64
Gain on investments in partnership	184	48
Foreign exchange gains	310	157
Share of gain of entities accounted for using equity method	–	103
Income from lease termination related a company	54	283
Other	71	40
Total non-operating income	691	698
Non-operating expenses		
Interest expenses	1	1
Share of loss of entities accounted for using equity method	27	–
Loss on investments in partnership	20	61
Other	–	17
Total non-operating expenses	49	79
Ordinary profit	5,614	3,036
Extraordinary income		
Gain on sales of investment securities	258	1,221
Gain on sales of investments in subsidiaries	–	680
Gain on sales of shares of subsidiaries and associates	–	116
Other	1	–
Total extraordinary income	259	2,017
Extraordinary losses		
Loss on retirement of non-current assets	78	23
Loss on sales of investment securities	56	–
Loss on valuation of investment securities	277	39
Loss on change in equity	11	–
Impairment loss	※2 297	※2 157
Loss on advance payments to suppliers	–	135
Other	1	–
Total extraordinary losses	723	355
Profit before income taxes	5,151	4,698
Income taxes - current	2,381	1,207
Income taxes - deferred	(354)	389
Total income taxes	2,027	1,526
Profit	3,124	3,102
Loss attributable to non-controlling interests	19	66
Profit attributable to owners of parent	3,104	3,035

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	3,124	3,102
Other comprehensive income		
Valuation difference on available-for-sale securities	1,045	(933)
Foreign currency translation adjustment	3	1
Share of other comprehensive income of entities accounted for using equity method	(59)	(11)
Total other comprehensive income	989	(943)
Comprehensive income	4,113	2,158
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,093	2,092
Comprehensive income attributable to non-controlling interests	19	66

(3) Consolidated Statements of Changes in Equity

Year ended December 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,111	12,031	11,046	(264)	23,924
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	298	298			597
Dividends of surplus			(1,640)		(1,640)
Profit attributable to owners of parent			3,104		3,104
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		7		10	17
Retirement of treasury shares			(254)	254	–
Net changes of items other than shareholders' equity					
Total changes of items during period	298	305	1,209	264	2,078
Balance at end of current period	1,410	12,337	12,255	(0)	26,002

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	463	(10)	452	7	170	24,553
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						597
Dividends of surplus						(1,640)
Profit attributable to owners of parent						3,104
Purchase of treasury shares						(0)
Disposal of treasury shares						17
Retirement of treasury shares						–
Net changes of items other than shareholders' equity	965	24	989	114	20	1,124
Total changes of items during period	965	24	989	114	20	3,203
Balance at end of current period	1,428	13	1,441	122	190	27,757

Year ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,410	12,337	12,255	(0)	26,002
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	96	96			193
Issuance of new shares	7	7			14
Dividends of surplus			(1,355)		(1,355)
Profit attributable to owners of parent			3,035		3,035
Purchase of treasury shares				(1,201)	(1,201)
Retirement of treasury shares		(7)	(1,194)	1,201	－
Change in ownership interest of parent due to transactions with noncontrolling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	104	97	485	0	687
Balance at end of current period	1,514	12,434	12,741	－	26,689

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	1,428	13	1,441	122	190	27,757
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						193
Issuance of new shares						14
Dividends of surplus						(1,355)
Profit attributable to owners of parent						3,035
Purchase of treasury shares						(1,201)
Retirement of treasury shares						－
Change in ownership interest of parent due to transactions with noncontrolling interests						(0)
Net changes of items other than shareholders' equity	(946)	2	(943)	(46)	17	(972)
Total changes of items during period	(964)	2	(943)	(46)	17	(285)
Balance at end of current period	482	15	498	75	207	27,471

