

Financial Results for the Fiscal Year Ending December 31, 2020
[Japanese Standards] (Consolidated)

Feb 12, 2021

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

Scheduled date of Annual General Meeting of Shareholders: Mar 27, 2021
 Scheduled starting date of dividend payments: Mar 15, 2021
 Scheduled date to file Securities Report: Mar 29, 2021
 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, 2020
(January 1, 2020 – December 31, 2020)

(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, 2020	22,487	—	3,463	—	3,355	—	1,781	—
FY 2019 fifteen months	26,158	—	3,839	—	3,812	—	2,139	—

(Note) Comprehensive Income: Year ended December 31, 2020: ¥1,627 million —%
 FY 2019 fifteen months: ¥2,323 million —%

	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, 2020	70.57	70.21	4,131	—	7.5	6.7	15.4
FY 2019 fifteen months	94.29	93.59	4,878	—	13.4	11.4	14.7

(Reference) Equity in net losses of affiliated companies: Year ended December 31, 2020: ¥(44) million
 FY 2019 fifteen months: ¥(88) million

(Note) The fiscal year ended December 31, 2019 was a transitional period for the change in accounting period, meaning an irregular accounting period that covered 15 months (October 1, 2018 to December 31, 2019). Consequently, the periods to be compared differ, and as such, the year-on-year change rate is not stated.

* EBITDA noted above (earnings before interest, tax, depreciation, and amortization) is calculated by adding interest expenses, depreciation, amortization, and amortization of goodwill to the Company's profit before income taxes.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
December 31, 2020	49,259	24,553	49.5	967.47
December 31, 2019	50,621	23,720	46.3	921.43

(Reference) Owned capital: December 31, 2020 ¥24,376 million
 December 31, 2019 ¥23,444 million

(3) Consolidated cash flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at the end of the year
	¥million	¥million	¥million	¥million
Year ended December 31, 2020	1,883	197	(892)	15,600
FY 2019 fifteen months	5,901	3,986	(548)	14,546

2. Dividend status

	Annual dividends						Total amount of dividends(total)	Payout ratio (consolidated)	Dividend-to-net asset ratio (consolidated)
	1Q end	2Q end	3Q end	4Q end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen			
FY 2019	—	—	8.00	—	8.00	16.00	406	17.0	2.5
FY 2020	—	8.00	—	—	40.00	48.00	1,209	68.0	5.1
FY 2021 (Forecast)	—	25.00	—	—	25.00	50.00	—	52.5	—

(Note) Breakdown of the year-end dividend for the fiscal year ended December 31, 2020: Ordinary dividend: ¥25.00
Commemorative dividend: ¥15.00

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share	EBITDA	
	¥million	%	¥million	%	¥million	%	¥million	%	Yen	¥million	%
Full year	24,500	8.9	3,800	9.7	3,700	10.9	2,400	34.7	95.25	5,000	21.0

(Note) The forecast of consolidated financial results for the six months ending June 30, 2021 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 : Yes
4) Retrospective restatements : None

(Note) For more information, see “3. Consolidated Financial Statements (5) Notes to Condensed Consolidated Financial Statements (Changes in Accounting Estimates)” on page 16 of the attached documents.

(3) Number of shares issued (common stock)

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

As of December 31, 2020	25,496,852	As of December 31, 2019	25,444,052
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2) Number of treasury stock issued and outstanding

As of December 31, 2020	301,018	As of December 31, 2019	584
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3) Average number of shares during the period

Year ended December 31, 2020	25,238,995	Year ended December 31, 2019	22,686,372
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(Reference) Summary of Non-Consolidated Financial Results
 Non-Consolidated Financial Results for fiscal year ended December 31, 2020
 (January 1, 2020 – December 31, 2020)

(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, 2020	3,094	—	2,611	—	2,641	—	2,630	—
FY 2019 fifteen months	1,292	—	111	—	140	—	126	—

	Net income per share	Diluted net income per share
	¥	¥
Year ended December 31, 2020	104.23	103.69
FY 2019 fifteen months	5.55	5.55

(Note) Since the fiscal year ended December 31, 2019 is an irregular accounting period of 15 months due to the change of fiscal year end, the year-on-year change rate is omitted.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
December 31, 2020	19,931	13,711	68.8	543.90
December 31, 2019	18,285	11,719	64.1	460.32

(Reference) Owned capital: December 31, 2020 ¥13,704 million
 December 31, 2019 ¥11,712 million

※ Notice regarding audit procedures

These financial results are excluded from audits by certified public accountants or audit firms.

