

## Financial Results for the 2nd Quarter of the Fiscal Year Ending December 31, 2023 [Japanese Standards] (Consolidated)

Aug 10, 2023

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  
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Date to submit the Securities Report: Aug 10, 2023  
 Scheduled date of dividend payments: Sep 8, 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 FY 2023 First Six Months (January 1, 2023 – June 30, 2023)

 (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 2023 first six months	12,062	(8.5)	231	(87.0)	582	(76.3)	(1,194)	—
FY 2022 first six months	13,176	4.3	1,776	(39.6)	2,460	(25.5)	2,358	6.4

(Note) Comprehensive Income: FY 2023 first six months: ¥(759) million (-)%  
 FY 2022 first six months: ¥1,376 million (49.5)%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2023 first six months	(47.46)	—	334	(91.8)
FY 2022 first six months	91.94	91.31	4,070	0.9

\* 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, impairment loss, and loss on advance payments to suppliers to the Company's profit before income taxes.

2. Diluted net income per share for the first six months of FY2023 is not presented because net income per share was negative, although dilutive shares did exist.

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
June 30, 2023	46,310	26,022	55.4	1,020.38
December 31, 2022	50,440	27,471	53.9	1,080.42

(Reference) Owned capital: June 30, 2023: ¥25,676 million  
 December 31, 2022: ¥27,187 million

## 2. Dividend status

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2022	—	27.00	—	27.00	54.00
FY 2023	—	27.00			
FY 2023 (Forecast)			—	27.00	54.00

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

## 3. Forecast of Consolidated Financial Results for FY 2023 (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	24,600	(6.7)	500	(79.3)	900	(70.4)	(1,600)	—	(63.58)	700	(88.5)

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

### ※ Notes

(1) Changes in significant subsidiaries during the period : No  
(Change of specified subsidiaries that lead to a change in the scope of consolidation)

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements : Yes

(Note) For details, please see “2. Consolidated Financial Statements (4) Notes to Condensed Interim Consolidated Financial Statements (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)” on page 13 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   | : Yes  |
| 4) Retrospective restatements  | : None |

(4) Number of shares issued (common stock)

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

As of June 30, 2023	25,163,971	As of December 31, 2022	25,163,971
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2) Number of treasury stock issued and outstanding

As of June 30, 2023	—	As of December 31, 2022	—
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3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Six months ended June 30, 2023	25,163,971	Six months ended June 30, 2022	25,650,916
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### ※ Notice regarding audit procedures

This financial result is excluded from audit procedures.

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

(Note on forward-looking statements)

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

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

(Supplementary materials)

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

## Attachment

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

### (1) Analysis of Operating Results

With regard to the online advertising market where the Group operates its mainstay business, according to research by Dentsu Inc., in 2022, as in the previous year, society continued along the path toward digitalization. Against this backdrop, internet advertising spending grew by double digits to ¥3,091.2 billion, up 14.3% year on year, or an increase of approximately ¥1 trillion in a mere three years from 2019, when market size surpassed ¥2 trillion, and now reaching the ¥3 trillion range.

In addition, among internet advertising spending, internet advertising medium expenditures, while buffeted by the situation in Ukraine, yen depreciation, and the soaring cost of raw materials, amounted to ¥2,480.1 billion, or an increase of 15.0% year on year, which was substantial growth that continued from the previous year. Contributing to this result was rising demand for video advertising, particularly in-stream advertising, as well as the increased digital usage in corporate sales promotion activities, with listing advertising and digital sales promotion also performing well.

Under these circumstances, the Group announced its “new medium-term management policy” in February of this year, and while working to review and optimize its business portfolio, promoted business based on its new strategy and business policy.

As a result, the Group posted net sales of ¥12,062 million, or a decrease of 8.5% year on year, on the impact of falling advertising placements against the backdrop of unstable conditions in society in our mainstay brand advertising domain, and operating income of ¥231 million, or a decrease of 87.0% year on year, due to an increase in personnel and recruiting costs because of aggressive hiring of personnel. Ordinary income amounted to ¥582 million, or a decrease of 76.3% year on year, and loss attributable to owners of parent was ¥1,194 million (profit attributable to owners of parent of ¥2,358 million for the same period of the previous fiscal year), mainly on account of recording an extraordinary loss due to the provision of expenses associated with office relocation and integration in the period under review.

