

Financial Results for the 1st Quarter of the Fiscal Year Ending December 31, 2021
[Japanese Standards] (Consolidated)

May 13, 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
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Date to submit the Securities Report: May 13, 2021
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 2021 First Three Months (January 1, 2021 – March 31, 2021)
(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 2021 first three months	6,483	9.1	1,675	32.6	1,988	67.6	1,344	94.0
FY 2020 first three months	5,944	—	1,263	—	1,186	—	693	—

(Note) Comprehensive Income: FY 2021 first three months: ¥1,678 million (895.9)%

FY 2020 first three months: ¥168 million —%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2021 first three months	53.34	53.09	2,478	54.7
FY 2020 first three months	27.26	27.13	1,602	—

(Note) The fiscal year ended December 31, 2019 was a transitional period for the change in accounting period and was an irregular accounting period that covered 15 months (October 1, 2018 to December 31, 2019), and as such, the consolidated financial results for the first quarter of the fiscal year ended December 31, 2019 represent October 1, 2018 through December 31, 2018. 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, amortization of goodwill, loss on retirement of non-current assets, and impairment loss to the Company's profit before income taxes. The definition of EBITDA has been changed to include loss on retirement of non-current assets and impairment loss from FY2021 in order to improve the effectiveness of the indicator. Based on the previous definition, EBITDA for the fiscal year ending December 31, 2020, would be ¥1,558 million yen.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
March 31, 2021	50,567	25,242	49.6	993.57
December 31, 2020	49,259	24,553	49.5	967.47

(Reference) Owned capital: March 31, 2021: ¥25,064 million

December 31, 2020: ¥24,376 million

2. Dividend status

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2020	—	8.00	—	40.00	48.00
FY 2021	—				
FY 2021 (Forecast)		25.00	—	25.00	50.00

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

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) Revisions to performance results forecast for the current quarter: No

※ 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) Specific accounting procedures : Yes
Please see “2. Consolidated Financial Statements (3) Notes to Condensed Interim Consolidated Financial (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)”
- (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, 2021	25,528,052	As of December 31, 2020	25,496,852
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2) Number of treasury stock issued and outstanding

As of March 31, 2021	301,042	As of December 31, 2020	301,018
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3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Three months ended March 31, 2021	25,204,196	Three months ended March 31, 2020	25,424,006
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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 see “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information” on page 5 of the attached documents.

(Supplementary materials)

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

Attachment

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

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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 2020, despite sluggish consumption and a decrease in advertising placements due to the spread of the novel coronavirus (COVID-19), internet advertising spending recovered faster than other media and reached ¥2,229.0 billion, or an increase of 5.9% year on year.

Performance-based advertising costs amounted to ¥1,455.8 billion, or an increase of 9.7% year on year, due to increased contact opportunities with SNS, EC, and video distribution services as a result of nest-egg demand, and increased demand for operational advertising mainly from large-scale platformers. In addition, costs for digital advertising from the four traditional types of mass media amounted to ¥80.3 billion, or an increase of 12.3% year on year, as the use of operational advertising made further progress.

Under these circumstances, the Group worked to develop its business in the following three segments and has been promoting vertical integration throughout the Group to achieve sustainable growth: 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 operates its owned media and services in the EC, game, and HR fields.

As a result, the Group posted net sales of ¥6,483 million, or an increase of 9.1% year on year, operating income of ¥1,675 million, or an increase of 32.6% year on year, ordinary income of ¥1,988 million, or an increase of 67.6% year on year, and profit attributable to owners of parent of ¥1,344 million, or an increase of 94.0% year on year, in the period under review.

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

In addition, in the period under review, some business that was previously included in the “Ad Platform” segment has been reclassified into the “Partner Sales” segment due to organizational restructuring. 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) Partner Sales Business

The Partner Sales Business sells advertising space and provides solutions mainly through a media rep. The Group has been working to acquire new profit sources through initiatives in operational advertising and sales promotion/EC-related services, as well as expanding sales of our own products and solutions, while promoting operational efficiency to secure the existing media rep margins.