※ 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 see “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.

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1. Overview of Operating Results, etc.

From the fiscal year ended December 31, 2019, the Company changed its fiscal year end from September 30 to December 31. Consequently, the year-on-year change is not stated as the period under review (January 1, 2020 to December 31, 2020) covers a different period from the previous fiscal year (October 1, 2018 to December 31, 2019).

(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 2019, internet advertising spending reached ¥2,104.8 billion, buoyed by growth in performance-based advertising costs and market expansion in product sales-based EC platform advertising costs.

Performance-based advertising costs amounted to ¥1,326.7 billion, or 115.2% year on year, representing high growth with a particular focus on large-scale platformers. In addition, costs for digital advertising, which arose from the four traditional types of mass media, amounted to ¥71.5 billion, or 122.9% year on year, in what points to further progress in the digital transformation of mass media companies.

Under these economic circumstances, the Group worked to develop its business in three segments: 1) the “Partner Sales Business” which provides advertising sales and solutions mainly through a media rep; 2) the “Ad Platform Business” which operates ad distribution platforms; and 3) the “Consumer Business” which plans and operates its owned media, its EC-related services, and its HR-related services.

Despite the impact from the shift to telecommuting and waning advertising demand due to the novel coronavirus outbreak, the Ad Platform Business remained robust, and cost controls were also fully implemented.

As a result, the Group posted net sales of ¥22,487 million, operating income of ¥3,463 million, ordinary income of ¥3,335 million, and profit attributable to owners of parent of ¥1,781 million in the period under review.

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

1) Partner Sales Business

The Partner Sales Business sells advertising space and provides solutions mainly through a media rep. In reserved advertising, as the media’s shift to performance-based advertising accelerates, in addition to working with existing media, the Group actively carried out sales measures, etc. to emerging media, including media for the youth demographic. In performance-based advertising, the Group built an optimal trading desk system using abundant audience data in line with targets as well as multiple DSPs and ad exchanges. Furthermore, the Group strengthened its relationships with solution vendors with the goal of more aggressively responding to the diversifying needs of advertisers as well as securing “brand safety” (advertisers’ brand safety by ensuring the quality of advertising sites).

As a result, the Partner Sales Business recorded net sales of ¥8,752 million, and segment income of ¥1,416 million in the period under review.

2) Ad Platform Business

The Ad Platform Business operates the SSP “fluct”, the services for advertisers “Zucks” and “BEYOND X”, as well as “PORTO”, an ad platform for brand advertising, among others. Results for “Zucks” were robust, thanks to efforts to expand functions and services in the business and also capture demand from corporate clients. In addition, in May 2020, we started providing “TELECY”, an operational TV commercial platform that enables users to easily order, produce, and test the effects of TV commercials online, and in June 2020, we made KAIKETSU, Inc., a company developing the social media influencer marketing business, a consolidated subsidiary.

As a result, the Ad Platform Business recorded net sales of ¥7,248 million, and segment income of ¥1,591 million in the period under review.

3) Consumer Business

In the Consumer Business, in addition to the operation of its owned media that utilizes points, primarily “EC Navi” and “PeX”, the Group is aggressively investing in the EC and HR fields as growth areas in order to create businesses that will be the next pillar in the medium- to long-term.

As a result, the Consumer Business recorded net sales of ¥6,494 million, and segment income of ¥454 million in the period under review.

