

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2024 (FY03/2024) [Japanese GAAP]

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 Stock exchange listing: Tokyo
 Securities code: 3646 URL: <https://ekitan.co.jp/>
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 Scheduled date to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: N/A
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one mil. yen are rounded down)

1. Consolidated financial results of the first quarter of FY03/2024 (April 1, 2023 – June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		EBITDA*		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
1Q of FY03/2024	999	29.6	12	(82.9)	(42)	—	(41)	—	(41)	—
1Q of FY03/2023	770	(10.8)	71	(18.0)	28	(33.5)	30	(30.0)	24	19.7

(Note) Comprehensive profit 1Q of FY03/2024: (39) mil. yen [—%]
 1Q of FY03/2023: 24 mil. yen [19.7%]

* EBITDA = Operating profit + Depreciation + Amortization of goodwill

	Net profit (loss) per share	Diluted net profit (loss) per share
	yen	yen
1Q of FY03/2024	(8.51)	—
1Q of FY03/2023	4.42	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	mil. yen	mil. yen	%
1Q of FY03/2024	3,516	2,416	67.8
FY03/2023	3,152	2,487	78.9

(Reference) Shareholders equity 1Q of FY03/2024: 2,384 mil. yen
 FY03/2023: 2,487 mil. yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
FY03/2023	—	0.00	—	14.00	14.00
FY03/2024	—	—	—	—	—
FY03/2024 (forecasts)	—	0.00	—	14.00	14.00

(Note) Revisions to dividend forecasts published most recently: No

3. Consolidated performance forecasts for FY03/2024 (April 1, 2023 – March 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		EBITDA		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent		Net profit (loss) per share
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%	yen
2Q (cumulative)	2,166	41.7	93	(38.7)	(27)	—	(26)	—	(25)	—	(4.79)
Full term	4,612	43.9	316	6.7	65	(37.3)	70	(32.5)	38	(56.7)	7.38

(Note) Revisions to performance forecasts published most recently: No

***Notes**

- (1) Changes in significant subsidiaries during the current quarter consolidated cumulative period (changes in specified subsidiaries resulting in the change in scope of consolidation):

New: 1 (name) EKITAN I&I Co., Ltd. Excluded: None

(Note) For details, please see the appendix, page 6, "2. Quarterly Consolidated Financial Statements and Principal Notes, (3) Notes on Quarterly Consolidated Financial Statements".

- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: Yes

(Note) For details, please see the appendix, page 6, "2. Quarterly Consolidated Financial Statements and Principal Notes, (3) Notes on Quarterly Consolidated Financial Statements".

- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

- ① Changes in accounting policies due to revisions to accounting standards and other regulations: No
 ② Changes in accounting policies due to other reasons: No
 ③ Changes in accounting estimates: No
 ④ Restatement of prior period financial statements: No

- (4) Number of issued shares (common shares)

- ① Total number of issued shares at the end of the period (including treasury stock)

1Q of FY03/2024:	6,018,800 shares	FY03/2023:	6,018,800 shares
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- ② Number of treasury stock at the end of the period

1Q of FY03/2024:	1,171,316 shares	FY03/2023:	1,171,316 shares
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- ③ Average number of shares during the period (quarterly cumulative)

1Q of FY03/2024:	4,847,484 shares	1Q of FY03/2023:	5,509,684 shares
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- * Quarterly summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

- * Explanation regarding appropriate use of the earnings forecast and other special notes

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 3, "1. Qualitative Information regarding the Financial Results of the Current Quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

Supplementary materials on financial results will be posted on the Company's website on August 10, 2023 (Thu.).

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1. Qualitative Information regarding the Financial Results of the Current Quarter

(1) Descriptions regarding operating results

During the current first consolidated cumulative period, Japanese economy has seen progress in normalization of economic/social activities thanks to relaxation of behavioral restrictions for preventing wider spread of infections, such as transfer of the COVID-19 infection to category 5. However, economic trends are still in unpredictable situations due to, for example, risk of suppression of economic climate because of worldwide monetary tightening, steep rise of costs of raw materials and energy resources caused by the prolonged conflict between Russia and Ukraine, and price escalations against the backdrop of weaker yen.