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,151	4,698
Depreciation	861	807
Impairment loss	297	157
Amortization of goodwill	312	270
Loss on advance payments to suppliers	–	135
Increase (decrease) in allowance for doubtful accounts	10	(41)
Interest and dividend income	(69)	(64)
Share of loss (profit) of entities accounted for using equity method	27	(103)
Decrease (increase) in notes and accounts receivable – trade	(650)	2,552
Decrease (increase) in inventories	225	(322)
Increase (decrease) in notes and accounts payable - trade	243	(2,043)
Loss (gain) on sales of investment securities	(202)	(1,221)
Loss (gain) on sales of shares of subsidiaries and associates	–	(116)
Stock compensation expenses	127	10
Increase (decrease) in provision for bonuses	43	(1,225)
Increase (decrease) in provision for directors' bonuses	(15)	(9)
Increase (decrease) in provision for point card certificates	(49)	6
Loss on retirement of non-current assets	78	23
Loss (gain) on change in equity	11	(680)
Decrease (increase) in accounts payable – other	(345)	130
Increase (decrease) in accrued consumption taxes	277	(1,380)
Other, net	1,196	(230)
Subtotal	7,532	1,352
Interest and dividend income received	69	62
Interest expenses paid	(1)	(1)
Income taxes (paid) refund	(497)	(3,300)
Net cash provided by (used in) operating activities	7,102	1,886
Cash flows from investing activities		
Purchase of property, plant and equipment	(436)	(490)
Purchase of intangible assets	(330)	(246)
Purchase of investment securities	(488)	(1,142)
Proceeds from sales of investment securities	360	1,819
Proceeds from sales of shares of subsidiaries and associates	–	299
Purchase of loans receivable	(237)	(567)
Proceeds from loans receivable	249	222
Purchase of assist retirement obligations	(63)	(178)
Payments for lease and guarantee deposits	–	(477)
Proceeds from lease and guarantee deposits	205	–
Other, net	(23)	61
Net cash provided by (used in) investing activities	(765)	(698)

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(19)	147
Repayments of long-term loans payable	(118)	(172)
Purchase of treasury shares	(0)	(1,201)
Cash dividends paid	(1,639)	(1,355)
Repayments of lease obligations payable	(34)	(21)
Proceeds from exercise of share options	596	147
Other	－	(49)
Net cash provided by (used in) financing activities	(1,215)	(2,504)
Effect of exchange rate change on cash and cash equivalents	308	160
Net increase (decrease) in cash and cash equivalents	5,430	(4,929)
Cash and cash equivalents at beginning of period	15,600	21,031
Cash and cash equivalents at end of period	21,031	16,101

(5) Notes to Condensed Consolidated Financial Statements

(Going Concern Assumption)

None

(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.

(Changes in Accounting Policies)

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

Effective from the beginning of the fiscal year ended 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.

(Change in the Presentation Method)

(Consolidated Statements of Income)

"Income from lease termination related a company" included in "Miscellaneous gains" under non-operating income in the previous consolidated fiscal year has been presented separately from the current consolidated fiscal year as the amount has become more significant. The previous fiscal year's consolidated financial statements have been reclassified to reflect this change in the presentation method. As a result, ¥54 million recorded in "Miscellaneous gains" under non-operating income in the previous consolidated fiscal year has been reclassified into "Income from lease termination related a company." In addition, "Miscellaneous gains," which was presented separately under non-operating income in the previous consolidated fiscal year, has been included in "Other" under non-operating income from the current consolidated fiscal year as it has become less significant. The previous fiscal year's consolidated financial statements have been reclassified to reflect this change in the presentation method. As a result, of the ¥115 million recorded in "Miscellaneous gains" under non-operating income in the previous fiscal year, ¥61 million excluding the ¥54 million reclassified into "Income from lease termination related a company," has been reclassified into "Other."

(Additional Information)

(Application of the Accounting Standard for Revenue Recognition)

Effective from the beginning of the fiscal year ended 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.

(Consolidated Statements of Income)

*1 Major items and their amounts included in selling, general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)
Salaries	5,770	7,542
Bonuses and provision for bonuses	1,811	205
System usage fees	1,981	2,721
Advertising and promotion expenses	1,434	2,741

*2 Impairment losses

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

The Group recorded impairment losses on the following asset groups.

(Millions of yen)

Location	Usage	Type	Impairment loss
Chuo-ku, Tokyo	Assets for common use	Buildings	109
Shibuya -ku, Tokyo	Business assets (Consumer Business)	Goodwill	74
Shibuya-ku, Tokyo	Business assets (Ad Platform Business)	Goodwill	113

The Group, in the recognition of impairment losses, basically groups its assets according to the classifications in management accounting, by which income and expenditure are monitored on an ongoing basis.

During the fiscal year under review, the Company continued, as part of the plan it had launched in the previous fiscal year, to cancel the lease on a portion of the office floor and renovate the remaining floor space at the head office of Cyber Communications Inc. (Chuo-ku, Tokyo), a consolidated subsidiary of the Company, in order to create an office space design based on new workstyles in conjunction with the promotion of remote work stemming from the spread of COVID-19. As a result, the carrying amount of the asset group with no prospects for future use was reduced to the recoverable amount. The recoverable amount used in the calculation of impairment losses of this asset group was measured at its net realizable value. However, since disposal of interior furnishings was expected for obligation of restitution to the original state at the cancellation of the lease, it was valued at zero.