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

(Assets)

Consolidated assets as of the end of the period under review totaled ¥49,259 million, a decline of ¥1,361 million from the end of the previous fiscal year. This was mainly attributable to declines in accounts receivable – trade and goodwill.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥24,705 million, down ¥2,195 million from the end of the previous fiscal year. This was mainly attributable to a decline in accounts payable – trade.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥24,553 million, an increase of ¥833 million from the end of the previous fiscal year. This was primarily owing to an increase in retained earnings due to the recording of profit attributable to owners of parent, offsetting a decline caused by the purchase of treasury shares.

(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 ¥15,600 million. 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 ¥1,883 million. The main positive factors included the recording of profit.

(Net cash flows from investing activities)

Net cash flows provided by investing activities amounted to ¥197 million. The main positive factors included an increase in funds resulting from sales of investment securities.

(Net cash flows from financing activities)

Net cash flows used in financing activities amounted to ¥892 million. The main negative factors included the payment of cash dividends and the purchase of treasury shares.

(4) Future Outlook

The Company aims to achieve net sales of ¥32,000 million, EBITDA of ¥6,000 million, and ROE of 12% for the fiscal year ending December 31, 2022, as declared in the four-year medium-term business plan “CARTA 2022” announced on February 14, 2019. In order to achieve these goals, the Company is focusing on: 1) strengthening profitability by promoting business synergies, 2) establishing competitive advantages and seeking new profit-making opportunities by pursuing collaboration with Dentsu group, and 3) improving productivity by strengthening management foundations. Also, the Company’s growth strategies are: 1) growth of existing business, 2) growth driven by M&A and investment, and 3) expansion into new fields. The financial results for the previous fiscal year, the first year of the medium-term business plan and the fiscal year under review, the second year of the medium-term business plan both exceeded the initial plan, making solid progress.

In the next fiscal year, the third year of the medium-term business plan, the Company will continuously promote the priority initiatives and growth strategies described above, as well as make efforts to advance holding company management to ensure the further effective utilization of the abundant management resources held by the Group. Based on the progress made in the first two years of the medium-term business plan, consolidated financial results for the next fiscal year are forecast to exceed the initial plan at every profit level, i.e., consolidated net sales of ¥24,500 million, up 9.0% year on year, operating income of ¥3,800 million, up 9.7% year on year, ordinary income of ¥3,700 million, up 10.9% year on year, profit attributable to owners of parent of ¥2,400 million, up 34.7% year on year and EBITDA of ¥5,000 million, up 21.0% year on year.

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

a variety of factors.

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

1) Basic Policy on Profit Distribution

The Company considers the return of profits to shareholders to be a pivotal spoke in the management of the business, and endeavors for the sustainable increase in shareholder value through growth of the business and improvements to capital efficiency. In addition, we offer dividends on a continuous basis and adopt a flexible approach to share buybacks. These and other initiatives form a central pillar in our approach to driving benefits back to shareholders. The Company decides dividend amounts with a target DOE (Note) of 5%, while aiming for stable and continuous increases in dividends in the long-term. Furthermore, the Company intends to implement share buybacks based on maintaining a ratio of tradeable shares of 35%, which is one of the listing criteria of the “Prime Market”, a new market classification currently being considered by 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 ¥33 per share (including an interim dividend of ¥8 per share), and an additional commemorative dividend of ¥15 per share to commemorate the re-approval of the listing of the Company's shares to bring the annual dividend to ¥48 per share (including an interim dividend of ¥8 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 ¥25 per share, respectively, which brings the annual dividend to ¥50 per share, an increase from the fiscal year under review.