In such situations, our services for paid subscribers such as Transfer Information, being the Group's business pillars, have continuously experienced lower revenues associated with the trend towards decreasing number of paid subscribers, affected by market environment including commoditization, so it is urgently necessary to create some business that would be our new business pillar and strengthen our portfolio. As a part of such measures, the Company acquired Proud Engine Inc. in November 2022 and established EKITAN I&I Co., Ltd. in April 2023 as its consolidated subsidiaries, resulting in substantial increase in Net sales.

At the same time, with respect to profit, impact of decrease in services for paid subscribers which have highly contributed to profit is considerable, and in addition, increased cost for renovation of "BTOOnline" (a service for arrangement of ticketless business trip) that was carried out during the previous consolidated FY, and temporarily incurred cost of establishment and share-acquisition of EKITAN I&I Co., Ltd. resulted in recording losses.

Consequently, consolidated financial results of the current first quarter consolidated cumulative period were as follows: Net sales: 999,351 thousand yen (increase by 29.6% YoY); EBITDA: 12,235 thousand yen (decrease by 82.9% YoY); Operating loss: 42,638 thousand yen (as opposed to Operating profit of 28,437 thousand yen in the previous FY); Ordinary loss: 41,957 thousand yen (as opposed to Ordinary profit of 30,002 thousand yen in the previous FY); and Net loss attributable to owners of parent : 41,237 thousand yen (as opposed to Net profit attributable to owners of parent of 24,370 thousand yen in the previous FY).

Operating results of individual business segments are as follows.

Please note that in conjunction with the establishment of EKITAN I&I Co., Ltd., from the current first quarter consolidated fiscal period, M&A/Incubation Business segment has been newly added.

① *Mobility Support Business*

This segment experienced downward trend because of continuously decreasing number of paid subscribers due to commoditization of Transfer Information service. Moreover, increased cost for renovation of "BTOOnline" (a service for arrangement of ticketless business trip) that was carried out during the previous consolidated FY, resulting in lower revenues/earnings.

These operations resulted in Net sales of 371,597 thousand yen (decrease by 6.7% YoY), EBITDA of 93,533 thousand yen (decrease by 23.6% YoY) and Segment profit of 80,860 thousand yen (decrease by 25.5% YoY).

② *Advertisement Platform Business*

Adding Proud Engine Inc. to this segment from the previous third quarter consolidated cumulative period contributed to higher revenues, and with respect to "Cirqua", an advertisement service operated by Cirqua, Inc., profitability status temporarily improved thanks to operations based on new criteria for posting advertisings in accordance with the PMD Act revised in August 2021, but increasingly severe environment around these services resulted in lower revenues. Concerning profit, in addition to allocating amortization of goodwill and others, investment in creation of contents, etc. for the vertical media "Ekitan PICKS" resulted in recording segment loss.

These operations resulted in Net sales of 363,884 thousand yen (decrease by 2.4% YoY), EBITDA of (14,011) thousand yen (which was 25,759 thousand yen in the previous FY) and Segment loss of 49,923 thousand yen (which was 2,441 thousand yen in the previous FY).

③ *M&A/Incubation Business*

Net sales was 264,308 thousand yen, EBITDA was 8,051 thousand yen, and Segment profit was 2,852 thousand yen. It should be noted that as this segment has been newly added after establishing EKITAN I&I Co., Ltd. on April 25, 2023, no comparable figures are available for the previous first quarter consolidated cumulative period; and therefore figures are shown only for the current first quarter consolidated cumulative period.

(2) Descriptions regarding financial position*(Assets)*

Current assets was 1,985,067 thousand yen at the end of the current first quarter consolidated fiscal period, i.e. increase by 116,492 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Accounts receivable - trade & contract assets by 65,595 thousand yen and increase in “Others” included in Current assets by 61,561 thousand yen. Non-current assets was 1,531,554 thousand yen, i.e. increase by 247,180 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Goodwill by 55,266 thousand yen and increase in “Others” included in Investments and other assets by 138,530 thousand yen. As a result, Total assets was 3,516,621 thousand yen, i.e. increase by 363,673 thousand yen as compared to the end of the previous consolidated FY.