As a result, the Partner Sales Business recorded net sales of ¥3,064 million, or an increase of 23.0% year on year, and segment income of ¥1,039 million, or an increase of 45.7% year on year, in the period under review.

2) Ad Platform Business

The Ad Platform Business operates “Zucks,” “PORTO,” “TELECY,” and others as operational advertising platforms, as well as “fluct” and BEYOND X” as media support services. We worked to improve and expand the functions of each platform and service, and also captured demand from corporate clients, which led to solid performance.

As a result, the Ad Platform Business recorded net sales of ¥1,785 million, or an increase of 2.6% year on year, and segment income of ¥491 million, or an increase of 6.9% year on year, in the period under review.

3) Consumer Business

In the Consumer Business, we operate sales promotion media centered on “EC Navi” and “PeX”, and content media such as “KAMI GAME” and “Kotobank”, as well as services in the areas of EC, games, and human resources. We have promoted the expansion of the scale of existing media and the strengthening of initiatives in growth areas.

As a result, the Consumer Business recorded net sales of ¥1,636 million, or a decrease of 4.9% year on year, and segment income of ¥144 million, or an increase of 59.3% year on year, in the period under review.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

(Assets)

Consolidated assets as of the end of the period under review totaled ¥50,567 million, an increase of ¥1,307 million from the end of the previous fiscal year. This was mainly attributable to an increase in accounts receivable – trade.

(Liabilities)

Consolidated liabilities as of the end of the period under review amounted to ¥25,324 million, an increase of ¥619 million from the end of the previous fiscal year. This was mainly attributable to an increase in accounts payable – trade.

(Net Assets)

Consolidated net assets as of the end of the period under review stood at ¥25,242 million, an increase of ¥688 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.

(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 Ended December 31, 2020” on February 12, 2021. Although results in the period under review progressed steadily, in light of the uncertain impact of Apple’s iOS 14.5 update on the Internet advertising industry and plans to strengthen the ad creative screening system in the Ad Platform business, we have left our full-year consolidated performance forecast unchanged.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	15,600	15,169
Accounts receivable - trade	17,697	19,832
Securities	95	75
Merchandise	29	48
Supplies	535	646
Other	3,097	2,261
Allowance for doubtful accounts	(51)	(51)
Total current assets	37,004	37,979
Non-current assets		
Property, plant and equipment	1,276	1,446
Intangible assets		
Goodwill	2,317	2,180
Other	3,144	3,038
Total intangible assets	5,462	5,219
Investments and other assets		
Investment securities	3,959	4,501
Deferred tax assets	155	171
Other	1,402	1,249
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	5,516	5,920
Total non-current assets	12,255	12,587
Total assets	49,259	50,567
Liabilities		
Current liabilities		
Accounts payable – trade	16,655	17,487
Asset retirement obligations	70	29
Provision for bonuses	1,193	415
Provision for directors' bonuses	24	19
Provision for point card certificates	515	566
Deposits received	2,963	3,140
Short-term loans payable	19	19
Current portion of long-term loans payable	118	118
Other	1,725	2,018
Total current liabilities	23,287	23,815
Non-current liabilities		
Long-term loans payable	180	149
Asset retirement obligations	397	397
Deferred tax liabilities	596	725
Other	243	236
Total non-current liabilities	1,417	1,508
Total liabilities	24,705	25,324

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Net assets		
Shareholders' equity		
Capital stock	1,111	1,120
Capital surplus	12,031	12,040
Retained earnings	11,046	11,382
Treasury shares	(264)	(264)
Total shareholders' equity	23,924	24,278
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	463	780
Foreign currency translation adjustment	(10)	5
Total accumulated other comprehensive income	452	786
Share acquisition rights	7	7
Non-controlling interests	170	169
Total net assets	24,553	25,242
Total liabilities and net assets	49,259	50,567