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, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	14,546	15,600
Accounts receivable - trade	18,477	17,697
Securities	—	95
Merchandise	17	29
Supplies	419	535
Other	2,908	3,097
Allowance for doubtful accounts	(86)	(51)
Total current assets	36,283	37,004
Non-current assets		
Property, plant and equipment		
Buildings	1,762	1,667
Accumulated depreciation	(305)	(590)
Buildings, net	1,457	1,076
Tools, furniture and fixtures	555	484
Accumulated depreciation	(340)	(298)
Tools, furniture and fixtures, net	215	185
Lease assets	23	22
Accumulated depreciation	(5)	(8)
Lease assets, net	17	13
Other	1	0
Total property, plant and equipment	1,691	1,276
Intangible assets		
Goodwill	3,021	2,317
Other	3,725	3,144
Total intangible assets	6,747	5,462
Investments and other assets		
Investment securities	4,246	3,959
Deferred tax assets	176	155
Other	1,477	1,402
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	5,899	5,516
Total non-current assets	14,338	12,255
Total assets	50,621	49,259

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	18,110	16,655
Asset retirement obligations	—	70
Provision for bonuses	1,380	1,193
Provision for directors' bonuses	27	24
Provision for point card certificates	505	515
Deposits received	2,742	2,963
Short-term loans payable	19	19
Current portion of long-term loans payable	195	118
Other	2,037	1,725
Total current liabilities	25,019	23,287
Non-current liabilities		
Long-term loans payable	208	180
Asset retirement obligations	536	397
Deferred tax liabilities	874	596
Other	262	243
Total non-current liabilities	1,881	1,417
Total liabilities	26,900	24,705
Net assets		
Shareholders' equity		
Capital stock	1,096	1,111
Capital surplus	12,016	12,031
Retained earnings	9,642	11,046
Treasury shares	(0)	(264)
Total shareholders' equity	22,754	23,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	704	463
Foreign currency translation adjustment	(15)	(10)
Total accumulated other comprehensive income	689	452
Share acquisition rights	7	7
Non-controlling interests	268	170
Total net assets	23,720	24,553
Total liabilities and net assets	50,621	49,259

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

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net sales	26,158	22,487
Cost of sales	3,192	2,852
Gross profit	22,965	19,635
Selling, general and administrative expenses	※1 19,125	※1 16,172
Operating profit	3,839	3,463
Non-operating income		
Interest and dividend income	39	38
Gain on investments in partnership	39	11
Business commission fee	35	33
Rent income	24	16
Insurance dividend	21	17
Other	8	31
Total non-operating income	169	149
Non-operating expenses		
Share of loss of entities accounted for using equity method	88	44
Loss on investments in partnership	21	86
Foreign exchange losses	0	137
Provision of allowance for doubtful accounts	57	—
Other	28	9
Total non-operating expenses	196	277
Ordinary profit	3,812	3,335
Extraordinary income		
Gain on sales of investment securities	1	170
Gain on sales of shares of subsidiaries and associates	—	46
Gain on sales of business	139	—
Other	0	14
Total extraordinary income	141	231
Extraordinary losses		
Loss on retirement of non-current assets	116	155
Impairment loss	—	※2 240
Loss on sales of investment securities	163	77
Head office relocation expenses	121	—
Other	35	38
Total extraordinary losses	436	511
Profit before income taxes	3,517	3,055
Income taxes - current	1,798	1,321
Income taxes - deferred	(403)	(131)
Total income taxes	1,395	1,190
Profit	2,122	1,865
Loss attributable to non-controlling interests	(17)	83
Profit attributable to owners of parent	2,139	1,781

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit	2,122	1,865
Other comprehensive income		
Valuation difference on available-for-sale securities	216	(327)
Foreign currency translation adjustment	0	0
Share of other comprehensive income of entities accounted for using equity method	(15)	89
Total other comprehensive income	201	(237)
Comprehensive income	2,323	1,627
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,340	1,543
Comprehensive income attributable to non-controlling interests	(17)	83

(3) Consolidated Statements of Changes in Equity

Year ended December 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,073	1,063	5,229	—	7,366
Changes of items during period					
Balance of acquired company at beginning of period	(1,073)	(1,063)	(5,229)	—	(7,366)
Balance of acquiring company at beginning of period	490	122	7,706	—	8,319
Increase in share exchange	595	11,883			12,478
Issuance of new shares - exercise of share acquisition rights	10	10			21
Dividends of surplus			(203)		(203)
Profit attributable to owners of parent			2,139		2,139
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	22	10,952	4,412	(0)	15,388
Balance at end of current period	1,096	12,016	9,642	(0)	22,754