(Liabilities)

Current liabilities was 616,438 thousand yen at the end of the current first quarter consolidated fiscal period, i.e. increase by 178,298 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Current portion of long-term loans payable by 46,576 thousand yen and increase in “Others” included in Current liabilities by 116,559 thousand yen. Non-current liabilities was 484,084 thousand yen, i.e. increase by 257,251 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Long-term loans payable by 210,204 thousand yen and increase in Liabilities on retirement benefits by 51,531 thousand yen. As a result, Total liabilities was 1,100,522 thousand yen, i.e. increase by 435,549 thousand yen as compared to the end of the previous consolidated FY.

(Net assets)

Total net assets was 2,416,099 thousand yen at the end of the current first quarter consolidated fiscal period, i.e. decrease by 71,875 thousand yen as compared to the end of the previous consolidated FY. This is due to decrease in Retained earnings by 108,793 thousand yen. As a result, Equity ratio decreased from the end of the previous consolidated FY by 11.1 points to 67.8%.

(3) Descriptions regarding future prospects such as consolidated performance forecasts

Consolidated performance forecasts for the 2Q (cumulative) and full-term of FY03/2024 have not been changed since the last announcement on May 10, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes**(1) Quarterly Consolidated Balance Sheets**

(thousand yen)

	Previous consolidated FY (March 31, 2023)	Current consolidated FY, 1Q (June 30, 2023)
Assets		
Current assets		
Cash and deposits	1,424,983	1,400,672
Accounts receivable - trade & contract assets	388,810	454,405
Merchandise	—	2,684
Work in process	12,866	24,543
Raw materials and supplies	1,760	1,619
Others	40,567	102,128
Allowance for doubtful accounts	(412)	(987)
Total current assets	1,868,574	1,985,067
Non-current assets		
Property, plant and equipment	60,984	66,745
Intangible assets		
Software	313,784	334,364
Customer-related assets	272,490	265,544
Goodwill	451,244	506,510
Others	102,392	102,631
Total intangible assets	1,139,911	1,209,051
Investments and other assets		
Long-term loans receivable	—	35,228
Others	83,476	222,007
Allowance for doubtful accounts	—	(1,478)
Total investment and other assets	83,476	255,757
Total non-current assets	1,284,373	1,531,554
Total assets	3,152,947	3,516,621
Liabilities		
Current liabilities		
Accounts payable - trade	247,390	225,797
Current portion of long-term loans payable	9,160	55,736
Income taxes payable	13,244	21,857
Provision for bonuses	13,792	42,035
Provision for directors' bonuses	—	1,368
Provision for loss on order received	9,100	7,633
Valuation allowance for purchase contracts	13,156	13,156
Others	132,294	248,854
Total current liabilities	438,139	616,438
Non-current liabilities		
Long-term loans payable	90,840	301,044
Asset retirement obligations	14,411	14,411
Liabilities on retirement benefits	—	51,531
Deferred tax liabilities	119,581	115,097
Others	2,000	2,000
Total non-current liabilities	226,833	484,084
Total liabilities	664,973	1,100,522
Net assets		
Shareholders' equity		
Capital stock	291,956	291,956
Capital surplus	293,531	296,792
Retained earnings	2,498,077	2,389,283
Treasury stock	(595,589)	(595,589)
Total shareholders' equity	2,487,974	2,382,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	1,949
Total accumulated other comprehensive income	—	1,949
Non-controlling interests	—	31,707
Total net assets	2,487,974	2,416,099
Total liabilities and net assets	3,152,947	3,516,621

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

(Quarterly Consolidated Statements of Income)

(For the first quarter consolidated cumulative period)

(thousand yen)