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

In addition, from the first quarter of the fiscal year ending December 31, 2023, we have integrated the “Marketing Solutions Business” segment and the “Ad Platform Business” segment, reclassifying them as the “Digital Marketing Business” segment, while the “Consumer Business” segment name has been changed to the “Internet-related Business” segment. Furthermore, in line with the reorganization, a portion of the business that had been included in the “Consumer Business” has been changed to the “Digital Marketing Business” category. 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) Digital Marketing Business

The Digital Marketing Business provides digital marketing support to advertising agencies, clients, and others, as well as media DX support.

Despite the growth of the “TELECY” operational TV advertising platform, a decline in advertising placements against the backdrop of unstable social conditions in the mainstay brand advertising domain had a negative impact, and net sales amounted to ¥8,454 million, or a decrease of 13.8% year on year, and segment income was ¥17 million, or a decrease of 99.1% year on year, due to an increase in personnel and recruiting costs because of aggressive hiring of personnel, in the period under review.

#### 2) Internet-related Business

In addition to providing media solutions, the Internet-related Business administers services in the EC and HR domains.

The Internet-related Business recorded net sales of ¥3,618 million, or an increase of 6.6% year on year, and segment income of ¥214 million (segment loss of ¥174 million for the same period of the previous fiscal year).

### (2) Analysis of Financial Position

#### 1) Assets, Liabilities and Net Assets (Assets)

Consolidated assets as of the end of the period under review totaled ¥46,310 million, a decrease of ¥4,130 million from the end of the previous fiscal year. This was mainly attributable to a decrease in accounts receivable - trade.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥20,288 million, a decrease of ¥2,680 million from the end of the previous fiscal year. This was mainly attributable to a decrease in accounts payable - trade.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥26,022 million, a decrease of ¥1,449 million from the end of the previous fiscal year. This was primarily due to the recording of loss attributable to owners of parent and a decrease in retained earnings on account of payment of dividends of surplus.

## **2) Cash Flows**

Cash and cash equivalents at the end of the period under review (hereinafter, "funds") totaled ¥16,589 million. The following is the status and factors of each cash flow during the period under review.

(Net cash flows from operating activities)

Net cash flows provided by operating activities amounted to ¥2,943 million (¥1,370 million was used in the same period of the previous year). The main positive factors included an increase in funds resulting from a decrease in notes and accounts receivable - trade.

(Net cash flows from investing activities)

Net cash flows used in investing activities amounted to ¥1,671 million (¥160 million was provided in the same period of the previous 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 ¥834 million (¥1,630 million was used in the same period of the previous year). The main negative factors included a decrease in funds resulting from cash dividends paid.

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

The Company has decided to revise our previous forecast of consolidated financial results.

As stated in the new medium-term management policy announced on February 13, 2023, in the current fiscal year, the Group intends to implement structural reforms and strengthen new areas of the Digital Marketing Business, and to withdraw from unprofitable businesses in efforts to improve profit structure, in addition to integrating and relocating offices as the final step in the management integration process that has been implemented since 2019.

With regard to the business environment, since the second half of last year, there has been a continued reduction in the willingness of advertisers to place advertisements due to the macro environment and other factors, and although we had expected recovery to a certain extent in the current fiscal year, it has been less than expectations. In addition, in the Digital Marketing Business, sales are expected to fall short of the previous forecast due to a significant drop in reservation-based advertising and lower profitability in some transactions.

In response, the Company has decided to undertake structural reforms to achieve recovery in performance in the next fiscal year and beyond, and to reduce SG&A expenses, mainly fixed costs, by approximately ¥1 billion. Specifically, the Company will reduce personnel and recruiting costs, etc. by reducing executive compensation, freezing mid-career hiring, reviewing benefits and various allowances, etc., reducing system costs, reviewing outsourcing and subcontracting costs, and integrating and streamlining duplicate functions

in conjunction with office consolidation. However, since the full effect of these reductions in SG&A expenses will not be realized until the next fiscal year or later, and since one-time expenses are expected to be recorded in the current fiscal year as a result of the above structural reform efforts, operating income and each stage of income/loss are also expected to be lower than the previously announced forecast.

