

## Full-year results for FY2022/12, with slightly higher revenues and lower profits.

### New medium-term business plan formulated.

#### ◆ FY2022/12 Full Year Results Summary

**CARTA HOLDINGS' full-year revenue** for FY2022/12 increased 0.5% to ¥25,940 mn. A weak macroeconomic environment suppressed revenues, despite strong growth in the programmatic TV commercial service TELECY. Operating profit decreased 51.4%, to ¥2,418 mn, mainly because of an increase in SG&A expenses, while gross profit did not increase much. An extraordinary gain from the sale of investment securities helped hold profit attribute to owners parent to ¥3,035mn. Down only 2.2% YoY.

#### Segment Trends:

**Marketing Solutions Business: Net Sales: ¥11,712 mn (-6.1%), Operating profit: ¥1,985 mn (-37.2%)** Sales declined mainly due to a drop in advertising demand by major advertisers. Profit decreased as a result of higher personnel and recruiting costs due to aggressive hiring.

**Ad Platform Business: Net Sales of ¥7,088 mn (up 6.3%); operating profit of ¥1,368 mn (down 36.1%).** Gross sales rose nearly 3-fold, to ¥6,329 mn, thanks to continuing strong sales of the TELECY operated TV commercial platform. Profit decreased due to higher advertising expenses for aggressive upfront investment in TELECY.

**Consumer Business: Net Sales of ¥7,176 mn (up 7.2%), operating loss of ¥341 mn (vs. operating profit of ¥553 mn in 4Q of FY21/12).** An operating loss was recorded as a result of new titles in the games business coming in below expectations and aggressive forward investment in the D2C domain.

#### ◆ Forecast for full year 2023/12

The company is cautious in its outlook for FY2023/12, as shown in the table below, due to continued uncertainty in the advertising market. In addition, the company expects an increase in temporary costs associated with office relocations and an increase in recruitment costs, so the company forecasts a decline in operating profit.

#### ◆ Topics

- D-Marketing Academy, which operates a video e-learning business to train corporate web marketers, was made a wholly owned subsidiary in January 2023, as part of an effort to strengthen non-advertising revenue sources.
- As the final stage of the management integration process, the company plans to move its offices Toranomon Hills Station Tower in December 2023.
- The company has formulated a new medium-term business plan after reviewing its previous medium-term plan, CARTA 2022. The aim is to put the company on a new growth trajectory by restructuring the digital marketing business and focusing resources on more profitable businesses.

¥ mn, %	Net sales	YoY	OP	YoY	RP	YoY	NP	YoY	EPS ¥	DPS ¥
2018/9	28,518	10.1	1,420	-21.4	1,431	-23.1	1,117	-3.8	93.58	15.00
2019/12	26,158	-	3,839	-	3,812	-	2,139	-	94.29	16.00
2020/12	22,487	-	3,463	-	3,335	-	1,781	-	70.57	48.00
2021/12	25,821	14.8	4,973	43.6	5,614	68.3	3,104	74.3	122.68	51.00
2022/12	25,940	0.5	2,418	-51.4	3,036	-45.9	3,035	-2.2	119.20	54.00
2023/12 CE	26,600	2.5	2,300	-4.9	2,300	-24.3	100	-96.7	3.97	54.00

Source: compiled by SIR from the company material.

## 4Q FOLLOW-UP

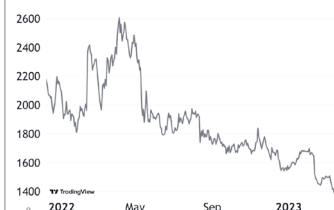


**Focus Points:** VOYAGE Group and Dentsu Group's Cyber Communications merged in Jan. 2019. In addition to serving as a media rep., CARTA HD conducts various businesses related to digital advertising, such as ad platforms and internet media.

#### Key indicators (yy/mm/dd)

Share price (3/24)	1,416
YH (2/6)	1,722
YL (3/16)	1,372
10YH (14/7/7)	4,335
10YL (20/3/23)	662
Shrs. out (mn, shr)	25.163
Mrk cap (¥bn)	35.632
EV (¥bn)	19.713
Shr. equity ratio (12/31)	54.1%
23/12 PER (CE)	356.3x
22/12 PBR (act)	1.31x
22/12 ROE (act)	11.1%
23/12 DY (CE)	3.8%

#### Share Price Chart (1Y)



Source: Trading View

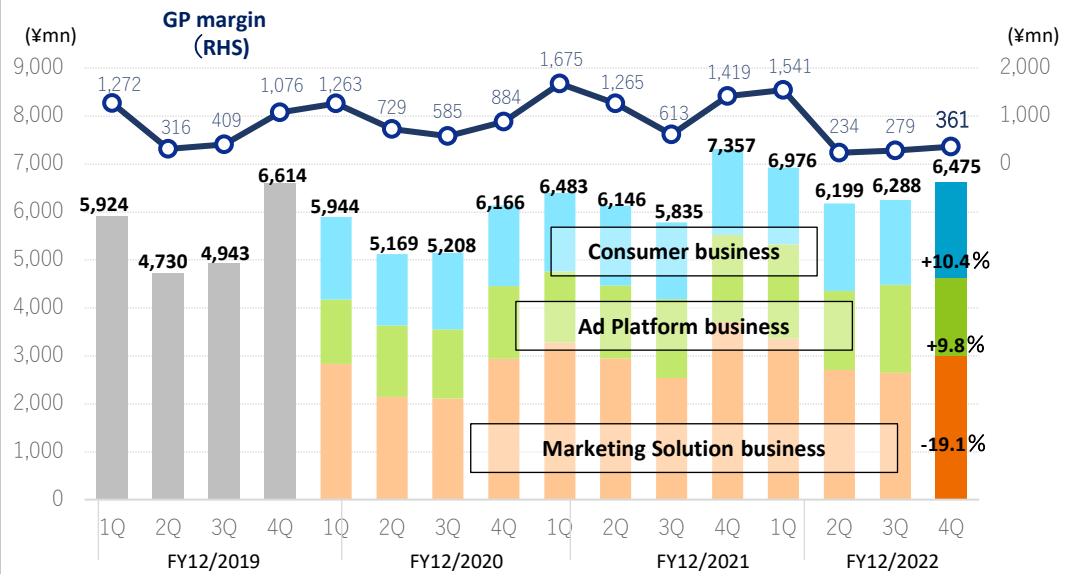
#### Team coverage

[research@sessapartners.co.jp](mailto:research@sessapartners.co.jp)



This report was prepared by Sessa Partners on behalf of CARTA Holdings. Please refer to the legal disclaimer at the end for details.

Quarterly Consolidated Net Sales & Operating Profit



Source: compiled by SIR from the company material.