	Previous first quarter consolidated cumulative period (Apr. 1, 2022 – Jun. 30, 2022)	Current first quarter consolidated cumulative period (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	770,832	999,351
Cost of sales	535,545	725,714
Gross profit	235,287	273,636
SG&A expenses	206,849	316,275
Operating profit (loss)	28,437	(42,638)
Non-operating profit (loss)		
Interest income	3	927
Gain on forfeiture of unclaimed dividends	61	80
Subsidy income	1,500	—
Interest subsidy	311	310
Others	—	156
Total non-operating profit (loss)	1,876	1,475
Non-operating expenses		
Interest expenses	311	794
Total non-operating expenses	311	794
Ordinary profit (loss)	30,002	(41,957)
Extraordinary losses		
Loss on cancellation of lease contracts	—	1,320
Total extraordinary losses	—	1,320
Net profit (loss) before income taxes and minority interests	30,002	(43,277)
Income taxes	5,631	(1,530)
Net profit (loss)	24,370	(41,746)
Profit (loss) attributable to non-controlling shareholders	—	(509)
Profit (loss) attributable to owners of parent	24,370	(41,237)

(Quarterly Consolidated Statements of Income)

(For the first quarter consolidated cumulative period)

(thousand yen)

	Previous first quarter consolidated cumulative period (Apr. 1, 2022 – Jun. 30, 2022)	Current first quarter consolidated cumulative period (Apr. 1, 2023 – Jun. 30, 2023)
Net profit (loss)	24,370	(41,746)
Valuation difference on available-for-sale securities	—	2,166
Comprehensive income (loss)	24,370	(39,580)
(detail)		
Comprehensive income (loss) attributable to owners of parent	24,370	(39,287)
Comprehensive income attributable to non-controlling interests	—	(292)

(3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Important Subsidiaries during the Current Consolidated Cumulative Period)

During the first quarter consolidated fiscal period, EKITAN I&I Co., Ltd. was newly established and has been included in the scope of consolidation. EKITAN I&I Co., Ltd. is a specified subsidiary of the Company.

In addition, although not applicable to changes in particular subsidiaries, during the first consolidated fiscal period, EKITAN I&I Co., Ltd. acquired Growth and Communications Co., Ltd., Cybernet Co., Ltd., and Information Technology Japan Co., Ltd. as its subsidiaries, all of which have been included in the scope of consolidation.

(Application of Special Accounting Methods to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

Tax expenses are calculated by multiplying the net profit before income taxes by a reasonably evaluated effective tax rate on the net profit before income taxes for the consolidated fiscal year including the current first quarter consolidated fiscal period.

(Segment Information)

I Previous first quarter consolidated cumulative period (April 1, 2022 – June 30, 2022)

1. Information on net sales and profit/loss of each reportable segment

(thousand yen)

	Reportable segments			
	Mobility Support Business	Advertisement Platform Business	M&A/Incubation Business	Total
Net sales				
Sales to external customers	398,183	372,649	—	770,832
Inter-segment sales or transfer	—	—	—	—
Total	398,183	372,649	—	770,832
Segment profit (loss)	108,495	(2,441)	—	106,054
Depreciation	13,451	16,672	—	30,124
Amortization of goodwill	431	11,528	—	11,960
EBITDA (see Note)	122,379	25,759	—	148,138

Note: EBITDA = Segment profit (loss) + Depreciation + Amortization of goodwill

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

(thousand yen)

Profit	Amount
Reportable segments total	106,054
Corporate expenses (see Note)	(77,616)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	28,437

Note: Corporate expenses comprises of general and administrative expenses not attributable to reportable segments.

3. Information on impairment loss of non-current assets or goodwill, etc., for each reportable segment

Not applicable.