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, the undiscounted future cash flows of the business asset group fell below the carrying amount of the non-current assets, and the carrying amount was reduced to the recoverable amount. The reduced amount was recorded as impairment loss under extraordinary losses.

The recoverable amount was measured at its value in use (at the discount rate of 26.3%).

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, the undiscounted future cash flows of the business asset group fell below the carrying amount of the non-current assets, and the carrying amount was reduced to the recoverable amount. The reduced amount was recorded as impairment loss under extraordinary losses.

The recoverable amount was measured at its value in use (at the discount rate of 23.4%).

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)
The Group recorded impairment losses on the following asset groups.

(Millions of yen)

Location	Usage	Type	Impairment loss
Shibuya-ku, Tokyo	Business assets (Consumer Business)	Goodwill	19
Shibuya-ku, Tokyo	Business assets (Ad Platform Business)	Goodwill	25
Shibuya-ku, Tokyo	Business assets (Consumer Business)	Premium	112

The Group, in the recognition of impairment losses, basically groups its assets according to the classifications in management accounting, by which income and expenditure are monitored on an ongoing basis.

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, the undiscounted future cash flows of the business asset group fell below the carrying amount of the non-current assets, and the carrying amount of goodwill was reduced to the recoverable amount. The reduced amount was recorded as impairment loss under extraordinary losses. The recoverable amount was valued at zero since no future cash flows were expected.

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, the undiscounted future cash flows of the business asset group fell below the carrying amount of the non-current assets, and the carrying amount of goodwill was reduced to the recoverable amount. The reduced amount was recorded as impairment loss under extraordinary losses. The recoverable amount was valued at zero since no future cash flows were expected.

In the Consumer Business, as a result of reviewing the progress of CARTA SYNC GAMES, Inc., a consolidated subsidiary, against its business plan and future business prospects, it became unable to expect the initially planned profit, and the carrying amount of premium was reduced to the recoverable amount. The reduced amount was recorded as impairment loss under extraordinary losses.

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

The Group's reportable segments are the units for which separate financial information is available and which the Board of Directors regularly reviews to determine the allocation of management resources and evaluate business performance.

The Group's companies or business divisions are established for each service and develop comprehensive strategies for the services provided by each company or business division in carrying out business activities.

The Group thus consists of segments classified by services based on companies or business divisions, and has three reportable segments: "Marketing Solutions Business," "Ad Platform Business," and "Consumer Business."

The descriptions of services that belong to each segment are as follows:

Reportable segment	Description of services in each segment
Marketing Solutions Business	Sells advertising space and provides solutions mainly through media communication
Ad Platform Business	Operates "Zucks," "PORTO," "TELECY," and others as operational advertising platforms Operates "fluct" and others as media support services
Consumer Business	Operates sales promotion media centered on "EC Navi," "PeX," and "Digico" Operates services in the EC, game, and HR domains

In the fiscal year under review, 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, segment information for the previous fiscal year is based on figures for the previous fiscal year that have been reclassified to reflect the new reporting segment classification.

In addition, beginning in the fiscal year under review, 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 previous fiscal year is presented based on the method used before the change.

2. Method of calculating sales, income or loss, assets, and other items for each reportable segment

The accounting method based on the accounting policy used in the preparation of the consolidated financial statements has been applied to the reportable business segments.

Reportable segment income is based on operating income. Intersegment sales or transfer are based on current market values.

3. Information on sales, income or loss, assets, and other items and information on disaggregation of profit by reportable business segment

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	12,478	6,647	6,695	25,821	–	25,821
Intersegment Sales or Transfer	–	20	–	20	(20)	–
Total	12,478	6,667	6,695	25,841	(20)	25,821
Segment Income (Loss)	3,161	1,499	312	4,973	–	4,973
Other Items						
Depreciation	297	429	134	861	–	861
Amortization of goodwill	–	215	96	312	–	312

(Note) Segment assets are not disclosed, as the Company does not allocate assets to reportable segments.

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Sales						
Profit from contracts with customers	11,712	7,052	7,176	25,940	–	25,940
Other profit	–	–	–	–	–	–
Outside Sales	11,712	7,052	7,176	25,940	–	25,940
Intersegment Sales or Transfer	–	36	–	36	(36)	–
Total	11,712	7,088	7,176	25,977	(36)	25,940
Segment Income (Loss)	1,985	944	(511)	2,418	–	2,418
Other Items						
Depreciation	285	373	148	807	–	807
Amortization of goodwill	–	179	91	270	–	270

(Note) Segment assets are not disclosed, as the Company does not allocate assets to reportable segments.