1. Full-year FY2022/12 results

1) Net sales rose 0.5% YoY, but operating profit fell owing to aggressive expansion of upfront investments

In full-year FY2022/12, sales rose and operating profit fell, with the company reporting **net sales of ¥25,940 mn (+0.5% YoY)**, **operating profit of ¥2,418 mn (-51.4% YoY)**, **ordinary profit of ¥3,036 mn (-45.9% YoY)**, and **profit attributable to owners of parent of ¥3,035 mn (-2.2% YoY)**. The company missed its earnings forecast announced in August by 8.3% in terms of net sales and 30.9% in terms of operating profit. In addition to the COVID-19 pandemic over the past few years, the invasion of Ukraine by Russia that began in February 2022 has drastically changed the global macroeconomic environment. Amid increasing economic uncertainty, ad placements were sluggish, especially among major client companies. On the other hand, since its business integration, the company has been aggressively promoting its strategic business and products while making integration-related investments, which has pushed up SG&A expenses and pressured profits. On September 28, the company sold all shares of equity-method affiliate Do House and posted an extraordinary gain.

In the three-month-period of 4Q alone, sales and profits were down in both the Marketing Solution and Ad Platform businesses. Although sales rose in the Consumer business, segment profit remained in the red. As a result, overall sales fell 12.0% YoY to ¥6,475 mn and operating profit dropped 54.5% YoY to ¥361 mn in the three-month-period of 4Q.

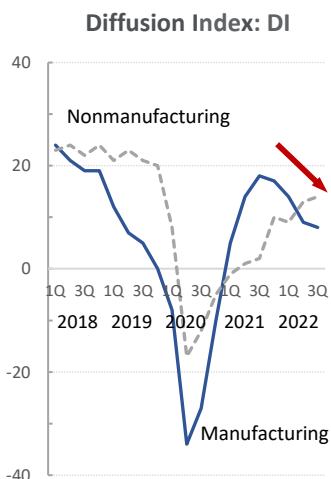
2) Segment Trends \* (see table on page 7)

a) Marketing Solutions Business (net sales ¥11,712 mn (-6.1% YoY), segment profit ¥1,985 mn (-43.1% YoY)) (see top figure on following page)

The marketing solution business sells advertising space and provides solutions centered on media communications as a member of the Dentsu Group.

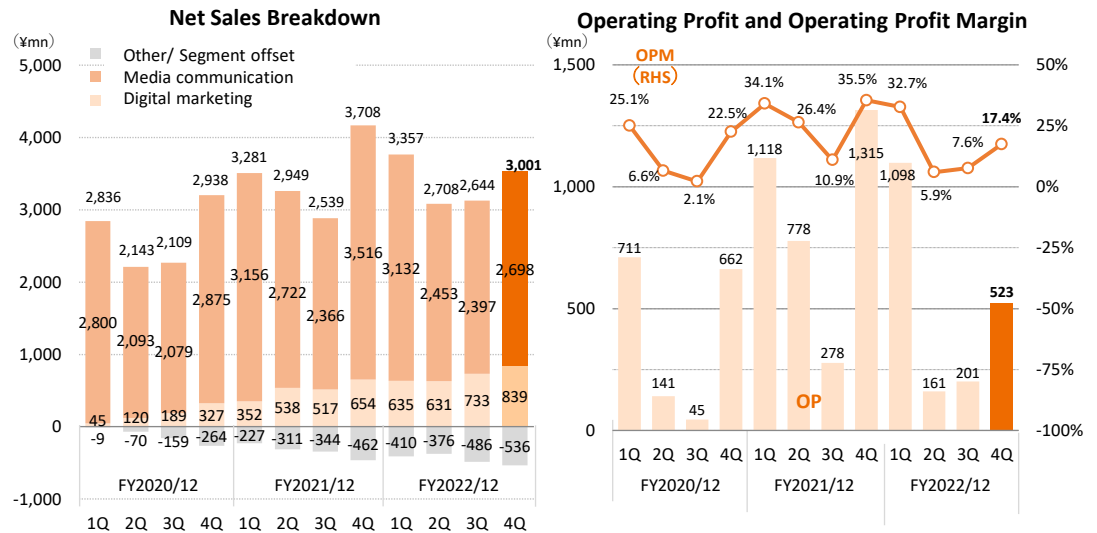
The media communication service, which is the core service of the Marketing Solutions business, has seen a slowdown in ad placements from its main client base of national clients, due in part to the aforementioned macroeconomic environment. With inflation continuing to rise, companies are under pressure to raise prices, and marketing-related spending is also being curbed. In addition, foreign clients are holding back on advertising spending, not only in IT, but also in various other industries, partly due to the weak yen. Meanwhile, segment profit fell owing to higher personnel and recruiting costs stemming from proactive hiring.

\*The company mainly provides stand-alone quarterly earnings in its earnings briefings. Therefore, this report presents cumulative figures first, and then provides specific quarterly business trends and related figures.



Source: compiled by SIR From the BOJ TANKAN

Marketing Solution Business Segment Earnings



Source: compiled by SIR from the company material.

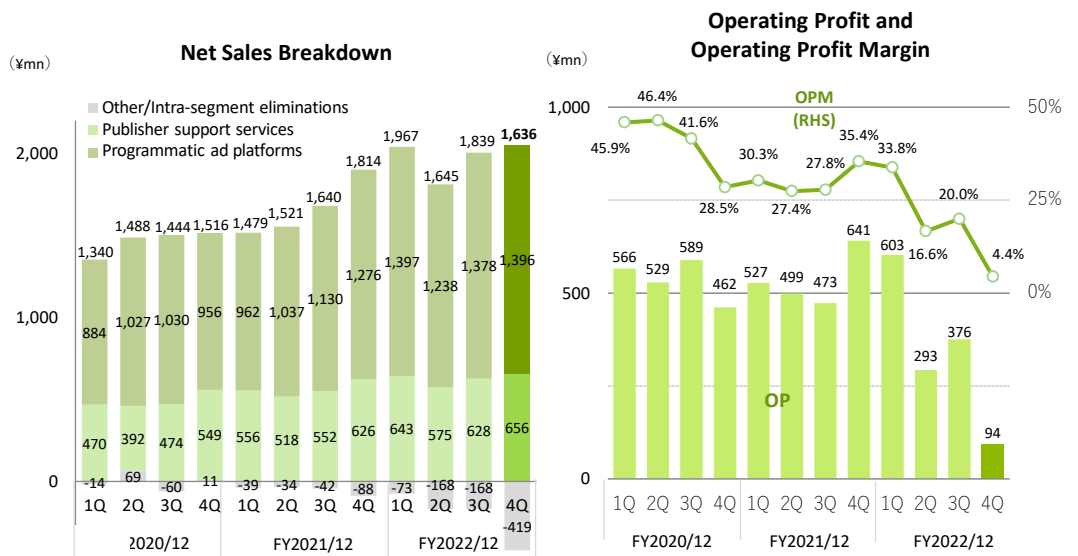
In the three-month-period of 4Q, sales fell 19.1% YoY to ¥3,001 mn, of which sales from media communications fell sharply by 23.2% YoY. On the other hand, sales from the digital marketing service, where the company directly approached advertisers, were up 28.3% to ¥839 mn. Segment profit fell 60.2% YoY to ¥523 mn.