	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	1,167	(5)	1,161	1	247	8,777
Changes of items during period						
Balance of acquired company at beginning of period	(1,167)	5	(1,161)	(1)	(247)	(8,777)
Balance of acquiring company at beginning of period	488	—	488	—	—	8,807
Increase in share exchange						12,478
Issuance of new shares - exercise of share acquisition rights						21
Dividends of surplus						(203)
Profit attributable to owners of parent						2,139
Purchase of treasury shares						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						(0)
Net changes of items other than shareholders' equity	216	(15)	201	7	268	477
Total changes of items during period	(462)	(9)	(471)	5	20	14,943
Balance at end of current period	704	(15)	689	7	268	23,720

Year ended December 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,096	12,016	9,642	(0)	22,754
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	7	7			14
Issuance of new shares	7	7			15
Dividends of surplus			(404)		(404)
Profit attributable to owners of parent			1,781		1,781
Purchase of treasury shares				(264)	(264)
Change of scope of consolidation			26		26
Net changes of items other than shareholders' equity					
Total changes of items during period	15	15	1,403	(264)	1,169
Balance at end of current period	1,111	12,031	11,046	(264)	23,924

	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	704	(15)	689	7	268	23,720
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						14
Issuance of new shares						15
Dividends of surplus						(404)
Profit attributable to owners of parent						1,781
Purchase of treasury shares						(264)
Change of scope of consolidation						26
Net changes of items other than shareholders' equity	(241)	4	(237)	(0)	(98)	(335)
Total changes of items during period	(241)	4	(237)	(0)	(98)	833
Balance at end of current period	463	(10)	452	7	170	24,553

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	3,517	3,055
Depreciation	1,022	766
Impairment loss	—	240
Amortization of goodwill	335	307
Increase (decrease) in allowance for doubtful accounts	86	(34)
Share of loss (profit) of entities accounted for using equity method	88	44
Decrease (increase) in notes and accounts receivable - trade	(665)	667
Decrease (increase) in inventories	391	(128)
Increase (decrease) in notes and accounts payable - trade	2,748	(1,388)
Increase (decrease) in provision for bonuses	1,107	(152)
Increase (decrease) in provision for directors' bonuses	27	(3)
Increase (decrease) in provision for point card certificates	37	9
Loss (gain) on sales of shares of subsidiaries and associates	163	(93)
Loss on retirement of non-current assets	116	155
Interest and dividend income	(39)	(38)
Increase (decrease) in accounts payable - other	(851)	697
Other, net	(395)	(356)
Subtotal	7,692	3,749
Interest and dividend income received	39	38
Interest expenses paid	(2)	(2)
Income taxes (paid) refund	(1,827)	(1,902)
Net cash provided by (used in) operating activities	5,901	1,883
Cash flows from investing activities		
Purchase of property, plant and equipment	(506)	(97)
Purchase of intangible assets	(307)	(219)
Purchase of investment securities	(376)	(516)
Proceeds from sales of investment securities	440	699
Payments for lease and guarantee deposits	(488)	(1)
Proceeds from lease and guarantee deposits	217	18
Proceeds from sales of business	80	—
Purchase of loans receivable	(512)	(255)
Proceeds from loans receivable	5,604	112
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	358
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	16
Payments from purchase of shares of subsidiaries resulting in change in scope of consolidation	(163)	—
Other, net	0	80
Net cash provided by (used in) investing activities	3,986	197