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

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Net sales	5,944	6,483
Cost of sales	855	800
Gross profit	5,088	5,682
Selling, general and administrative expenses	3,825	4,007
Operating profit	1,263	1,675
Non-operating income		
Interest income and dividends income	14	21
Gain on investments in partnership	5	2
Foreign exchange gains	—	226
Share of gain of entities accounted for using equity method	—	5
Miscellaneous gains	1	70
Other	29	2
Total non-operating income	51	327
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	55	—
Loss on investments in partnership	63	13
Other	9	—
Total non-operating expenses	128	14
Ordinary profit	1,186	1,988
Extraordinary income		
Gain on sales of investment securities	166	248
Gain on sales of investments in subsidiaries	46	—
Other	14	0
Total extraordinary income	227	248
Extraordinary losses		
Loss on retirement of non-current assets	43	33
Loss on sales of shares of subsidiaries and associates	77	—
Loss on valuation of investment securities	—	9
Loss on change in equity	—	11
Impairment loss	—	74
Other	1	2
Total extraordinary losses	123	131
Profit before income taxes	1,290	2,104
Income taxes	578	760
Profit	711	1,344
Profit attributable to non-controlling interests	18	(0)
Profit attributable to owners of parent	693	1,344

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit	711	1,344
Other comprehensive income		
Valuation difference on available-for-sale securities	(550)	341
Foreign currency translation adjustment	(0)	2
Share of other comprehensive income of entities accounted for using equity method	7	(9)
Total other comprehensive income	(543)	334
Comprehensive income	168	1,678
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	149	1,678
Comprehensive income attributable to non-controlling interests	18	(0)

**(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)**

Tax expenses for the period are calculated by multiplying net income before income taxes for the period by the reasonably estimated annual effective tax rate after applying tax effect accounting which is calculated based on the estimated net income before income taxes for the entire fiscal year.

(Changes in Accounting Policies)

None

(Changes in Accounting Estimates)

None

(Segment Information)

I For the three months ended March 31, 2020 (January 1, 2020 to March 31, 2020)

1. Information on sales and income or loss by reportable business segment

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	2,490	1,732	1,720	5,944	—	5,944
Intersegment Sales or Transfer	—	6	—	6	(6)	—
Total	2,490	1,739	1,720	5,951	(6)	5,944
Segment Income	713	459	90	1,263	—	1,263

2. Information concerning impairment loss on non-current assets, goodwill and other items by reportable business segment

(Material impairment loss on non-current assets)

None

(Material changes in goodwill)

In line with the partial sale of shares in CMerTV, Inc., which had been a consolidated subsidiary, the amount of goodwill in the Ad Platform Business declined. The amount of decline in goodwill resulting from the event is ¥601 million in the period under review.

(Material profit from negative goodwill)

None

II For the three months ended March 31, 2021 (January 1, 2021 to March 31, 2021)

1. Information on sales and income or loss by reportable business segment

(Millions of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	3,064	1,782	1,636	6,483	—	6,483
Intersegment Sales or Transfer	—	3	—	3	(3)	—
Total	3,064	1,785	1,636	6,486	(3)	6,483
Segment Income	1,039	491	144	1,675	—	1,675

2. Information concerning impairment loss on non-current assets, goodwill and other items by reportable business segment

(Material impairment loss on non-current assets)

None

(Material changes in goodwill)

In the Consumer Business, as a result of reviewing the progress of rakanu Co., Ltd., a consolidated subsidiary, against its business plan and future business prospects, 74

million yen of the unamortized balance of goodwill recorded at the time of acquisition of the company's shares was recorded as an impairment loss in the period under review as an extraordinary loss.

(Material profit from negative goodwill)

None

3. Matters concerning changes etc. in reportable segments

In the period under review, some business that was previously included in the "Ad Platform" segment has been reclassified into the "Partner Sales" segment due to organizational restructuring.

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