**b) Ad Platform Business (net sales ¥7,088 mn (+6.3% YoY); segment profit ¥1,368 mn (-36.1% YoY))**

The ad platform business provides both programmatic ad platforms (Zucks, PORTO,TELECY, etc.), which automatically optimizes ad delivery in real time, and publisher support services (fluct, etc.), which helps media maximize ad earnings.

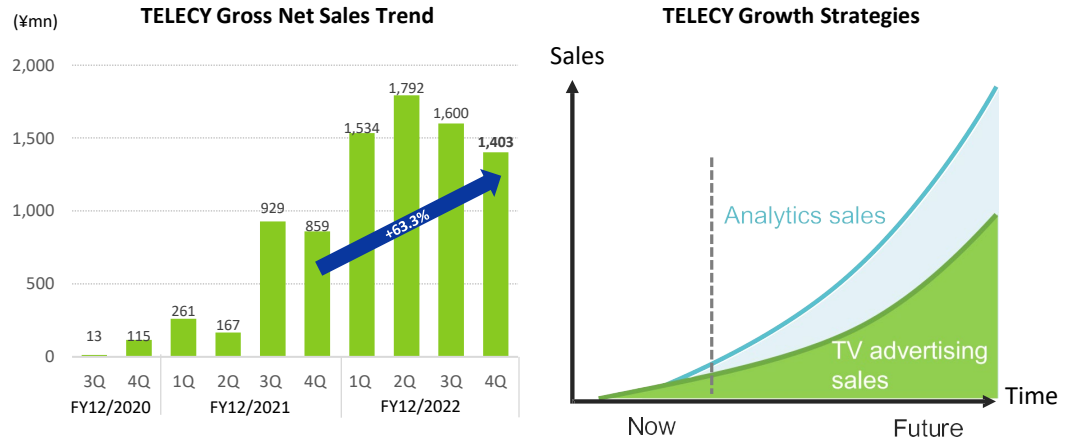
Net sales from programmatic ad platforms rose 22.8% YoY to ¥5,413 mn on the back of continued strong growth in sales of programmatic TV commercial service TELECY. Sales from publisher support services grew 11.1% YoY to ¥2,503 mn.

Ad Platform Business Segment Earnings



Source: compiled by SIR from the company material.

**Trends in TELECY**



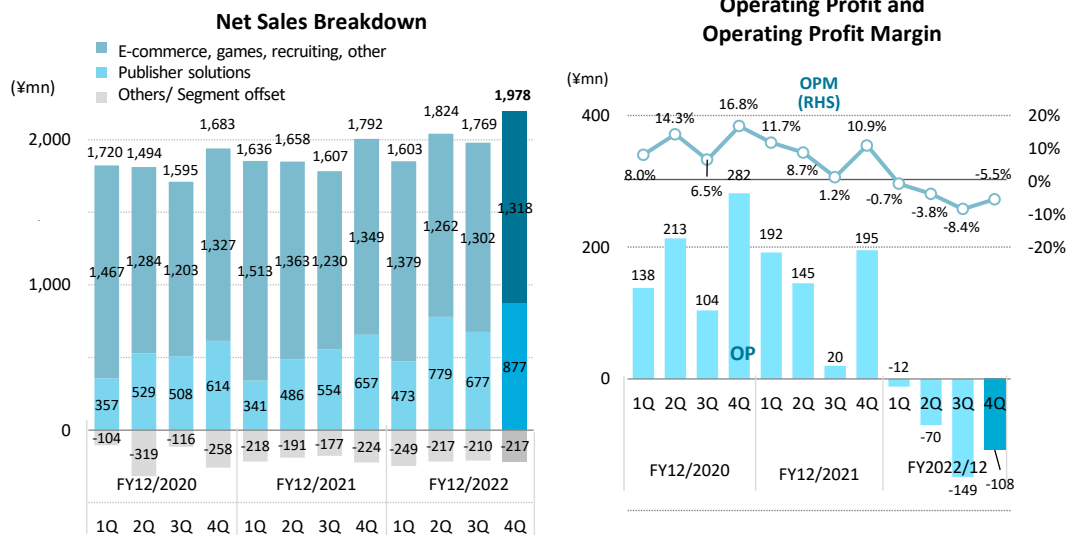
Source: compiled by SIR from the company material.

In the three-month-period of 4Q, sales fell 9.8% YoY to ¥1,636 mn. Sales of programmatic ad platforms, including TELECY, rose 9.4% YoY. The company continued to make upfront investments in strategic promotions for TELECY, which pushed up 4Q advertising expenses in the segment by about 2x YoY to ¥176 mn. As a result, segment profit fell by 60.2% YoY to ¥94 mn.

TELECY, which the company has been focusing its efforts on, is a hybrid product that enables more efficient ad placement compared to conventional TV commercials by combining the advantages of TV commercials, which can reach a large number of consumers, and programmatic ads, which makes it easy for customers to verify cost effectiveness. The service is highly regarded by advertisers, and gross sales quickly expanded to over a billion yen. 4Q gross sales were up 63.3% YoY to ¥1,403 mn. Although the company was a latecomer to the market at the beginning, it leveraged the strengths of the Dentsu Group and now holds the highest share of sales in the industry for programmatic ad platforms. In addition to TV commercial sales (transaction amount), the company plans to provide SaaS-based analytics services in the future as part of its growth strategy for TELECY. It also expects to boost earnings from analytics sales to existing clients and clients of the Dentsu Group.

**c) Consumer Business (net sales ¥7,176 mn (+7.2% YoY); segment loss ¥341 mn (profit of ¥553 mn in 4Q FY2021/12))**

**Consumer Business Segment Earnings**



Source: compiled by SIR from the company material.

CARTA Holdings (CARTA) has positioned its consumer business, which includes both publisher solutions and e-commerce, games, recruiting, and other businesses, as a critical business segment for promoting vertical integration of its services. It actively pursues growth not only organically, but also through new businesses and M&A. In particular, the company is proactively making upfront investments to strengthen its efforts in the growing D2C field. Media solution sales fell 3.6% YoY to ¥5,262 mn, while sales from e-commerce, games, recruiting, and other businesses grew by a substantial 36.9% YoY to ¥2,807 mn on the back of strong performance by Yomite, a D2C business. On the other hand, segment operating loss amounted to ¥341 mn as upfront investments to acquire new clients in the D2C business and advertising and other promotional expenses related to the game business rose sharply.