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	19	—
Repayments of long-term loans payable	(477)	(197)
Proceeds from exercise of share options	21	14
Cash dividends paid	(178)	(404)
Purchase of treasury shares	(0)	(265)
Repayments of lease obligations payable	(55)	(46)
Proceeds from sale-and-leaseback	123	—
Other	—	6
Net cash provided by (used in) financing activities	(548)	(892)
Effect of exchange rate change on cash and cash equivalents	(3)	(134)
Net increase (decrease) in cash and cash equivalents	9,336	1,054
Cash and cash equivalents at beginning of period	5,679	14,546
Cash and cash equivalents of acquired company at beginning of period	(5,679)	—
Cash and cash equivalents of acquiring company at beginning of period	238	—
Cash and cash equivalents received by share exchange	4,972	—
Cash and cash equivalents at end of period	14,546	15,600

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

None

(Changes in Accounting Estimates)

(Change in Estimates of Asset Retirement Obligations)

The Company posted asset retirement obligations as expenses for restoring real estate to the original condition, due to its real estate rental contract for Cyber Communications Inc., a consolidated subsidiary of the Company. In the fiscal year under review, the Company changed the estimates of the restoration expenses based on new information on the expenses obtained through the review of the Company's office strategy. The decrease of ¥67 million resulting from this change in estimates has been deducted from the amount of asset retirement obligations prior to the change.

It should be noted that this change will not impact the profit or loss for the fiscal year under review, as the change was made at the end of the fiscal year.

(Change in Presentation Method)

(Consolidated Statements of Income)

"Interest expenses", which were presented separately under non-operating expenses in the previous consolidated fiscal year, have been included in "Other" under non-operating expenses in the current consolidated fiscal year as the amount has become insignificant. The previous fiscal year's consolidated financial statements have been reclassified to reflect this change in the presentation method. As a result, ¥2 million recorded in "Interest expenses" under non-operating expenses in the previous consolidated fiscal year have been included in "Other".

"Gain on sales of investment securities" included in "Other" under extraordinary income in the previous consolidated fiscal year has exceeded 10% of the total of extraordinary income and hence has been presented separately from the current consolidated fiscal year. The previous fiscal year's consolidated financial statements have been reclassified to reflect this change in the presentation method. As a result, ¥1 million recorded in "Other" under extraordinary income have been reclassified into ¥1 million of "Gain on sales of investment securities" and ¥0 million of "Other".

(Consolidated Statements of Cash Flows)

"Interest expenses," which were presented separately under cash flows from operating activities in the previous consolidated fiscal year, have been included in "Other, net" under cash flows from operating activities in the current consolidated fiscal year as the amount has become insignificant. As a result, ¥2 million recorded in "Interest expenses" under cash flows from operating activities in the previous consolidated fiscal year have been included in "Other, net".

(Consolidated Statements of Income)

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

	(Millions of yen)	
	Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)	Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)
Salaries	5,631	5,284
Bonuses	2,092	1,515
System usage fees	1,790	1,790

***2 Impairment losses**

Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)

None

Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)

The Group recorded impairment losses on the following asset groups.

(Millions of yen)			
Location	Usage	Type	Impairment loss
Chuo-ku, Tokyo	Assets for common use	Buildings	193
Chuo-ku, Tokyo	Assets for common use	Equipment	21
Shibuya-ku, Tokyo	Business assets	Software	26

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

During the fiscal year under review, the Company reviewed the office strategy of the head office of Cyber Communications Inc. (Chuo-ku, Tokyo), a consolidated subsidiary of the Company, in order to create an office space design based on new workstyles in conjunction with the promotion of remote work stemming from the spread of COVID-19. Accordingly, a decision was made to cancel the lease on a portion of the office floor and to renovate the remaining floor space. As a result, 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.

Additionally, in the Consumer Business, the earnings plan of certain services had fallen behind the initial schedule and the business plan was reviewed. As a result, the undiscounted future cash flows of the business asset group fell below the carrying amount of the non-current assets, and the carrying amount was reduced to the recoverable amount. The recoverable amount used in the calculation of impairment losses of this asset group was measured at its value in use. If the appraised value based on future cash flows becomes a negative value, the recoverable amounts are valued at zero.