For details, please refer to the “Notice Concerning Revision of Full-Year Consolidated Earnings Forecasts and Reduction of Executive Compensation” released today (August 10, 2023).

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	16,101	16,589
Accounts receivable - trade	15,796	12,789
Securities	180	1,405
Merchandise	83	109
Supplies	577	384
Other	5,646	3,185
Allowance for doubtful accounts	(20)	(56)
Total current assets	38,364	34,406
Non-current assets		
Property, plant and equipment	1,515	633
Intangible assets		
Goodwill	1,521	1,626
Other	2,454	2,298
Total intangible assets	3,975	3,925
Investments and other assets		
Investment securities	4,611	5,404
Deferred tax assets	87	87
Other	1,886	1,855
Allowance for doubtful accounts	(0)	(1)
Total investments and other assets	6,584	7,345
Total non-current assets	12,075	11,904
<b>Total assets</b>	<b>50,440</b>	<b>46,310</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	14,855	11,695
Asset retirement obligations	–	231
Provision for bonuses	12	8
Provision for point card certificates	472	485
Income taxes payable	–	10
Deposits received	3,463	3,534
Short-term loans payable	147	–
Current portion of long-term loans payable	8	–
Provision for head office relocation	–	672
Other	2,882	2,711
Total current liabilities	21,841	19,350
Non-current liabilities		
Asset retirement obligations	238	–
Deferred tax liabilities	563	624
Other	325	313
Total non-current liabilities	1,127	937
<b>Total liabilities</b>	<b>22,969</b>	<b>20,288</b>

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Capital stock	1,514	1,514
Capital surplus	12,434	12,441
Retained earnings	12,741	10,867
Total shareholders' equity	26,689	24,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482	733
Foreign currency translation adjustment	15	120
Total accumulated other comprehensive income	498	853
Share acquisition rights	75	75
Non-controlling interests	207	269
Total net assets	27,471	26,022
Total liabilities and net assets	50,440	46,310



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

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net sales	13,176	12,062
Cost of sales	1,350	1,396
Gross profit	11,825	10,666
Selling, general and administrative expenses	*1 10,049	*1 10,434
Operating profit	1,776	231
Non-operating income		
Interest income and dividends income	39	33
Gain on investments in partnership	16	34
Foreign exchange gains	232	108
Investment dividend	—	291
Share of gain of entities accounted for using equity method	114	—
Income from lease termination related a company	283	—
Other	26	30
Total non-operating income	713	498
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	—	66
Loss on investments in partnership	14	74
Other	14	6
Total non-operating expenses	29	147
Ordinary profit	2,460	582
Extraordinary income		
Gain on sales of investment securities	1,022	16
Gain on sales of investments in subsidiaries	67	—
Other	—	2
Total extraordinary income	1,090	19
Extraordinary losses		
Loss on retirement of non-current assets	14	5
Impairment loss	25	*2 980
Loss on valuation of investment securities	9	39
Head office relocation expenses	—	*3 735
Other	—	24
Total extraordinary losses	50	1,785
Profit before income taxes	3,500	(1,184)
Income taxes	1,226	(69)
Profit	2,273	(1,114)
Profit attributable to non-controlling interests	(84)	79
Profit attributable to owners of parent	2,358	(1,194)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Profit	2,273	(1,114)
Other comprehensive income		
Valuation difference on available-for-sale securities	(897)	257
Foreign currency translation adjustment	2	1
Share of other comprehensive income of entities accounted for using equity method	(2)	97
Total other comprehensive income	(896)	355
Comprehensive income	1,376	(759)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,461	(839)
Comprehensive income attributable to non-controlling interests	(84)	79