In the three-month-period of 4Q, sales rose 10.4% YoY to ¥1,978 mn, while sales in the Media Solutions segment declined 2.3% to ¥1,318 mn. Media solution sales fell 2.3% YoY to ¥1,318 mn, while sales from e-commerce, games, recruiting, and other businesses grew by a substantial 31.4% YoY to ¥877 mn. Advertising expenses, including those related to games, continued to weigh down on profits, with 4Q advertising expenses totaling ¥542 mn, up 3x YoY. Segment operating loss amounted to ¥108 mn, and the company posted losses in every quarter from 1Q to 4Q.

As noted in our previous report, the company launched a major smartphone game, King of Kingdom, in its game publishing business on October 21, 2022, but sales have been weaker than initially expected, and the company faces the challenge of recovering its advertising expenses.

## **2. FY2023/12 Earnings Forecast: Net sales of ¥26.6 bn and operating profit of ¥2.3 bn**

The company announced its FY2023/12 forecast, which calls for net sales of ¥26.6 bn (+2.5% YoY), operating profit of ¥2.3 bn (-4.9% YoY), and profit attributable to owners of parent of ¥100 mn (-96.7% YoY).

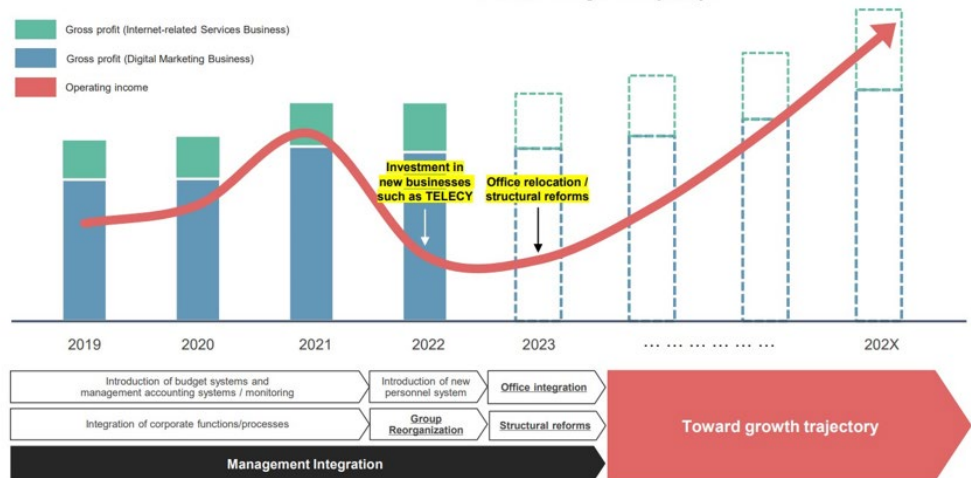
The macroeconomic environment remains uncertain, and the company takes a cautious outlook regarding sales. On the other hand, the company still faces business integration challenges and plans to consolidate its offices by the end of 2023, which will weigh down performance. It expects to record a total of ¥2,230 mn in office consolidation and relocation expenses as an extraordinary loss, which will substantially reduce profit attributable to owners of parent to ¥100 mn, as mentioned above. We will closely monitor future developments to verify that the office consolidation will produce results commensurate with the investment and that investors will also be able to enjoy the value of this investment.

## **3. Formulated new medium-term management policy: Final phase of business integration to put the company back on a growth trajectory**

Along with its full-year FY2022/12 earnings announcement, the company announced a new medium-term management policy. First, the company positively evaluated its medium-term management plan through 2022, noting that it achieved EBITDA of ¥6 bn one year ahead of schedule, actively engaged in new businesses such as launching its programmatic TV commercial service TELECY, and that the business integration went more smoothly than initially expected. On the other hand, the company also noted that it had not achieved its ROE target (target: 12%, FY2022/12 actual: 11%) and that growth in existing businesses was slowing, partly due to the macroeconomic environment.

The new medium-term management policy begins in 2023, and completes the final phase of the business integration by consolidating offices by the end of this year. The company plans to improve its profit structure by promoting structural reforms in the digital marketing business and withdrawing from unprofitable businesses to get back on a growth trajectory. In line with this, the company will merge its marketing solution business and ad platform business into a single digital marketing business and reorganize its consumer business into a new internet-related services business as part of its business portfolio review. The management policy does not set specific numerical targets (see figure on next page).

Direction of new medium-term management policy



Source: Compiled by SIR based on company data

3. Share Price Trend: Slated for a correction following a substantial downward revision in earnings projections

CARTA Holdings’ share price fell 7.5% to 1,523 yen on February 13, the day after the company announced its FY2022/12 earnings results. Its share price continued to fall, reaching 1,444 yen on February 22, the lowest level since the beginning of the year. The company's share price has risen since bottoming out at 662 yen on March 23, 2020, but it is now at the lowest level in almost two years at around 1400 yen. This was likely driven by concerns over the fact that the FY2022/12 results fell short of forecast, combined with continued uncertainty over the advertising business environment for FY2023/12, as well as the projected sharp drop in profits stemming from the recording of extraordinary losses related to office relocations.

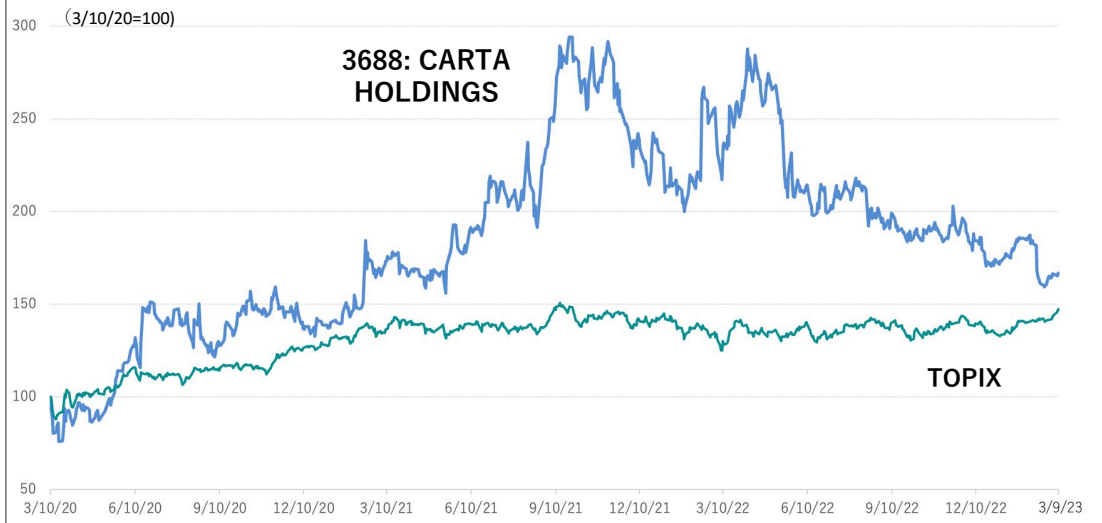
The investment needed for the business integration is within expectations, but it is fair to say that the weakening business environment caused by changes in the geopolitical situation is unexpected. The macroeconomic environment in the US and Japan is also difficult to forecast with certainty, and Sessa Partners believes that investors will remain cautious in terms of share prices for the time being. If ad placements by major clients improve and the company's earnings structure improves as a result of the structural reforms outlined in the new medium-term management policy, there may be a rerating of the company’s shares.

