

Financial Results for the Fiscal Year Ending December 31, 2023
[Japanese Standards] (Consolidated)

Feb 13, 2024

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 President	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 23, 2024			
Scheduled starting date of dividend payments:	Mar 11, 2024			
Scheduled date to file Securities Report:	Mar 25, 2024			
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, 2023
(January 1, 2023 – December 31, 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	%
Year ended December 31, 2023	24,111	(7.1)	1,301	(46.2)	1,798	(40.8)	(2,360)	—
Year ended December 31, 2022	25,940	0.5	2,418	(51.4)	3,036	(45.9)	3,035	(2.2)

(Note) Comprehensive Income: Year ended December 31, 2023: ¥(2,144) million —%
 Year ended December 31, 2022: ¥2,158 million (47.5)%

	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, 2023	(93.81)	—	1,163	(80.9)	(9.3)	3.6	5.4
Year ended December 31, 2022	119.20	118.60	6,093	(9.1)	11.1	5.7	9.3

(Reference) Equity in net losses of affiliated companies: Year ended December 31, 2023: ¥(71) million
 Year ended December 31, 2022: ¥103 million

- * 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 fiscal year ended December 31, 2023 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
December 31, 2023	49,863	23,833	47.2	935.06
December 31, 2022	50,440	27,471	53.9	1,080.42

(Reference) Owned capital: December 31, 2022 ¥23,534 million
 December 31, 2021 ¥27,187 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, 2023	1,739	(2,775)	(1,610)	13,528
Year ended December 31, 2022	(1,886)	(698)	(2,504)	16,101

2. Dividend status

	Annual dividends					Total amount of dividends(total) ¥million	Payout ratio (consolidated) %	Dividend-to-net asset ratio (consolidated) %
	1Qend	2Qend	3Qend	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
FY 2022	—	27.00	—	27.00	54.00	1,368	45.3	5.0
FY 2023	—	27.00	—	27.00	54.00	1,358	—	5.4
FY 2024 (Forecast)	—	27.00	—	27.00	54.00		169.9	

3. Forecast of Consolidated Financial Results for FY 2024 (January 1, 2024 — December 31, 2024)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	EBITDA	
	¥million	%	¥million	%	¥million	%	¥million	%	Yen	¥million	%
Full year	24,000	(0.5)	1,500	15.2	1,400	(22.2)	800	—	31.78	2,300	97.6

(Note) The forecast of consolidated financial results for the six months ending June 30, 2024 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 : None
(Change of specified subsidiaries that lead to a change in the scope of consolidation)
- (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 : None
- 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, 2023	25,168,971	As of December 31, 2022	25,163,971
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2) Number of treasury stock issued and outstanding

As of December 31, 2023	—	As of December 31, 2022	—
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3) Average number of shares during the period

Year ended December 31, 2023	25,163,984	Year ended December 31, 2022	25,468,327
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(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for fiscal year ended December 31, 2023

(January 1, 2023 — December 31, 2023)

(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, 2023	6,238	(31.6)	2,104	(55.7)	2,098	(49.6)	168	(97.6)
Year ended December 31, 2022	9,116	187.8	4,748	133.6	4,167	144.5	6,992	235.3

	Net income per share	Diluted net income per share
	¥	¥
Year ended December 31, 2023	6.67	6.66
Year ended December 31, 2022	274.55	273.16

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
December 31, 2023	27,369	19,391	70.6	767.80
December 31, 2022	26,497	20,590	77.4	815.23

(Reference) Owned capital: December 31, 2023 ¥19,324 million
December 31, 2022 ¥20,514 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
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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 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 2023, 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 ¥24,111 million, or a decrease of 7.1% 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 ¥1,301 million, or a decrease of 46.2% year on year, due to an increase in personnel and recruiting costs because of aggressive hiring of personnel. Ordinary income amounted to ¥1,798 million, or a decrease of 40.8% year on year, and loss attributable to owners of parent was ¥2,360 million (profit attributable to owners of parent of ¥3,035 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 as well as impairment loss on goodwill and other assets 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, 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 ¥16,961 million, or a decrease of 10.2% year on year, and segment income was ¥893 million, or a decrease of 69.6% 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 ¥7,184 million, or an increase of 1.2% year on year, and segment income of ¥407 million (segment loss of ¥524 million for the same period of the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Consolidated assets as of the end of the period under review totaled ¥49,863 million, a decrease of ¥577 million from the end of the previous fiscal year. This was mainly attributable to decreases in cash and deposits, goodwill, and other intangible assets, despite increases in

