CARTA

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 3rd Quarter of the Fiscal Year Ending December 31, 2023 〔Japanese Standards〕（Consolidated）

Nov 13, 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	
Contact: Title	Director and CFO	Name:	Hidenori Nagaoka	TEL +81-3-4577-1453

Date to submit the Securities Report: Nov 13, 2023
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 2023 First Nine Months (January 1, 2023 – September 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 nine months	17,631	(9.4)	274	(86.7)	753	(73.3)	(1,531)	—
FY 2022 first nine months	19,464	5.4	2,056	(42.2)	2,822	(29.8)	2,616	1.6

（Note）Comprehensive Income: FY 2023 first nine months: ¥(969) million (-)%
FY 2022 first nine months: ¥1,823 million (45.3)%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2023 first nine months	(60.86)	—	176	(96.3)
FY 2022 first nine months	102.33	101.73	4,819	(3.5)

* 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 nine 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
September 30, 2023	45,427	25,005	54.5	983.62
December 31, 2022	50,440	27,471	53.9	1,080.42

（Reference）Owned capital: September 30, 2023: ¥24,751 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: No

※ 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 (3) Notes to Condensed Interim Consolidated Financial Statements (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)” on page 10 of the attached documents.

(3) Changes in accounting policies, changes in accounting estimates, corrections and restatements and retrospective restatements

1) Changes in accounting policy resulting from revisions to accounting standards : None
2) Changes in accounting policy other than above : None
3) Changes in accounting estimates : Yes
4) Retrospective restatements : None

(Note) For details, please see “2. Consolidated Financial Statements (3) Notes to Condensed Interim Consolidated Financial Statements (Changes in Accounting Estimates)” on page 10 of the attached documents.

(4) Number of shares issued (common stock)

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

As of September 30, 2023	25,163,971	As of December 31, 2022	25,163,971

2) Number of treasury stock issued and outstanding

As of September 30, 2023	—	As of December 31, 2022	—

3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Nine months ended September 30, 2023	25,163,971	Nine months ended September 30, 2022	25,567,887

※ 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

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 ¥17,631 million, or a decrease of 9.4% 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 ¥274 million, or a decrease of 86.7% year on year, due to an increase in personnel and recruiting costs because of aggressive hiring of personnel. Ordinary income amounted to ¥753 million, or a decrease of 73.3% year on year, and loss attributable to owners of parent was ¥1,531 million (profit attributable to owners of parent of ¥2,616 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 ¥12,331 million, or a decrease of 14.0% year on year, and segment income was ¥55 million, or a decrease of 97.7% 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 ¥5,326 million, or an increase of 3.5% year on year, and segment income of ¥218 million (segment loss of ¥369 million for the same period of the previous fiscal year).

(2) Analysis of Financial Position

(Assets)

Consolidated assets as of the end of the period under review totaled ¥45,427 million, a decrease of ¥5,012 million from the end of the previous fiscal year. This was mainly attributable to decreases in accounts receivable - trade and cash and deposits.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥20,421 million, a decrease of ¥2,547 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 ¥25,005 million, a decrease of ¥2,465 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.

(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, 2023” on August 10, 2023.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	16,101	14,196
Accounts receivable - trade	15,796	12,544
Securities	180	1,555
Merchandise	83	104
Supplies	577	552
Other	5,646	3,886
Allowance for doubtful accounts	(20)	(61)
Total current assets	38,364	32,778
Non-current assets		
Property, plant and equipment	1,515	580
Intangible assets		
Goodwill	1,521	1,550
Other	2,454	2,242
Total intangible assets	3,975	3,793
Investments and other assets		
Investment securities	4,611	5,535
Deferred tax assets	87	87
Other	1,886	2,654
Allowance for doubtful accounts	(0)	(1)
Total investments and other assets	6,584	8,275
Total non-current assets	12,075	12,649
Total assets	50,440	45,427
Liabilities		
Current liabilities		
Accounts payable – trade	14,855	11,795
Asset retirement obligations	–	231
Provision for bonuses	12	8
Provision for extra retirement payments	–	526
Provision for point card certificates	472	496
Provision for head office relocation	–	384
Deposits received	3,463	3,618
Short-term loans payable	147	–
Current portion of long-term loans payable	8	–
Other	2,882	2,407
Total current liabilities	21,841	19,467
Non-current liabilities		
Asset retirement obligations	238	–
Deferred tax liabilities	563	644
Other	325	309
Total non-current liabilities	1,127	954
Total liabilities	22,969	20,421

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Net assets		
Shareholders' equity		
Capital stock	1,514	1,514
Capital surplus	12,434	12,441
Retained earnings	12,741	9,850
Total shareholders' equity	26,689	23,806
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482	839
Foreign currency translation adjustment	15	105
Total accumulated other comprehensive income	498	945
Share acquisition rights	75	71
Non-controlling interests	207	182
Total net assets	27,471	25,005
Total liabilities and net assets	50,440	45,427