3688 CART HOLDINGS Share Price Trend (most recent 3 years)



Source: SIR from SPEEDA data

### Relative Chart (3688, TOPIX)



Source: SIR from SPEEDA data

## Quarterly Consolidated Results by Segment

(¥mn)	FY2020/12				FY2021/12				FY2022/12			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net sales</b>	<b>5,944</b>	<b>5,169</b>	<b>5,208</b>	<b>6,166</b>	<b>6,483</b>	<b>6,146</b>	<b>5,835</b>	<b>7,357</b>	<b>6,976</b>	<b>6,199</b>	<b>6,288</b>	<b>6,288</b>
YoY	0.3%	9.3%	5.4%	-6.8%	9.1%	18.9%	12.0%	19.3%	7.6%	0.9%	7.8%	-14.5%
<b>Marketing Solution</b>	<b>2,836</b>	<b>2,143</b>	<b>2,109</b>	<b>2,938</b>	<b>3,281</b>	<b>2,949</b>	<b>2,539</b>	<b>3,708</b>	<b>3,357</b>	<b>2,708</b>	<b>2,644</b>	<b>3,001</b>
YoY	-	-	-	-	15.7%	37.6%	20.4%	26.2%	2.3%	-8.2%	4.1%	-19.1%
% of Sales	47.7%	41.5%	40.5%	47.6%	50.6%	48.0%	43.5%	50.4%	48.1%	43.7%	42.0%	46.3%
Media Communication	2,800	2,093	2,079	2,875	3,156	2,722	2,366	3,516	3,132	2,453	2,397	2,698
YoY	-	-	-	-	12.7%	30.1%	13.8%	22.3%	-0.8%	-9.9%	1.3%	-23.2%
% of Sales	47.1%	40.5%	39.9%	46.6%	48.7%	44.3%	40.5%	47.8%	44.9%	39.6%	38.1%	42.9%
Digital Marketing	45	120	189	327	352	538	517	654	635	631	733	839
YoY	-	-	-	-	682.2%	348.3%	173.5%	100.0%	80.4%	17.3%	41.8%	28.3%
% of Sales	0.8%	2.3%	3.6%	5.3%	5.4%	8.8%	8.9%	8.9%	9.1%	10.2%	11.7%	13.3%
Other/intra-segment eliminations	-9	-70	-159	-264	-227	-311	-344	-462	-410	-376	-486	-536
<b>Ad Platform</b>	<b>1,340</b>	<b>1,488</b>	<b>1,444</b>	<b>1,516</b>	<b>1,479</b>	<b>1,521</b>	<b>1,640</b>	<b>1,814</b>	<b>1,967</b>	<b>1,645</b>	<b>1,839</b>	<b>1,636</b>
YoY	-	-	-	-	10.4%	2.2%	13.6%	19.7%	33.0%	8.2%	12.1%	-9.8%
% of Sales	22.5%	28.8%	27.7%	24.6%	22.8%	24.7%	28.1%	24.7%	28.2%	26.5%	29.2%	25.3%
Publisher Support Services	470	392	474	549	556	518	552	626	643	575	628	656
YoY	-	-	-	-	18.3%	32.1%	16.5%	14.0%	15.6%	11.0%	13.8%	4.8%
% of Sales	7.9%	7.6%	9.1%	8.9%	8.6%	8.4%	9.5%	8.5%	9.2%	9.3%	10.0%	10.4%
Programmatic Ad Platforms	884	1,027	1,030	956	962	1,037	1,130	1,276	1,397	1,238	1,378	1,396
YoY	-	-	-	-	8.8%	1.0%	9.7%	33.5%	45.2%	19.4%	21.9%	9.4%
% of Sales	14.9%	19.9%	19.8%	15.5%	14.8%	16.9%	19.4%	17.3%	20.0%	20.0%	21.9%	22.2%
Other/intra-segment eliminations	-14	69	-60	10	-40	-34	-41	-89	-72	-168	-168	-419
<b>Consumer</b>	<b>1,720</b>	<b>1,494</b>	<b>1,595</b>	<b>1,683</b>	<b>1,636</b>	<b>1,658</b>	<b>1,607</b>	<b>1,792</b>	<b>1,603</b>	<b>1,824</b>	<b>1,769</b>	<b>1,978</b>
YoY	-	-	-	-	-4.9%	11.0%	0.8%	6.5%	-2.0%	10.0%	10.1%	10.4%
% of Sales	28.9%	28.9%	30.6%	27.3%	25.2%	27.0%	27.5%	24.4%	23.0%	29.4%	28.1%	30.5%
Publisher Solutions	1,467	1,284	1,203	1,327	1,513	1,363	1,230	1,349	1,379	1,262	1,302	1,318
YoY	-	-	-	-	3.1%	6.2%	2.2%	1.7%	-8.9%	-7.4%	5.9%	-2.3%
% of Sales	24.7%	24.8%	23.1%	21.5%	23.3%	22.2%	21.1%	18.3%	19.8%	20.4%	20.7%	21.0%
E-commerce, games, recruiting, other	357	529	508	614	341	486	554	657	473	779	677	877
YoY	-	-	-	-	-4.5%	-8.1%	9.1%	7.0%	38.7%	60.3%	22.2%	31.4%
% of Sales	6.0%	10.2%	9.8%	10.0%	5.3%	7.9%	9.5%	8.9%	6.8%	12.6%	10.8%	13.9%
Other/intra-segment eliminations	-104	-319	-116	-258	-218	-191	-177	-224	-249	-217	-210	-217
<b>Operating profit</b>	<b>1,263</b>	<b>729</b>	<b>585</b>	<b>884</b>	<b>1,675</b>	<b>1,265</b>	<b>613</b>	<b>1,419</b>	<b>1,541</b>	<b>234</b>	<b>279</b>	<b>361</b>
YoY	-0.7%	130.7%	43.0%	-17.8%	32.6%	73.5%	4.8%	60.5%	-8.0%	-81.5%	-54.5%	-54.5%
Operating margin	21.2%	14.1%	11.2%	14.3%	25.8%	20.6%	10.5%	19.3%	22.1%	3.8%	4.4%	5.6%
<b>Marketing Solution</b>	<b>711</b>	<b>141</b>	<b>45</b>	<b>662</b>	<b>1,118</b>	<b>778</b>	<b>278</b>	<b>1,315</b>	<b>1,098</b>	<b>161</b>	<b>201</b>	<b>523</b>
YoY	-	-	-	-	57.2%	451.8%	517.8%	98.6%	-1.8%	-79.3%	-27.7%	-60.2%
Segment operating margin	25.1%	6.6%	2.1%	22.5%	34.1%	26.4%	10.9%	35.5%	32.7%	5.9%	7.6%	17.4%
<b>Ad Platform</b>	<b>566</b>	<b>529</b>	<b>589</b>	<b>462</b>	<b>527</b>	<b>499</b>	<b>473</b>	<b>641</b>	<b>603</b>	<b>293</b>	<b>376</b>	<b>94</b>
YoY	-	-	-	-	-5.2%	-5.7%	-19.7%	38.7%	14.4%	-41.3%	-20.5%	-85.3%
Segment operating margin	40.6%	34.4%	39.5%	29.9%	33.6%	32.4%	27.9%	34.5%	29.8%	17.4%	20.1%	5.7%
<b>Consumer</b>	<b>138</b>	<b>213</b>	<b>104</b>	<b>282</b>	<b>192</b>	<b>145</b>	<b>20</b>	<b>195</b>	<b>-12</b>	<b>-70</b>	<b>-149</b>	<b>-108</b>
YoY	-	-	-	-	39.1%	-31.9%	-80.8%	-30.9%	-	-	-	-
Segment operating margin	8.0%	14.3%	6.5%	16.8%	11.7%	8.7%	1.2%	10.9%	-0.7%	-3.8%	-8.4%	-5.5%