II Current first quarter consolidated cumulative period (April 1, 2023 – June 30, 2023)

1. Information on net sales and profit/loss of each reportable segment

(thousand yen)

	Reportable segments			
	Mobility Support Business	Advertisement Platform Business	M&A/Incubation Business	Total
Net sales				
Sales to external customers	371,158	363,884	264,308	999,351
Inter-segment sales or transfer	438	—	—	438
Total	371,597	363,884	264,308	999,790
Segment profit (loss)	80,860	(49,923)	2,852	33,790
Depreciation	12,673	22,216	1,582	36,472
Amortization of goodwill	—	13,695	3,616	17,311
EBITDA (see Note)	93,533	(14,011)	8,051	87,574

Note: EBITDA = Segment profit (loss) + Depreciation + Amortization of goodwill

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

(thousand yen)

Profit	Amount
Reportable segments total	33,790
Corporate expenses (see Note)	(76,428)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	(42,638)

Note: Corporate expenses comprises of general and administrative expenses not attributable to reportable segments.

3. Information on impairment loss of non-current assets or goodwill, etc., for each reportable segment

During the first consolidated fiscal period, EKITAN I&I Co., Ltd. was established, which thereafter acquired shares of Growth and Communications Co., Ltd., Cybernet Co., Ltd., and Information Technology Japan Co., Ltd., all of which have been included in the scope of consolidation.

Consequently, amount of assets of reportable segments of the Company during the current first quarter consolidated fiscal period increased by 829,254 thousand yen for the newly added “M&A/Incubation Business” as compared to the end of the previous consolidated FY.

4. Information on changes in reportable segments, etc.

From the current first quarter consolidated fiscal period, in association with establishment of EKITAN I&I Co., Ltd. which jointly manages “M&A/Incubation Business” of the Group, reportable segments have been categorized as “Mobility Support Business”, “Advertisement Platform Business” and “M&A/Incubation Business”, which were previously categorized as “Mobility Support Business” and “Advertisement Platform Business”.

It should be noted that segment information for the previous first quarter consolidated cumulative period is disclosed based on the categories of reportable segments after such change.

5. Information on impairment loss of non-current assets or goodwill, etc., for each reportable segment (Significant changes in amount of goodwill)

In the “M&A/Incubation Business” segment, during the first consolidated fiscal period, EKITAN I&I Co., Ltd. acquired shares of Growth and Communications Co., Ltd., Cybernet Co., Ltd., and Information Technology Japan Co., Ltd., all of which have been included in the scope of consolidation. Meanwhile, this event caused increase in the amount of goodwill by 68,961 thousand yen in the first quarter consolidated cumulative period.

(Significant Post-Balance Sheet Events)

(Disposal of treasury stock as stock compensation with transfer restrictions)

The Company, at its board meeting on July 21, 2023, decided to dispose its treasury stock as stock compensation with transfer restrictions.

1. Overview of disposal

(1) Date of disposal	August 15, 2023
(2) Type and number of shares to be disposed	Common stock of the Company: 4,800 shares
(3) Disposal amount	439 yen per share
(4) Total disposal amount	2,107,200 yen
(5) Allottees, number of them, and number of shares to be disposed	2 directors of the Company's consolidated subsidiaries: 4,800 shares

2. Purpose and reason for disposal

The Company, at its board meeting on May 20, 2022, decided to adopt a system of stock compensation with transfer restrictions (hereinafter referred to as "the System") with the purpose of encouraging the Company's directors (excluding external directors) (hereinafter referred to as "Eligible Directors") and the Group's officers (hereinafter collectively referred to as "Eligible Directors/Officers") to raise their awareness of contribution to the Company's sustained enhancement of its corporate value, and promoting value sharing among Eligible Directors/Officers and the Company's shareholders. On July 20, 2022, the Company provided Eligible Directors with monetary compensation receivable and common shares as monetary compensation which shall be contributed properties for purchasing stock with transfer restrictions.

This time, the Company decided to add two directors of its consolidated subsidiaries as Eligible Directors of this System. In addition, for the purpose of giving them the same preconditions as other Eligible Directors with whom the abovementioned privileges are already provided, term of transfer restriction is set as two years.

Concerning this disposal of treasury stock, the two Eligible Directors to be allotted shares are going to pay the entire monetary compensation receivables as their in-kind contributed properties, and then common shares of the Company will be allotted to them.