accounts receivable – trade and securities.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥26,030 million, an increase of ¥3,061 million from the end of the previous fiscal year. This was mainly attributable to increases in accounts payable – trade and accounts payable – other .

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥23,833 million, a decrease of ¥3,638 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) 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 ¥13,528 million, a decrease of ¥2,573 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 provided by operating activities amounted to ¥1,739 million (¥1,886 million was used in the previous fiscal year). The main positive factors included an increase in funds resulting from an increase in notes and accounts payable – trade, an increase in deposits received, and a decrease in accounts receivable – other.

(Net cash flows from investing activities)

Net cash flows used in investing activities amounted to ¥2,775 million (¥698 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 ¥1,610 million (¥2,504 million was used in the previous fiscal year). The main negative factors included a decrease in funds resulting from cash dividends paid.

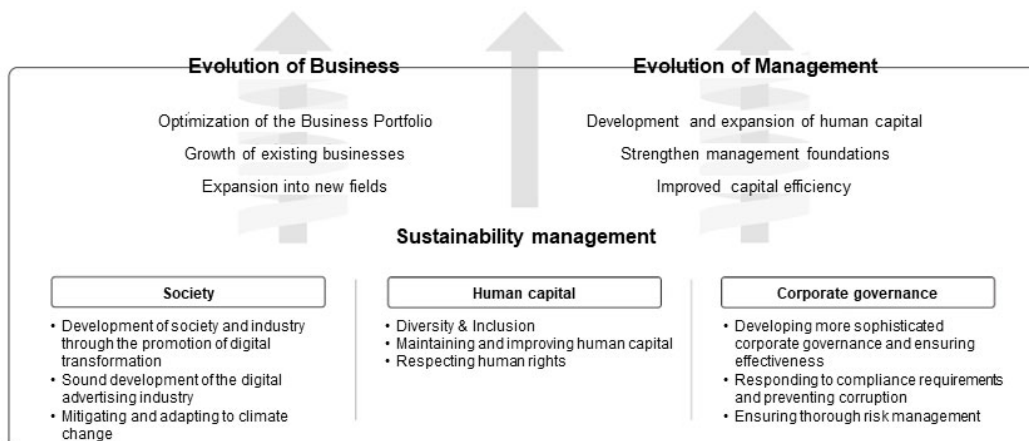
(4) Future Outlook

As stated in the medium-term business policy released on 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

Brand Purpose

Opening up human and future potential with the thoughts of people.



With regard to the business environment, during the fiscal year under review (fiscal year ended December 31, 2023), there was a continued reduction in the willingness of advertisers to place advertisements due to the macro environment and other factors, but a recovery trend gradually emerged towards the end of the year. Against this backdrop, the Company has been working to reduce SG&A expenses, mainly fixed costs, by approximately ¥1 billion, by implementing early retirement program, etc., as part of the structural reforms to achieve recovery in performance. The full effect of these reductions in SG&A expenses will be realized in the next fiscal year (fiscal year ending December 31, 2024).

As for the business environment in the fiscal year ending December 31, 2024, we expect that the willingness of advertisers to place advertisements will continue on a gradual recovery track, although there is uncertainty about the economic outlook. Meanwhile, leading digital platform operators are moving to restrict the use of cookies from the viewpoint of privacy protection, with Google planning to phase out third-party cookies in its browser, Chrome, which is presumed to have certain impact on our Digital Marketing Business.