Note: Figures may differ slightly due to rounding and other factors. Segment totals and overall totals may not match due to adjustments for intersegment eliminations and corporate expenses that are not allocated to segments.

Source: Compiled by SIR based on company data



## Consolidated Statements of Income

(¥mn, %)	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/12*	2020/12	2021/12	2022/12	2023/12
<b>Total Revenue</b>	<b>8,139</b>	<b>9,858</b>	<b>15,046</b>	<b>17,730</b>	<b>20,842</b>	<b>25,895</b>	<b>28,518</b>	<b>26,158</b>	<b>22,487</b>	<b>25,821</b>	<b>25,940</b>	<b>26,600</b>
YoY	230.7	21.1	52.6	17.8	17.6	24.2	10.1	-8.3	-14.0	14.8	0.5	2.5
Total Cost of Sales	4,846	6,014	9,085	11,169	14,421	17,881	20,356	3,193	2,852	2,620	2,751	
Gross profit	3,292	3,844	5,962	6,562	6,421	8,015	8,162	22,966	19,635	23,200	23,189	
Gross margin	40.4	39.0	39.6	37.0	30.8	31.0	28.6	87.8	87.3	89.8	89.4	
SG&A expenses	3,290	3,307	4,081	4,324	4,700	6,208	6,742	19,126	16,172	18,227	20,771	
<b>Operating profit</b>	<b>2</b>	<b>536</b>	<b>1,881</b>	<b>2,238</b>	<b>1,721</b>	<b>1,806</b>	<b>1,420</b>	<b>3,840</b>	<b>3,463</b>	<b>4,973</b>	<b>2,418</b>	<b>2,300</b>
YoY	-98.7	26700.0	250.9	19.0	-23.1	4.9	-21.4	170.4	-9.8	43.6	-51.4	-4.9
<b>Operating margin</b>	<b>0.0</b>	<b>5.4</b>	<b>12.5</b>	<b>12.6</b>	<b>8.3</b>	<b>7.0</b>	<b>5.0</b>	<b>14.7</b>	<b>15.4</b>	<b>19.3</b>	<b>9.3</b>	<b>8.6</b>
Non-operating income	16	20	43	80	26	93	162	169	149	691	698	
Interest and Dividends Income	10	10	11	17	21	17	151	100	66	253	112	
Non-operating expenses	14	27	33	129	500	38	151	196	277	49	79	
Discounted interest expense	5	5	5	3	3	7	4	2		1	1	
Income from Equity Method - Non-Operating		-19	-10	-86	-330	-29	-104	-89	-44	-27	103	
Ordinary profit	4	529	1,891	2,189	1,246	1,862	1,432	3,813	3,335	5,614	3,036	2,300
Ordinary profit margin	0.0	5.4	12.6	12.3	6.0	7.2	5.0	14.6	14.8	21.7	11.7	8.6
Extraordinary gains	20	1	11	401	74	281	644	141	231	259	2,017	
Extraordinary losses	42	20	21	79	61	283	195	436	511	723	355	
Pretax profit	(17)	510	1,880	2,510	1,259	1,859	1,881	3,517	3,055	5,151	4,698	
Pretax profit margin	-0.2	5.2	12.5	14.2	6	7.2	6.6	13.4	13.6	19.9	18.1	
Income taxes	102	201	776	912	593	710	770	1,395	1,190	2,027	1,596	
Income taxes - current	76	264	866	878	411	703	633	1,799	1,321	2,381	1,207	
Income taxes - deferred	26	(63)	(90)	34	182	8	137	(403)	(131)	(354)	389	
<b>Net Profit Attribute to parent company shareholders</b>	<b>(152)</b>	<b>310</b>	<b>1,114</b>	<b>1,647</b>	<b>732</b>	<b>1,162</b>	<b>1,117</b>	<b>2,139</b>	<b>1,781</b>	<b>3,104</b>	<b>3,035</b>	<b>100</b>
YoY	-	-	259.4	47.8	-55.6	58.7	-3.9	91.5	-16.7	74.3	-2.2	-96.7
Net Profit	(119)	309	1,104	1,598	666	1,149	1,111	2,122	1,865	3,124	3,102	
Net profit attributable to non-controlling interests	32	0	-10	-49	-66	-13	-7	-17	83	19	66	
Net profit margin (attributable to owners of parent)	-1.9	3.1	7.4	9.3	3.5	4.5	3.9	8.2	7.9	12.0	11.7	0.4
Accumulated other comprehensive income	(9)	301	264	(83)	(171)	535	102	202	(237)	989	(943)	
Valuation difference on available-for-sale securities – statement of comprehensive income	(11)	284	261	(74)	(147)	529	103	217	(327)	1,045	(933)	
Foreign currency translation adjustment – statement of comprehensive income	3	9	3	-7	-8	5		0	0	3	1	
Share of other comprehensive income of entities accounted for using equity method		7	0	-1	-16	1	-2	-15	89	-59	-11	
Comprehensive income	-128	610	1,368	1,516	494	1,684	1,212	2,324	1,627	4,113	2,158	
Comprehensive income attributable to owners of parent (Supplementary data)	-161	608	1,378	1,564	561	1,697	1,219	2,341	1,543	4,093	2,092	
EBIT	-22	505	1,874	2,496	1,241	1,849	1,734	3,419	2,989	4,899	4,587	
EBITDA	142	688	2,055	2,503	2,152	2,377	2,022	5,199	4,536	6,146	3,495	3,377
EBITDA margin (Cost breakdown)	1.7	7.0	13.7	14.1	10.3	9.2	7.1	19.9	20.2	23.8	13.5	12.7
Total personnel expenses	1,117	1,177	1,397	1,602	1,606	1,745	1,902	7,724	6,675	7,628	7,747	
Personnel expenses	1,117	1,177	1,397	1,602	1,606	1,745	1,902	7,724	6,675	7,628	7,747	
Labor expenses												
Rent expenses (including lease payments)												
Advertising expenses	462	522	754	613	614	803	830				2,741	
Packing, transportation and storage expenses												