[Related Information]
Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)
1. Information by products and services
It is omitted as the same information is disclosed in Segment Information.

2. Information by region
(1) Sales
Information is omitted as outside sales in Japan account for more than 90% of net sales stated on the consolidated statements of income.

(2) Property, plant and equipment
Information is omitted as property, plant and equipment located in Japan accounts for more than 90% of property, plant and equipment stated on the consolidated balance sheets.

3. Information by major customers

(Millions of yen)

Customer	Sales	Related segment
Dentsu Digital Inc.	3,919	Marketing Solutions Business

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)
1. Information by products and services
It is omitted as the same information is disclosed in Segment Information.

2. Information by region
(1) Sales
Information is omitted as outside sales in Japan account for more than 90% of net sales stated on the consolidated statements of income.

(2) Property, plant and equipment
Information is omitted as property, plant and equipment located in Japan accounts for more than 90% of property, plant and equipment stated on the consolidated balance sheets.

3. Information by major customers

(Millions of yen)

Customer	Sales	Related segment
Dentsu Digital Inc.	3,452	Marketing Solutions Business

[Information on impairment loss on non-current assets by reportable segment]

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable Segments				Corporate/ Elimination	Total
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Impairment losses	—	113	74	188	109	297

* The Company reviewed the office strategy of the head office of Cyber Communications Inc. (Chuo-ku, Tokyo), a consolidated subsidiary of the Company, in order to create an office space design based on new workstyles in conjunction with the promotion of remote work stemming from the spread of COVID-19. Accordingly, a decision was made to cancel the lease on a portion of the office floor and to renovate the remaining floor space. As a result, an impairment loss of ¥109 million was recorded. This impairment loss has been included in the impairment losses under extraordinary losses in the consolidated statements of income. This impairment loss has not been allocated to reportable segments.

In the Ad Platform Business and Consumer Business, as a result of reviewing the progress and future prospects of some businesses, impairment losses of goodwill were recorded.

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable Segments				Corporate/ Elimination	Total
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Impairment losses	—	25	131	157	—	157

* In the Ad Platform Business and Consumer Business, as a result of reviewing the progress and future prospects of some businesses, impairment losses of goodwill were recorded.

In the Consumer Business, impairment loss of premium was recorded since it became unable to expect the initially planned profit.

[Information on amortization of goodwill and unamortized balance by reportable segment]
Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable Segments				Corporate/ Elimination	Total
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Amortization	—	215	96	312	—	312
Year-end balance	—	1,253	583	1,836	—	1,836

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable Segments				Corporate/ Elimination	Total
	Marketing Solutions Business	Ad Platform Business	Consumer Business	Total		
Amortization	—	179	91	270	—	270
Year-end balance	—	1,048	473	1,521	—	1,521

[Information on profit from negative goodwill by reportable segment]
Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)
None

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)
None

(Per Share Information)

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)		Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	
	Yen		Yen
Net assets per share	1,070.34	Net assets per share	1,080.42
Net income per share	122.68	Net income per share	119.20
Diluted net income per share	121.32	Diluted net income per share	118.60

(Note) The basis for calculating net income per share and diluted net income per share is as follows:

	Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	3,104	3,035
Amount not attributed to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	3,104	3,035
Average number of common shares during the period (Shares)	25,301,804	25,468,327
Diluted net income per share		
Adjustment on profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Shares)	284,654	129,787
[of which, share acquisition rights (Shares)]	[284,654]	[129,787]
Summary of potential shares not included in the calculation of diluted net income per share due to no dilutive effect	—	—

(Significant Subsequent Events)

(Head office relocation due to business location restructuring)

At the Board of Directors meeting held on February 13, 2023, the Company resolved to integrate the head offices of CARTA HOLDINGS, Inc. (Shibuya-ku, Tokyo) and CARTA COMMUNICATIONS Inc. (Chuo-ku, Tokyo), which are our major business locations, to a new head office (planned relocation to Minato-ku, Tokyo), as part of the management integration.

As a result, in the fiscal year ending December 31, 2023, the Company plans to record extraordinary losses of ¥2,230 million, including relocation expenses and impairment losses on non-current assets of existing offices. The above amount was calculated based on the information available at the time this document was announced, and therefore, the actual amount may change owing to a variety of factors.