Under these circumstances, in the next fiscal year, we will resume advertising investments to cultivate new customers and the hiring of mid-career personnel by way of new investment for business growth, on the back of the above reductions in SG&A expenses taking full effect. In the consolidated financial results for the fiscal year ending December 31, 2024, we are taking a guarded view in light of the uncertain economic prospects and the impact of ban on third-party cookies in Google's Chrome browser, and expect to post net sales of ¥24,000 million, or a decrease of 0.5% year on year, operating income of ¥1,500 million, or an increase of 15.2% year on year, ordinary income of ¥1,400 million, or a decrease of 22.2% year on year, profit attributable to owners of parent of ¥800 million (loss attributable to owners of parent of ¥2,360 million for the same period of the previous fiscal year), and EBITDA of ¥2,300 million, or an increase of 97.6% year on year.

(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, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	16,101	13,582
Accounts receivable - trade	15,796	17,496
Securities	180	1,765
Merchandise	83	101
Supplies	577	379
Other	5,646	4,494
Allowance for doubtful accounts	(20)	(95)
Total current assets	38,364	37,669
Non-current assets		
Property, plant and equipment		
Buildings	1,577	2,428
Accumulated depreciation	(545)	(1,083)
Buildings, net	1,031	1,345
Tools, furniture and fixtures	798	986
Accumulated depreciation	(394)	(451)
Tools, furniture and fixtures, net	403	534
Lease assets	39	28
Accumulated depreciation	(17)	(13)
Lease assets, net	22	14
Other	56	14
Total property, plant and equipment	1,515	1,908
Intangible assets		
Goodwill	1,521	600
Other	2,454	1,567
Total intangible assets	3,975	2,168
Investments and other assets		
Investment securities	4,611	5,195
Deferred tax assets	87	260
Lease and guarantee deposits	1,849	2,635
Other	36	26
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	6,584	8,117
Total non-current assets	12,075	12,194
Total assets	50,440	49,863

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	14,855	15,543
Asset retirement obligations	—	52
Provision for bonuses	12	8
Provision for directors' bonuses	—	18
Provision for point card certificates	472	499
Provision for head office relocation	—	131
Provision for settlements	—	175
Accounts payable – other	1,817	3,460
Deposits received	3,463	3,872
Incom taxes payable	—	535
Short-term loans payable	147	—
Other	1,073	1,406
Total current liabilities	21,841	25,704
Non-current liabilities		
Asset retirement obligations	238	—
Deferred tax liabilities	563	16
Other	325	309
Total non-current liabilities	1,127	325
Total liabilities	22,969	26,030
Net assets		
Shareholders' equity		
Capital stock	1,514	1,517
Capital surplus	12,434	12,445
Retained earnings	12,741	9,021
Total shareholders' equity	26,689	22,985
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482	478
Foreign currency translation adjustment	15	71
Total accumulated other comprehensive income	498	549
Share acquisition rights	75	66
Non-controlling interests	207	231
Total net assets	27,471	23,833
Total liabilities and net assets	50,440	49,863

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

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	※1 25,940	※1 24,111
Cost of sales	2,751	2,631
Gross profit	23,189	21,480
Selling, general and administrative expenses	※2 20,771	※2 20,178
Operating profit	2,418	1,301
Non-operating income		
Interest and dividend income	64	147
Investment dividend	—	291
Gain on investments in partnership	48	50
Foreign exchange gains	157	104
Share of gain of entities accounted for using equity method	103	—
Income from lease termination related a company	283	—
Other	40	75
Total non-operating income	698	669
Non-operating expenses		
Interest expenses	1	0
Share of loss of entities accounted for using equity method	—	71
Loss on investments in partnership	61	93
Other	17	7
Total non-operating expenses	79	173
Ordinary profit	3,036	1,798
Extraordinary income		
Gain on sales of investment securities	1,221	12
Gain on sales of investments in subsidiaries	680	—
Gain on sales of shares of subsidiaries and associates	116	—
Gain on sales of shares of subsidiaries	—	29
Gain on reversal of subscription rights to shares	—	7
Other	—	2
Total extraordinary income	2,017	51
Extraordinary losses		
Loss on retirement of non-current assets	23	20
Loss on sales of investment securities	—	2
Loss on valuation of investment securities	39	69
Loss on extra retirement payments	—	519
Head office relocation expenses	—	826
Provision for settlements	—	175
Impairment loss	※2 157	※2 2,318
Loss on advance payments to suppliers	135	—
Other	—	24
Total extraordinary losses	355	3,956
Profit before income taxes	4,698	(2,105)
Income taxes - current	1,207	813
Income taxes - deferred	389	(723)
Total income taxes	1,526	90
Profit	3,102	(2,196)
Loss attributable to non-controlling interests	66	164
Profit attributable to owners of parent	3,035	(2,360)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	3,102	(2,196)
Other comprehensive income		
Valuation difference on available-for-sale securities	(933)	1
Foreign currency translation adjustment	1	0
Share of other comprehensive income of entities accounted for using equity method	(11)	48
Total other comprehensive income	(943)	51
Comprehensive income	2,158	(2,144)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,092	(2,309)
Comprehensive income attributable to non-controlling interests	66	164