## Balance sheet

(¥mn, %)	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/12*	2020/12	2021/12	2022/12
<b>Total assets</b>	<b>3,603</b>	<b>5,786</b>	<b>6,445</b>	<b>9,963</b>	<b>12,671</b>	<b>12,538</b>	<b>15,776</b>	<b>16,795</b>	<b>50,621</b>	<b>49,259</b>	<b>55,376</b>
<b>Current assets</b>	<b>1,311</b>	<b>4,770</b>	<b>4,939</b>	<b>7,729</b>	<b>7,804</b>	<b>7,362</b>	<b>9,578</b>	<b>10,725</b>	<b>36,283</b>	<b>37,004</b>	<b>42,513</b>
Cash equivalents and short-term marketable securities	492	3,203	2,843	5,085	4,214	3,111	5,445	5,680	14,547	15,695	21,206
Cash and cash equivalents	492	3,203	2,843	5,085	4,214	3,111	5,445	5,680	14,547	15,600	21,031
Short-term marketable securities										95	175
Trade receivable	339	870	1,156	1,535	2,461	2,891	3,177	3,640	18,478	17,697	18,349
Trade receivables from subsidiaries and affiliates	161										
Accounts receivable/accrued revenue	8										
Short-term loans to affiliates	255										
Inventories	0	104	401	425	505	406	245	472	436	564	338
Finished goods and merchandise									17	29	50
Other inventories	0	104	401	425	505	406	245	472	419	535	288
Advance payments	0										
Prepaid expenses	57										
Deferred tax assets - current	144	167	222	321	268	175	222	186			
Allowance for doubtful accounts - current	0	-7	0	-2	-7	-4	0	0	-86	-51	-56
<b>Non-current assets</b>	<b>2,291</b>	<b>1,015</b>	<b>1,506</b>	<b>2,234</b>	<b>4,867</b>	<b>5,176</b>	<b>6,198</b>	<b>6,070</b>	<b>14,338</b>	<b>12,255</b>	<b>12,863</b>
Property, plant, and equipment	121	152	142	194	227	192	203	193	1,692	1,276	1,290
Construction in progress								76			
Intangible assets	69	137	213	210	1,639	2,067	2,201	1,820	6,747	5,462	4,689
Goodwill		40	20	8	1,271	1,633	1,678	1,469	3,022	2,317	1,836
Investments and other assets	2,102	726	1,151	1,830	3,001	2,917	3,794	4,057	5,899	5,516	6,883
Investment securities (including subsidiaries and affiliates)	1,927	535	987	1,658	2,660	2,425	3,263	3,559	4,246	3,959	5,235
Investments in securities	447	535	987	1,658	2,660	2,425	3,263	3,559	4,246	3,959	5,235
Shares of subsidiaries and affiliates	1,050										
Investments and loans to affiliates	430										
Long-term trade receivables	0										
Long-term prepaid expenses	1										
Deferred tax assets - non-current					98	240			176	155	229
Allowance for doubtful accounts - non-current	0	-19	-26	-13	-13	-15	-2		-1	0	-6
<b>Total liabilities</b>	<b>1,689</b>	<b>3,375</b>	<b>4,573</b>	<b>5,564</b>	<b>6,397</b>	<b>6,205</b>	<b>7,662</b>	<b>8,017</b>	<b>26,901</b>	<b>24,705</b>	<b>27,619</b>
<b>Current liabilities</b>	<b>1,256</b>	<b>2,980</b>	<b>4,000</b>	<b>4,963</b>	<b>5,478</b>	<b>5,538</b>	<b>6,931</b>	<b>7,158</b>	<b>25,020</b>	<b>23,287</b>	<b>26,280</b>
Trade payable	18	386	422	603	1,364	2,120	2,388	2,549	18,110	16,655	16,899
Accounts payable and accrued expenses	381										
Short-term debt	527	319	658	310	250	233	410	490	240	161	127
Short-term borrowings (including lease obligations)	300		400	100			20		20	19	
Current portion of long-term debt	227	319	258	210	250	233	390	490	220	142	127
Current portion of long-term borrowings	227	319	258	210	250	233	390	490	220	142	127
Asset retirement obligations - current								51		70	162
<b>Non-current liabilities</b>	<b>434</b>	<b>395</b>	<b>573</b>	<b>602</b>	<b>919</b>	<b>667</b>	<b>731</b>	<b>859</b>	<b>1,881</b>	<b>1,417</b>	<b>1,339</b>
Long-term debt	258	264	293	83	773	540	556	499	277	207	79
Long-term borrowings (including lease obligations)	258	264	293	83	773	540	556	499	277	207	79
Deferred tax liabilities - non-current	125	81	230	383				196	875	596	725
Asset retirement obligations - non-current		50	50	51	51	51	51	51	536	468	400
<b>Total net assets</b>	<b>2,410</b>	<b>1,872</b>	<b>4,398</b>	<b>6,274</b>	<b>6,333</b>	<b>8,114</b>	<b>8,777</b>	<b>23,720</b>	<b>24,553</b>	<b>27,757</b>	<b>27,471</b>
Total shareholders' equity	2,168	1,628	4,162	6,050	6,175	7,861	8,530	23,452	24,383	27,567	27,264
Shareholders' equity	1,961	1,121	3,391	5,356	5,651	6,800	7,366	22,755	23,924	26,002	26,689
Share capital	373	373	925	990	1,001	1,060	1,073	1,096	1,111	1,410	1,514
Capital surplus	353	377	905	970	931	978	1,063	12,016	12,031	12,337	12,434
Retained earnings	1,327	1,602	1,562	3,397	3,891	4,934	5,230	9,643	11,046	12,255	12,741
Treasury shares	-91	-1,231			-172	-172		0	-264	0	
Valuation and translation adjustments	207	506	770	695	523	1,060	1,162	690	452	1,441	498
Valuation difference on available-for-sale securities	211	495	756	682	535	1,064	1,168	705	463	1,428	482
Foreign currency translation adjustment	-4	10	14	13	-12	-4	-6	-15	-10	13	15
Share acquisition rights		2	1			1	2	8	7	122	75
Non-controlling interests	242	244	236	224	158	253	247	268	170	190	207
<b>(Shareholders' equity ratio)</b>	<b>37.47</b>	<b>25.26</b>	<b>41.77</b>	<b>47.75</b>	<b>49.25</b>	<b>49.83</b>	<b>50.79</b>	<b>46.33</b>	<b>49.50</b>	<b>49.78</b>	<b>54.05</b>