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

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,500	(1,184)
Depreciation	391	380
Impairment loss	25	980
Head office relocation expenses	—	735
Amortization of goodwill	137	152
Increase (decrease) in allowance for doubtful accounts	6	37
Interest and dividend income	(39)	(33)
Share of (profit) loss of entities accounted for using equity method	(114)	66
Investment dividend	—	(291)
Decrease (increase) in notes and accounts receivable – trade	6,470	3,010
Decrease (increase) in inventories	(670)	167
Increase (decrease) in notes and accounts payable – trade	(6,271)	(3,159)
Loss (gain) on sales of investment securities	(1,022)	(16)
Stock compensation expenses	10	14
Increase (decrease) in provision for bonuses	(1,222)	(3)
Increase (decrease) in provision for directors' bonuses	(9)	—
Increase (decrease) in provision for point card certificates	(6)	12
Loss on retirement of non-current assets	14	5
Loss (gain) on change in equity	(67)	—
Decrease (increase) in accounts receivable – other	443	628
Decrease (increase) in consumption taxes receivable	(207)	1,064
Increase (decrease) in deposits received	10	70
Other, net	(528)	49
Subtotal	851	2,687
Interest and dividend income received	40	33
Interest expenses paid	(0)	(0)
Income taxes (paid) refund	(2,260)	222
Net cash provided by (used in) operating activities	(1,370)	2,943
Cash flows from investing activities		
Purchase of property, plant and equipment	(268)	(221)
Purchase of intangible assets	(98)	(97)
Purchase of investment securities	(488)	(1,830)
Proceeds from sales of investment securities	1,640	356
Proceeds from share of profits on investments in capital	41	313
Purchase of loans receivable	(131)	(50)
Proceeds from loans receivable	121	121
Purchase for asset retirement obligations	(178)	—
Payments for lease and guarantee deposits	(477)	—
Proceeds from collection of lease and guarantee deposits	—	3
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(262)
Other, net	—	(3)
Net cash provided by (used in) investing activities	160	(1,671)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	15	(147)
Repayments of long-term loans payable	(55)	—
Purchase of treasury shares	(521)	—
Net increase (decrease) in deposits for purchase of treasury shares	(477)	—
Cash dividends paid	(666)	(677)
Repayments of lease obligations payable	(14)	(4)
Proceeds from exercise of share options	139	—
Other, net	(49)	(4)
Net cash provided by (used in) financing activities	(1,630)	(834)
Effect of exchange rate change on cash and cash equivalents	211	49
Net increase (decrease) in cash and cash equivalents	(2,629)	487
Cash and cash equivalents at beginning of period	21,031	16,101
Cash and cash equivalents at end of period	18,402	16,589

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

None

**(Changes in Accounting Estimates)**

**(Change in estimate of restoration costs)**

In the first quarter of the fiscal year ending December 31, 2023, the carrying amount of the Company's lease deposits under real estate lease contracts was reduced to the recoverable amount, net of estimated costs for restitution to the original state, following the Company's decision to relocate its head office. During the second quarter of the fiscal year ending December 31, 2023, the Company obtained new information on costs for restitution to the original state and changed its estimate of restitution costs in line with the new agreement which allows the Company's head office to vacate some of the current offices with its furnishings left. The ¥247 million from this change in estimate was added to the amount of lease deposit before the change. As a result of this change, profit before income taxes in the period under review increased by ¥247 million compared with the first three months of the fiscal year ending December 31, 2023.

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

None

**(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.

**(Notes to Quarterly Consolidated Statements of Income)**

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

	(Millions of yen)	
	Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)	Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)
Salaries	4,179	4,408
Bonuses and provision for bonuses	153	67
System usage fees	1,220	1,288
Advertising and promotion expenses	1,309	902

\*2 Impairment loss

Second quarter of the fiscal year ending December 31, 2023 (January 1, 2023 to June 30, 2023)

The Group recorded impairment losses on the following asset groups.

(Millions of yen)

Location	Usage	Type	Impairment loss
Shibuya-ku, Tokyo	Head office (CARTA HOLDINGS, Inc.)	Buildings	370
		Lease deposits	14
Chuo-ku, Tokyo	Head office (CARTA COMMUNICATIONS Inc.)	Buildings	571
		Furniture and fixtures	16
Shibuya-ku, Tokyo	Business assets (Digital Marketing Business)	Software	7

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.