(3) Consolidated Statements of Changes in Equity

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)
Increase in ownership interest due to capital injection into consolidated subsidiaries					—
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)
Increase in ownership interest due to capital injection into consolidated subsidiaries						—
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

Year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,514	12,434	12,741	—	26,689
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	3	3			7
Issuance of new shares					—
Dividends of surplus			(1,358)		(1,358)
Profit attributable to owners of parent			(2,360)		(2,360)
Increase in ownership interest due to capital injection into consolidated subsidiaries		7			7
Net changes of items other than shareholders' equity					
Total changes of items during period	3	11	(3,719)	—	(3,704)
Balance at end of current period	1,517	12,445	9,021	—	22,985

	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	482	15	498	75	207	27,471
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						7
Issuance of new shares						—
Dividends of surplus						(1,358)
Profit attributable to owners of parent						(2,360)
Increase in ownership interest due to capital injection into consolidated subsidiaries						7
Net changes of items other than shareholders' equity	(4)	55	51	(9)	23	66
Total changes of items during period	(4)	55	51	(9)	23	(3,638)
Balance at end of current period	478	71	549	66	231	23,833

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,698	(2,105)
Depreciation	807	627
Impairment loss	157	2,318
Amortization of goodwill	270	304
Loss on advance payments to suppliers	135	—
Increase (decrease) in allowance for doubtful accounts	(41)	74
Interest and dividend income	(64)	(147)
Share of loss (profit) of entities accounted for using equity method	(103)	71
Decrease (increase) in notes and accounts receivable – trade	2,552	(1,696)
Decrease (increase) in inventories	(322)	176
Increase (decrease) in notes and accounts payable - trade	(2,043)	687
Loss (gain) on sales of investment securities	(1,221)	(12)
Loss (gain) on sales of shares of subsidiaries and associates	(116)	—
Stock compensation expenses	10	14
Increase (decrease) in provision for bonuses	(1,225)	(3)
Increase (decrease) in provision for directors' bonuses	(9)	—
Increase (decrease) in provision for point card certificates	6	27
Increase (decrease) in provision for settlements	—	175
Increase (decrease) in provision for special retirement benefits	—	18
Increase (decrease) in provision for head office relocation	—	131
Loss on retirement of non-current assets	23	20
Loss (gain) on change in equity	(680)	—
Investment dividend	—	(291)
Increase (decrease) in deposits received	138	408
Decrease (increase) in accounts payable – other	130	475
Increase (decrease) in accrued consumption taxes	(1,380)	—
Decrease (increase) in consumption taxes receivable	—	268
Other, net	(368)	86
Subtotal	1,352	1,630
Interest and dividend income received	62	147
Interest expenses paid	(1)	(0)
Income taxes (paid) refund	(3,300)	(37)
Net cash provided by (used in) operating activities	(1,886)	1,739