\* Change in fiscal year end Note: Figures may differ slightly due to rounding, etc.  
Source: Compiled by SIR from SPEEDA

## Statements of cash flows

(¥mn)	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/12*	2020/12	2021/12	2022/12
<b>Cash flows from operating activities</b>	<b>-46</b>	<b>653</b>	<b>2,126</b>	<b>973</b>	<b>829</b>	<b>3,184</b>	<b>602</b>	<b>5,902</b>	<b>2,013</b>	<b>7,102</b>	<b>-1,886</b>
Depreciation and amortization of positive goodwill - CF	140	152	174	265	431	571	602	1,359	1,073	1,173	1,077
Depreciation - CF	129	140	162	207	272	341	391	1,023	766	861	807
Amortization of positive goodwill - CF	11	12	12	58	159	230	211	336	307	312	270
Loss (gain) on valuation of short-term and long-term investment securities	4	7	3		40	3	29				
Loss (gain) on valuation of shares of subsidiaries and associates				28							
Loss (gain) on sale of short-term and long-term investment securities			-10	-7	-25	-197	-22	163	-93	-202	-1,221
Loss (gain) on sale of investment securities			-10	-7	-25	-197	-22	163	-93	-202	-1,221
Loss (gain) on sale of shares of subsidiaries and associates						-79	-541				-116
Loss (gain) on sale of property, plant and equipment	-14		1	16	4		29	116	155	78	23
Interest and dividends received - operating CF	10	10	11	13	21	17	14	39	38	69	62
Interest paid - operating CF	-4	-5	-5	-3	-3	-7	-4	-3	-2	-1	-1
<b>Cash flows from investing activities</b>	<b>-168</b>	<b>1,129</b>	<b>-350</b>	<b>-2,608</b>	<b>-1,145</b>	<b>-1,002</b>	<b>200</b>	<b>3,987</b>	<b>66</b>	<b>-765</b>	<b>-698</b>
Purchase of short-term and long-term investment securities	-16	-34	-34	-230	-284	-285	-437	-376	-516	-488	-1,142
Purchase of investment securities	-16	-34	-34	-230	-284	-285	-437	-376	-516		
Proceeds from sale of short-term and long-term investment securities			9	11	4	424	751	441	569	360	1,819
Proceeds from sale of investment securities			9	11	4	424	751	441	569		
Purchase of shares of subsidiaries and associates		-43	-241	-577	-110						
Proceeds from sale of shares of subsidiaries and associates											299
Purchases and sales of property, plant and equipment	-102	-69	-87	-163	-96	-130	-110	-507	-97	-436	-490
Purchase of property, plant and equipment	-121	-69	-87	-163	-96	-130	-110	-507	-97	-436	-490
Proceeds from sale of property, plant and equipment	19										
Purchases and sales of intangible assets	-60	-151	-99	-305	-247	-207	-182	-308	-219	-330	-246
Purchase of intangible assets	-60	-151	-99	-305	-247	-207	-185	-308	-219	-330	-246
Proceeds from sale of intangible assets							3				
Interest and dividends received - investing CF							137				
<b>Cash flows from financing activities</b>	<b>198</b>	<b>-746</b>	<b>579</b>	<b>797</b>	<b>-701</b>	<b>106</b>	<b>-569</b>	<b>-549</b>	<b>-892</b>	<b>-1,215</b>	<b>-2,504</b>
Proceeds from short-term borrowings		400				20		20			147
Repayments of short-term borrowings			-300	-100	-3		-20			-19	
Increase in long-term debt	350	300		1,000		570	500				
Proceeds from long-term borrowings	350	300		1,000		570	500				
Repayments of long-term debt	-252	-332	-258	-270	-264	-470	-460	-478	-197	-118	-172
Repayments of long-term borrowings	-252	-332	-258	-270	-264	-470	-460	-478	-197	-118	-172
Proceeds from issuance of shares	100	72	1,137	166	24	125	18	21	14	596	147
Redemption and cancellation of shares		-1,188			-172	0	-511	0	-265	0	-1,201
Dividends paid					-236	-118	-181	-179	-404	-1,639	-1,355
Effect of exchange rate change on cash and cash equivalents	0	1	3	6	-86	46	0	-3	-134	308	160
Net increase (decrease) in cash and cash equivalents	-15	1,042	2,342	-871	-1,103	2,334	234	8,867	1,054	5,430	-4,929
Beginning balance of cash and cash equivalents	1,716	1,701	2,743	5,085	4,214	3,111	5,445	5,680	14,546	15,600	21,031
<b>Ending balance of cash and cash equivalents</b>	<b>1,701</b>	<b>2,743</b>	<b>5,085</b>	<b>4,214</b>	<b>3,111</b>	<b>5,445</b>	<b>5,680</b>	<b>14,547</b>	<b>15,600</b>	<b>21,031</b>	<b>16,101</b>
<b>Free cash flow</b>	<b>-214</b>	<b>1,782</b>	<b>1,776</b>	<b>-1,635</b>	<b>-316</b>	<b>2,182</b>	<b>802</b>	<b>9,889</b>	<b>2,079</b>	<b>6,337</b>	<b>-2,584</b>

\* Change in fiscal year end Note: Figures may differ slightly due to rounding, etc.  
Source: Compiled by SIR from SPEEDA

## LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report. The copyright of this report belongs to Sessa Partners. Modification, manipulation, distribution or transmission of this report constitutes copyright infringement and is strictly prohibited.



### **Sessa Partners Inc.**

---

#5a i-o Azabu, 2-8-14  
Azabujyuban, Minato-ku, Tokyo  
[info@sessapartners.co.jp](mailto:info@sessapartners.co.jp)