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

(Consolidated Statements of Income)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	19,464	17,631
Cost of sales	2,031	2,048
Gross profit	17,433	15,582
Selling, general and administrative expenses	15,377	15,308
Operating profit	2,056	274
Non-operating income		
Interest income and dividends income	55	50
Investment dividend	－	291
Gain on investments in partnership	49	54
Foreign exchange gains	319	180
Share of gain of entities accounted for using equity method	88	－
Income from lease termination related a company	283	－
Other	27	70
Total non-operating income	823	646
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	－	81
Loss on investments in partnership	40	79
Other	16	6
Total non-operating expenses	57	167
Ordinary profit	2,822	753
Extraordinary income		
Gain on sales of investment securities	1,022	12
Gain on sales of investments in subsidiaries	67	－
Gain on sales of shares of subsidiaries and associates	116	－
Gain on sales of shares of subsidiaries	－	29
Other	－	6
Total extraordinary income	1,207	48
Extraordinary losses		
Loss on retirement of non-current assets	14	7
Impairment loss	25	966
Loss on valuation of investment securities	9	39
Head office relocation expenses	－	755
Loss on extra retirement payments	－	526
Other	－	24
Total extraordinary losses	50	2,321
Profit before income taxes	3,979	(1,519)
Income taxes	1,375	(102)
Profit	2,604	(1,416)
Profit attributable to non-controlling interests	(11)	114
Profit attributable to owners of parent	2,616	(1,531)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	2,604	(1,416)
Other comprehensive income		
Valuation difference on available-for-sale securities	(791)	363
Foreign currency translation adjustment	2	1
Share of other comprehensive income of entities accounted for using equity method	8	82
Total other comprehensive income	(780)	447
Comprehensive income	1,823	(969)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,835	(1,084)
Comprehensive income attributable to non-controlling interests	(11)	114

(3) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

None

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

None

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

(Calculation of tax expenses)

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 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 and the third 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 ¥262 million from this change in estimate was added to the amount of lease deposit before the change. As a result of this change, loss before income taxes in the period under review decreased by ¥262 million compared with the first three months of the fiscal year ending December 31, 2023.

(Notes to Quarterly Consolidated Statements of Income)

*1 Impairment loss

Third quarter of the fiscal year ending December 31, 2023 (January 1, 2023 to September 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
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 and third quarters of the fiscal year ending December 31, 2023, we changed the estimate of costs for restitution to the original state in line with the new agreement which allows the Company’s head office to vacate some of the current offices with its furnishings left; and accordingly, we have reversed the full amount of the impairment loss of lease deposits which was recorded in the first quarter of the fiscal year ending December 31, 2023.

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.

*2 Head office relocation expenses

Third quarter of the fiscal year ending December 31, 2023 (January 1, 2023 to September 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, in the second quarter of the fiscal year ending December 31, 2023, 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.

*3 Extra retirement payments

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

At the Board of Directors meeting held on September 5, 2023, the Company resolved to call for voluntary retirement. As a result, the Company recorded a provision for extra retirement payments for expenses, etc. related to extra retirement payments to be made to those who retire on a voluntary basis.

(Additional Information)

(Application of Practical Solution on the 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 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 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)
	Digital Marketing Business	Internet-related Business	Total		
Sales					
Profit from contracts with customers	14,319	5,145	19,464	—	19,464
Other profit	—	—	—	—	—
Outside Sales	14,319	5,145	19,464	—	19,464
Intersegment Sales or Transfer	22	—	22	(22)	—
Total	14,341	5,145	19,487	(22)	19,464
Segment Income (Loss)	2,425	(369)	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 Digital Marketing Business, as a result of reviewing the progress of KAIKETSU, Inc., a consolidated subsidiary, against its business plan and future 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 nine months ended September 30, 2023 (January 1, 2023 to September 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	12,305	5,326	17,631	－	17,631
Other profit	－	－	－	－	－
Outside Sales	12,305	5,326	17,631	－	17,631
Intersegment Sales or Transfer	25	－	25	(25)	－
Total	12,331	5,326	17,657	(25)	17,631
Segment Income	55	218	274	－	274

(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	958	966

In the Digital Marketing Business segment, the Company has recorded an impairment loss on the entire carrying amount of its non-current 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 recorded an impairment loss of ¥958 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)

(Merger of consolidated subsidiaries)

The four consolidated subsidiaries of the Company, namely Zucks, Inc., ATRAC Inc., PORTO Inc., and CARTA AGE, INC., resolved at their respective extraordinary general meetings of shareholders held on July 1, 2023 to conduct an absorption-type merger in which Zucks, Inc. is a surviving company and ATRAC Inc., PORTO Inc., and CARTA AGE, INC. are dissolving companies, effective on October 1, 2023.

1. Overview of the business combination

(1) Names and businesses of the companies subject to the business combination

Name of the surviving company:	Zucks, Inc.
Business:	Ad platform business
Name of the dissolving company:	ATRAC Inc.
Business:	Ad agency business
Name of the dissolving company:	PORTO Inc.
Business:	Ad platform business
Name of the dissolving company:	CARTA AGE, INC.
Business:	Ad agency business

(2) Purposes of the business combination

The purposes are to create new value and to contribute to advancement and growth of businesses of our clients by combining the product development capabilities and the abilities to provide marketing solutions that are not limited to a single domain, which have been cultivated by each of the companies subject to the merger, and thereby providing higher level of services and solutions.

(3) Date of the business combination

October 1, 2023

(4) Legal form of the business combination

Absorption-type merger in which Zucks, Inc. is a surviving company and ATRAC Inc., PORTO Inc., and CARTA AGE, INC. are dissolving companies

(5) Name of the company after the business combination

CARTA MARKETING FIRM Inc.

(Zucks, Inc., which is the surviving company, renamed its trading name to CARTA MARKETING FIRM Inc. on the same day as the effective date of merger)

2. Outline of accounting treatment to be implemented

The transaction is treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).