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(490)	(154)
Purchase of intangible assets	(246)	(241)
Purchase of investment securities	(1,142)	(2,566)
Proceeds from sales of investment securities	1,819	448
Proceeds from sales of shares of subsidiaries and associates	299	—
Purchase of loans receivable	(567)	(106)
Proceeds from loans receivable	222	362
Purchase of assist retirement obligations	(178)	—
Proceeds from share of profits on investment dividend	61	326
Payments for lease and guarantee deposits	(477)	(715)
Proceeds from lease and guarantee deposits	—	16
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(262)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	20
Other, net	—	98
Net cash provided by (used in) investing activities	(698)	(2,775)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	147	(117)
Repayments of long-term loans payable	(172)	(8)
Purchase of treasury shares	(1,201)	—
Cash dividends paid	(1,355)	(1,357)
Repayments of lease obligations payable	(21)	(8)
Proceeds from exercise of share options	147	7
Cash dividends paid to minority shareholders	(49)	(122)
Other	—	(4)
Net cash provided by (used in) financing activities	(2,504)	(1,610)
Effect of exchange rate change on cash and cash equivalents	160	73
Net increase (decrease) in cash and cash equivalents	(4,929)	(2,573)
Cash and cash equivalents at beginning of period	21,031	16,101
Cash and cash equivalents at end of period	16,101	13,528

(5) Notes to Condensed Consolidated Financial Statements
(Going Concern Assumption)

None

(Change in the Presentation Method)

(Consolidated Balance Sheets)

“Lease and guarantee deposits” included in “Other” under investments and other assets 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, ¥1,886 million recorded in “Other” under investments and other assets in the previous consolidated fiscal year has been reclassified into ¥1,849 million in “Lease and guarantee deposits” and ¥36 million in “Other.”

“Accounts payable – other,” which was included in “Other” under current liabilities in the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year as it 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, ¥2,882 million recorded in “Other” under current liabilities in the previous consolidated fiscal year has been reclassified into ¥1,817 million in “Accounts payable – other” and ¥1,065 million in “Other.”

“Current portion of long-term loans payable,” which was presented separately under current liabilities in the previous consolidated fiscal year, has been included in “Other” under current liabilities 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, ¥8 million recorded in “Current portion of long-term loans payable” under current liabilities in the previous consolidated fiscal year has been reclassified into “Other.”

(Consolidated Statements of Cash Flows)

“Increase (decrease) in deposits received” included in “Other” under cash flows from operating activities in the previous consolidated fiscal year has been presented separately from the current consolidated fiscal year as it 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, ¥(230) million recorded in “Other” under cash flows from operating activities in the previous consolidated fiscal year has been reclassified into ¥138 million in “Increase (decrease) in deposits received” and ¥(368) million in “Other.”

“Proceeds from share of profits on investments in capital ” included in “Other” under cash flows from investing activities in the previous consolidated fiscal year has been presented separately from the current consolidated fiscal year as it 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, ¥61 million recorded in “Other” under cash flows from investing activities in the previous consolidated fiscal year has been reclassified into “Proceeds from share of profits on investments in capital.”

(Consolidated Statements of Income)

*1 Profit from contracts with customers

The Company does not disaggregate profit from contracts with customers and other sources of profit. The amount of profit from contracts with customers is presented in “Notes (Segment Information, etc.)” of the Consolidated Financial Statements.

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

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Salaries	7,542	8,135
System usage fees	2,721	2,714
Advertising and promotion expenses	2,741	1,473

*3 Impairment losses

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 (Internet-related Business)	Goodwill	19
Shibuya-ku, Tokyo	Business assets (Digital Marketing Business)	Goodwill	25
Shibuya-ku, Tokyo	Business assets (Internet-related 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 Internet-related 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 Digital Marketing 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 Internet-related 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.

Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 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	459
		Furniture and fixtures	16
Shibuya-ku, Tokyo	Business assets (Digital Marketing Business)	Software	7
Shibuya-ku, Tokyo	Other (Digital Marketing Business)	Goodwill	873
Shibuya-ku, Tokyo	Business assets (Digital Marketing Business)	Technology- related assets	589

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

In consequence of the Company's management integration with Cyber Communications Inc., effective January 1, 2019, the Company had been recording goodwill and technology-related assets as a representation of the excess earning power of its ad technology business*. Due to changes in external environment, it was judged that the ad technology business was unable to achieve the business plan formulated at the time of acquisition of Cyber Communications Inc. Therefore, the carrying amount of goodwill, etc. was reduced to the recoverable amount, and the amount of reduction was recorded as impairment loss (¥1,463 million) under extraordinary losses. The recoverable amount of goodwill, etc., was measured at their value in use according to the said business plan, with future cash flows estimated at the discount rate of 14%.