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, 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 the relocation was expected to have an obligation of restitution to the original state, involving disposal of interior furnishings, at the cancellation of the lease, it was valued at zero. In addition, in the second quarter of the fiscal year ending December 31, 2023, the amount of impairment loss decreased due to a revision of the estimate of costs for restitution to the original state as a result of the new agreement which allows the Company's head office to vacate some of the current offices with its furnishings left.

In the Digital Marketing Business, the carrying amount of certain software was reduced to the recoverable amount because the initially expected earnings of the software are no longer expected. The reduced amount was recorded as impairment loss under extraordinary losses.

\*3 Head office relocation expenses

Second quarter of the fiscal year ending December 31, 2023 (January 1, 2023 to June 30, 2023)

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, the Company recorded an allowance for head office relocation expenses for relocation-related expenses, etc. In addition, the amount of head office relocation expenses decreased due to the new agreement which allows the Company's head office to vacate some of the current offices with its furnishings left.

**(Additional Information)**

(Application of Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System)

The Company and certain domestic consolidated subsidiaries have shifted from the consolidated taxation system to the group tax sharing system from the first quarter ended March 31, 2023. Herewith, the Group applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) in which the procedures for accounting and disclosure of corporation income tax, local

corporation income tax, and tax effect accounting. In accordance with Paragraph 32 (1) of PITF No. 42, the Company has assumed that there is no impact from the change in accounting policy resulting from the application of PITF No. 42.

**(Segment Information)**

I For the six months ended June 30, 2022 (January 1, 2022 to June 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)
	Digital Marketing Business	Internet-related Business	Total		
Sales					
Profit from contracts with customers	9,783	3,393	13,176	—	13,176
Other profit	—	—	—	—	—
Outside Sales	9,783	3,393	13,176	—	13,176
Intersegment Sales or Transfer	25	—	25	(25)	—
Total	9,808	3,393	13,202	(25)	13,176
Segment Income (Loss)	1,950	(174)	1,776	—	1,776

(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 Digital Marketing Business, as a result of reviewing the progress of KAIKETSU, Inc., a consolidated subsidiary, against its business plan and future business prospects, ¥25 million 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 six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

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)
	Digital Marketing Business	Internet-related Business	Total		
Sales					
Profit from contracts with customers	8,444	3,618	12,062	—	12,062
Other profit	—	—	—	—	—
Outside Sales	8,444	3,618	12,062	—	12,062
Intersegment Sales or Transfer	10	—	10	(10)	—
Total	8,454	3,618	12,073	(10)	12,062
Segment Income	17	214	231	—	231

(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)

(Millions of yen)

	Reportable Segments			Corporate/ Elimination	Total
	Digital Marketing Business	Internet-related Business	Total		
Impairment losses	7	—	7	972	980

In the Digital Marketing Business segment, the Company has recorded an impairment loss on the entire carrying amount of its fixed assets for which profitability has declined, with the recoverable amount being zero.

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 (Minato-ku, Tokyo), as part of the management integration. As a result of this relocation, in the fiscal year ending December 31, 2023, the Company is recording an impairment loss of ¥972 million on the non-current assets of existing offices. This impairment loss is included in the impairment loss under extraordinary losses in the quarterly consolidated statements of income.

(Material changes in goodwill)

In the first quarter of the fiscal year ending December 31, 2023, the Company acquired shares of D-Marketing Academy, inc. thereby including it in the scope of consolidation. The increase in goodwill in the Digital Marketing Business due to this matter was ¥256 million.

(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, 2023, we have

integrated the “Marketing Solutions Business” segment and the “Ad Platform Business” segment, reclassifying them as the “Digital Marketing Business” segment, while the “Consumer Business” segment name has been changed to the “Internet-related Business” segment. Furthermore, in line with the reorganization, a portion of the business that had been included in the “Consumer Business” has been changed to the “Digital Marketing Business” category.

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

**(Significant Subsequent Events)**

None