(Segment Information, etc.)

a. Segment Information

1. Overview of reportable segments

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

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

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

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

Reportable segment	Description of services in each segment
Partner Sales Business	Sells advertising space and provides solutions mainly through a media rep
Ad Platform Business	Ad distribution platforms "Zucks", SSP "fluct", and "BEYOND X", etc.
Consumer Business	Operates the Group's owned media that utilizes points, mainly "EC Navi" and "PeX" New business lines with EC and HR as expansion fields

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 by reportable segment
Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	13,310	6,294	6,553	26,158	—	26,158
Intersegment Sales or Transfer	—	21	—	21	(21)	—
Total	13,310	6,315	6,553	26,179	(21)	26,158
Segment Income	3,104	711	23	3,839	—	3,839
Other Items						
Depreciation	28	573	142	744	277	1,022
Amortization of goodwill	—	241	94	335	—	335

(Notes) 1. Segment assets are not disclosed, as the Company does not allocate assets to reportable segments.

2. Adjustment of depreciation consists of general and administrative expenses that have not been attributed to any reportable segments.

Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	8,752	7,240	6,494	22,487	—	22,487
Intersegment Sales or Transfer	0	8	—	8	(8)	—
Total	8,752	7,248	6,494	22,496	(8)	22,487
Segment Income	1,416	1,591	454	3,463	—	3,463
Other Items						
Depreciation	165	443	156	766	—	766
Amortization of goodwill	—	195	112	307	—	307

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

b. Related Information

Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)

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.	4,684	Partner Sales Business

Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)

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.	2,820	Partner Sales Business

c. Information on impairment loss on non-current assets by reportable segment

Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)

None

Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(Millions of yen)

	Reportable Segments				Corporate/ Elimination	Total
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Impairment losses	—	—	26	26	214	240

* The Company reviewed the office strategy of the head office of Cyber Communications Inc. (Chuo-ku, Tokyo), a consolidated subsidiary of the Company, in order to create an office space design based on new workstyles in conjunction with the promotion of remote work stemming from the spread of COVID-19. Accordingly, a decision was made to cancel the lease on a portion of the office floor and to renovate the remaining floor space. As a result, an impairment loss of

¥214 million was recorded. This impairment loss has been included in the impairment losses under extraordinary losses in the consolidated statements of income. This impairment loss has not been allocated to reportable segments.

d. Information on amortization of goodwill and unamortized balance by reportable segment
Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)

(Millions of yen)

	Reportable Segments				Corporate/ Elimination	Total
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Amortization	—	241	94	335	—	335
Year-end balance	—	2,174	846	3,021	—	3,021

Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(Millions of yen)

	Reportable Segments				Corporate/ Elimination	Total
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Amortization	—	195	112	307	—	307
Year-end balance	—	1,582	734	2,317	—	2,317

e. Information on profit from negative goodwill by reportable segment

Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)

None

Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)

None

(Per Share Information)

	Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)		Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)
	Yen		Yen
Net assets per share	921.43	Net assets per share	967.47
Net income per share	94.29	Net income per share	70.57
Diluted net income per share	93.59	Diluted net income per share	70.21

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

	Fifteen months ended December 31, 2019 (October 1, 2018 to December 31, 2019)	Twelve months ended December 31, 2020 (January 1, 2020 to December 31, 2020)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	2,139	1,781
Amount not attributed to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	2,139	1,781
Average number of common shares during the period (Shares)	22,686,372	25,238,995
Diluted net income per share		
Adjustment on profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Shares)	170,896	130,432
[of which, share acquisition rights (Shares)]	[170,896]	[130,432]
Summary of potential shares not included in the calculation of diluted net income per share due to no dilutive effect	1,800 units of the 7th issue of share acquisition rights (180,000 common shares) 2,188 units of the 8th issue of share acquisition rights (218,800 common shares) 3,970 units of the 9th issue of share acquisition rights (397,000 common shares)	1,800 units of the 7th issue of share acquisition rights (180,000 common shares) 2,172 units of the 8th issue of share acquisition rights (217,200 common shares) 3,940 units of the 9th issue of share acquisition rights (394,000 common shares)

(Significant Subsequent Events)

None