*The ad technology business at the time of management integration is included in the Digital Marketing Business as of the end of the fiscal year under review.

(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 fiscal year under review. 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, 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 two reportable segments: "Digital Marketing Business" and "Internet-related Business."

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

Reportable segment	Description of services in each segment
Digital Marketing Business	Provides digital marketing support to advertising agencies, clients, and others, as well as media DX support
Internet-related Business	Provides media solutions and operates services in the EC and HR domains

From the fiscal year under review, 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, segment information for the fiscal year ended December 31, 2022 is presented in figures for the fiscal year ended December 31, 2022 that have been reclassified to reflect the new reporting segment classification.

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, 2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable Segments			Adjustment	Consolidation
	Digital Marketing Business	Internet-related Business	Total		
Sales					
Profit from contracts with customers	18,842	7,098	25,940	—	25,940
Other profit	—	—	—	—	—
Outside sales	18,842	7,098	25,940	—	25,940
Intersegment sales or transfer	36	—	36	(36)	—
Total	18,878	7,098	25,977	(36)	25,940
Segment Income (Loss)	2,942	(524)	2,418	—	2,418
Other Items					
Depreciation	658	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.

Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable Segments			Adjustment	Consolidation
	Digital Marketing Business	Internet-related Business	Total		
Sales					
Profit from contracts with customers	16,927	7,184	24,111	—	24,111
Other profit	—	—	—	—	—
Outside sales	16,927	7,184	24,111	—	24,111
Intersegment sales or transfer	34	—	34	(34)	—
Total	16,961	7,184	24,146	(34)	24,111
Segment Income	893	407	1,301	—	1,301
Other Items					
Depreciation	501	125	627	—	627
Amortization of goodwill	226	78	304	—	304

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

[Related Information]

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	Digital Marketing Business

Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

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.	3,102	Digital Marketing Business

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

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

(Millions of yen)

	Reportable Segments			Corporate/ Elimination	Total
	Digital Marketing Business	Internet-related Business	Total		
Impairment losses	25	131	157	—	157

* In the Digital Marketing Business and Internet-related Business, as a result of reviewing the progress and future prospects of some businesses, impairment losses of goodwill were recorded.

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

Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable Segments			Corporate/ Elimination	Total
	Digital Marketing Business	Internet-related Business	Total		
Impairment losses	1,471	—	1,471	846	2,318

[Information on amortization of goodwill and unamortized balance by reportable segment]

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

(Millions of yen)

	Reportable Segments			Corporate/ Elimination	Total
	Digital Marketing Business	Internet-related Business	Total		
Amortization	179	91	270	—	270
Year-end balance	1,048	473	1,521	—	1,521

Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable Segments			Corporate/ Elimination	Total
	Digital Marketing Business	Internet-related Business	Total		
Amortization	227	76	304	—	304
Year-end balance	205	394	600	—	600

[Information on profit from negative goodwill by reportable segment]

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

None

Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

None

(Per Share Information)

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)		Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)	
Yen		Yen	
Net assets per share	1,080.42	Net assets per share	935.06
Net income per share	119.20	Net income per share	(93.81)
Diluted net income per share	118.60	Diluted net income per share	—

(Note) 1. Diluted net income per share for the fiscal year ended December 31, 2023 is not presented because net income per share was negative, although dilutive shares did exist.

2. The net income (loss) per share and the bases for its calculation, and diluted net income per share and the basis for its calculation, are as follows:

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Net income (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	3,035	(2,360)
Amount not attributed to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent related to common stock (Millions of yen)	3,035	(2,360)
Average number of common shares during the period (Shares)	25,468,327	25,163,984
Diluted net income per share		
Adjustment on profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Shares)	129,787	—
[of which, share acquisition rights (Shares)]	[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)

None