

Financial Results for the 1st Quarter of the Fiscal Year Ending December 31, 2024 [Japanese Standards] (Consolidated)

May 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/>
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 Date to submit the Securities Report: May 13, 2024
 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 2024 First Three Months (January 1, 2024 – March 31, 2024)

(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 2024 first three months	6,196	(3.7)	985	57.2	1,105	101.5	706	—
FY 2023 first three months	6,437	(7.7)	626	(59.3)	548	(70.9)	(1,249)	—

(Note) Comprehensive Income: FY 2024 first three months: ¥734 million (-)%
 FY 2023 first three months: ¥(1,075) million (-)%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2024 first three months	28.05	—	1,353	1,600.0
FY 2023 first three months	(49.64)	—	84	(97.3)

* 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, and impairment loss to the Company's profit before income taxes.

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

3. Diluted net income per share for the first three months of FY2024 is not presented because dilutive shares did not exist..

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
March 31, 2024	47,212	23,985	50.3	939.14
December 31, 2023	49,863	23,833	47.2	935.06

(Reference) Owned capital: March 31, 2024: ¥23,761 million
 December 31, 2023: ¥23,534 million

2. Dividend status

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2023	—	27.00	—	27.00	54.00
FY 2024	—				
FY 2024 (Forecast)		27.00	—	27.00	54.00

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

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) 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
- (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 : None
- 4) Retrospective restatements : None
- (4) Number of shares issued (common stock)

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

As of March 31, 2024	25,300,971	As of December 31, 2023	25,168,971
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2) Number of treasury stock issued and outstanding

As of March 31, 2024	25	As of December 31, 2023	—
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3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Three months ended March 31, 2024	25,187,712	Three months ended March 31, 2023	25,163,971
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※ Notice regarding audit procedures

This financial result is excluded from audit procedures.

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

(Note on forward-looking statements)

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

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

(Supplementary materials)

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

Attachment

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

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

(1) Analysis of Operating Results

With regard to the online advertising market where the Group operates its mainstay business, according to research by Dentsu Inc., in 2023 internet advertising spending grew to ¥3,333.0 billion, up 7.8% year on year, owing to rising demand for video advertising on account of growing use of connected TVs(*) and growth in the market for digital promotion.

In addition, among internet advertising spending, internet advertising medium expenditures amounted to ¥2,687.0 billion, up 8.3%, a substantial year-on-year increase. In addition to rising TV media-related advertising expenditures against the backdrop of greater use of connected TVs and other factors, this was attributable to higher advertising expenditures for product sales-related EC platforms due to at-home demand becoming more prevalent.

Under these circumstances, the Group announced its “new medium-term management policy” in February 2023, and promoted business based on its strategy and business policy.

As a result, the Group posted net sales of ¥6,196 million, or a decrease of 3.7% year on year, and operating income of ¥985 million, or an increase of 57.2% year on year, due to lower selling, general and administrative expenses owing to having taken cost reduction measures. Ordinary income amounted to ¥1,105 million, or an increase of 101.5% year on year, and profit attributable to owners of parent was ¥706 million (loss attributable to owners of parent of ¥1,249 million for the same period of the previous fiscal year).

*TVs with internet connections.

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

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 growth in the performance of the “TELECY” operational TV advertising platform, reservation-based advertising placements remained at a low level from the previous fiscal year and net sales amounted to ¥4,373 million, or a decrease of 6.6% year on year, while segment income was ¥810 million, or an increase of 51.2% year on year, due to falling selling, general and administrative expenses owing to cost cutting measures.

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 ¥1,832 million, or an increase of 4.4% year on year, and segment income of ¥174 million, or an increase of 92.9% year on year.

(2) Analysis of Financial Position

(Assets)

Consolidated assets as of the end of the period under review totaled ¥47,212 million, a decrease of ¥2,651 million from the end of the previous fiscal year. This was mainly attributable to decreases in cash and deposits and lease and guarantee deposits.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥23,226 million, a decrease of ¥2,803 million from the end of the previous fiscal year. This was mainly attributable to a decrease in accounts payable - other.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥23,985 million, an increase of ¥152 million from the end of the previous fiscal year. This was primarily due to increases in capital stock and capital surplus on account of exercising share acquisition rights.

(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 Fiscal Year Ending December 31, 2023” on February 13, 2024.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	13,528	12,330
Accounts receivable - trade	17,496	17,561
Securities	1,765	1,890
Merchandise	101	161
Supplies	379	194
Other	4,494	3,940
Allowance for doubtful accounts	(95)	(49)
Total current assets	37,669	36,029
Non-current assets		
Property, plant and equipment	1,908	1,879
Intangible assets		
Goodwill	600	568
Other	1,567	1,549
Total intangible assets	2,168	2,117
Investments and other assets		
Investment securities	5,195	5,209
Deferred tax assets	260	282
Lease and guarantee deposits	2,635	1,674
Other	26	18
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,117	7,185
Total non-current assets	12,194	11,182
Total assets	49,863	47,212
Liabilities		
Current liabilities		
Accounts payable – trade	15,543	15,217
Asset retirement obligations	52	–
Provision for bonuses	8	63
Provision for special retirement benefits	18	8
Provision for point card certificates	499	450
Provision for head office relocation	131	–
Provision for settlements	175	–
Account payable – other	3,460	1,115
Income taxes payable	535	396
Deposits received	3,872	3,775
Other	1,406	1,891
Total current liabilities	25,704	22,919
Non-current liabilities		
Deferred tax liabilities	16	–
Other	309	307
Total non-current liabilities	325	307
Total liabilities	26,030	23,226

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Capital stock	1,517	1,614
Capital surplus	12,445	12,542
Retained earnings	9,021	9,048
Treasury shares	—	(0)
Total shareholders' equity	22,985	23,205
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	478	449
Foreign currency translation adjustment	71	105
Total accumulated other comprehensive income	549	555
Share acquisition rights	66	—
Non-controlling interests	231	224
Total net assets	23,833	23,985
Total liabilities and net assets	49,863	47,212

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

(Millions of yen)

	Three months ended December 31, 2023	Three months ended December 31, 2024
Net sales	6,437	6,196
Cost of sales	715	618
Gross profit	5,722	5,577
Selling, general and administrative expenses	5,095	4,592
Operating profit	626	985
Non-operating income		
Insurance dividends	18	—
Interest income and dividends income	19	25
Gain on investments in partnership	33	15
Foreign exchange gains	—	101
Share of gain of entities accounted for using equity method	—	19
Other	3	9
Total non-operating income	75	171
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	48	—
Loss on investments in partnership	87	50
Foreign exchange losses	11	—
Other	6	1
Total non-operating expenses	154	52
Ordinary profit	548	1,105
Extraordinary income		
Gain on sales of investment securities	12	—
Gain on cancellation of share acquisition rights	—	14
Total extraordinary income	12	14
Extraordinary losses		
Loss on retirement of non-current assets	4	23
Impairment loss	*1 1,220	—
Head office relocation expenses	*2 740	—
Other	9	5
Total extraordinary losses	1,975	28
Profit before income taxes	(1,414)	1,091
Income taxes	(223)	362
Profit	(1,191)	728
Profit attributable to non-controlling interests	58	22
Profit attributable to owners of parent	(1,249)	706

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended December 31, 2023	Three months ended December 31, 2024
Profit	(1,191)	728
Other comprehensive income		
Valuation difference on available-for-sale securities	39	(21)
Foreign currency translation adjustment	0	1
Share of other comprehensive income of entities accounted for using equity method	75	26
Total other comprehensive income	115	5
Comprehensive income	(1,075)	734
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,134)	712
Comprehensive income attributable to non-controlling interests	58	22

**(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.

(Notes to Quarterly Consolidated Statements of Income)

***1 Impairment loss**

First quarter of the fiscal year ended December 31, 2023 (January 1, 2023 to March 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
		Lease deposits	262
Chuo-ku, Tokyo	Head office (CARTA COMMUNICATIONS Inc.)	Buildings	571
		Furniture and fixtures	16

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.

***2 Head office relocation expenses**

First quarter of the fiscal year ended December 31, 2023 (January 1, 2023 to March 31, 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 provision for head office relocation for relocation-related expenses, etc.

(Segment Information, etc.)

[Segment Information]

I For the three months ended March 31, 2023 (January 1, 2023 to March 31, 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	4,682	1,755	6,437	—	6,437
Other profit	—	—	—	—	—
Outside Sales	4,682	1,755	6,437	—	6,437
Intersegment Sales or Transfer	3	—	3	(3)	—
Total	4,685	1,755	6,440	(3)	6,437
Segment Income	536	90	626	—	626

(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	—	—	—	1,220	1,220

*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 ended December 31, 2023, the Company recorded an impairment loss of ¥1,220 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 Digital Marketing Business segment, the Company acquired shares of D-Marketing Academy, inc. and included it in the scope of consolidation. The increase in goodwill due to this business was ¥256 million in the first quarter of the current fiscal year.

(Material profit from negative goodwill)

None

II For the three months ended March 31, 2024 (January 1, 2024 to March 31, 2024)

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	4,363	1,832	6,196	—	6,196
Other profit	—	—	—	—	—
Outside Sales	4,363	1,832	6,196	—	6,196
Intersegment Sales or Transfer	10	—	10	(10)	—
Total	4,373	1,832	6,206	(10)	6,196
Segment Income	810	174	985	—	985

(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)

None

(Material changes in goodwill)

None

(Material profit from negative goodwill)

None

(Significant Subsequent Events)

None