

# Supplementary Materials on Financial Results

## Second Quarter of FY03/2024



# From the Stations

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November 9, 2023

**EKITAN**&Co., Ltd.

TSE Growth: 3646



# Table of Contents

FY03/2024, 1-2Q

Section 1	Financial results overview: 1-2Q of FY03/2024 (company-wide)	P3
Section 2	Financial results overview: 1-2Q of FY03/2024 (by segment)	P9
Section 3	RMP framework	P15
Section 4	About performance forecasts of FY03/2024	P22
Section 5	Topics	P24



# From the Stations

駅から始めよう

## Section 1

Financial results overview  
1-2Q of FY03/2024  
(company-wide)



## Higher revenues / Lower earnings

Net sales

+26.9%

EBITDA

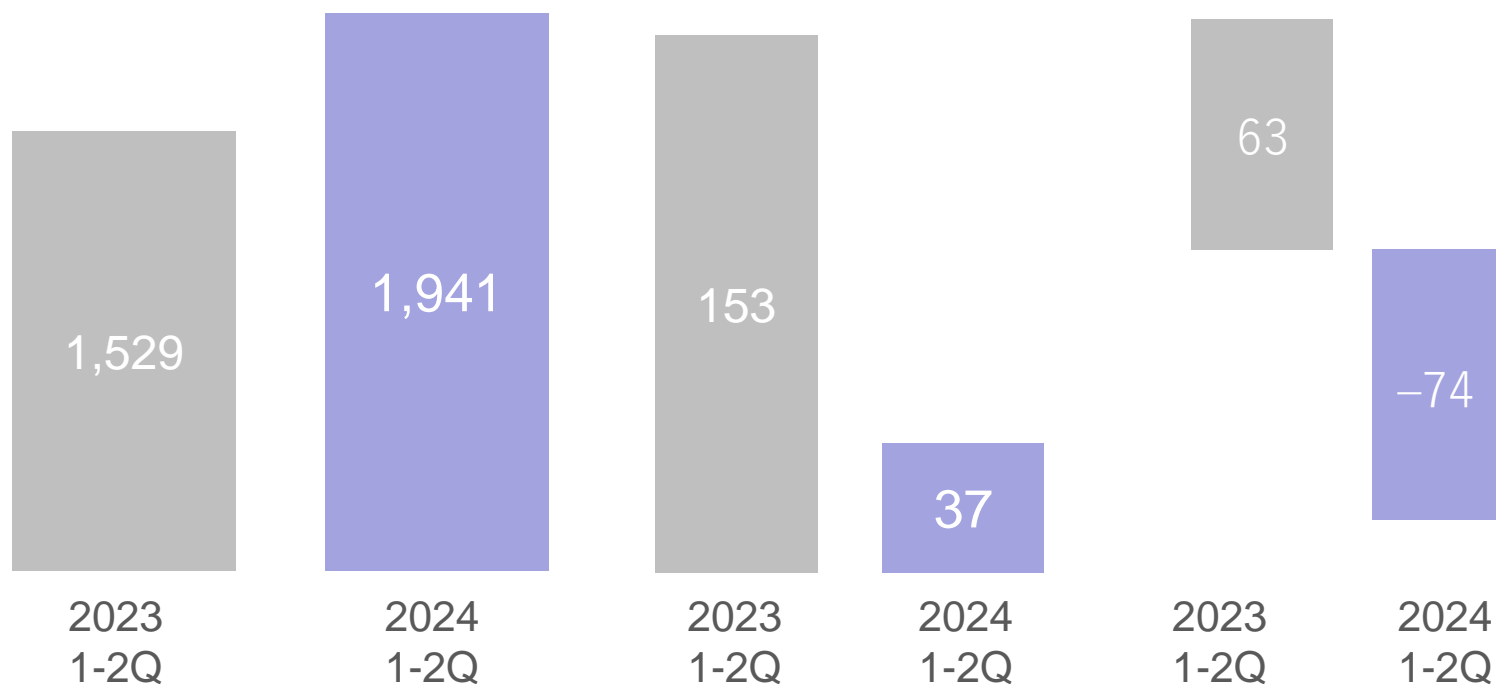
-75.7%

Operating profit

N/A

(+/- % YoY)

(mil. yen)





# Highlights

FY03/2024, 1-2Q

## Factors of Higher revenues / Lower earnings (YoY)

Net sales	1,941 mil. yen	+26.9%	411 mil. yen	FY2023	1,529 mil. yen
EBITDA	37 mil. yen	-75.7%	-115 mil. yen	FY2023	153 mil. yen
Operating profit	-74 mil. yen	N/A	-137 mil. yen	FY2023	63 mil. yen

### Factors of higher revenues

#### **M&A/Incubation Business: EKITAN I&I**

Became a consolidated subsidiary in Apt. 2023 and has contributed to higher revenues in the current FY

#### **Advertisement Platform Business: Proud Engine Inc.**

Became a fully-consolidated subsidiary in Nov., 2022 and has contributed to higher revenues in the current FY

### Factors of lower revenues

#### **Decrease in sales by Cirqua, Inc.**

Reduction in major commodities and major media

#### **Decreased sales of services for paid subscribers**

Continuously decreased paid subscribers affected by such as market environment including commoditization

### Factors of lower revenues

#### **Decrease in sales by Cirqua, Inc.**

#### **Increased cost for BTOOnline**

Increased cost for renovating "BTOOnline" (a service for arrangement of ticketless business trip)

#### **Decrease in services for paid subscribers**

#### **Temporarily incurred costs in relation to establishment and share acquisition of EKITAN I&I**

Expenses for due diligence, company registration and others



## About allocating extraordinary loss (impairment loss)

FY03/2024, 1-2Q

**Extraordinary loss (impairment loss) was allocated  
in the financial closing of the 2Q of FY03/2024**

**Amount of the impairment loss: 793 mil. yen**

< Reasons for impairment >

### **Cirqua, Inc.**

Since the amendment to the PMD Act in Japan, with respect to advertisement of complex commercial materials by Ad-network system of Cirqua, the market has tended to diminish such as reduction in commodities for advertising and in advertisement media, and consequently, business performance of Cirqua has stayed at lower levels than as initially expected.

### **Vertical media**

Because of tightened regulations on domain lending where evaluation of a search result could be lowered in case of inconsistent theme of a website, effects of advertisement on revenues were much lower than as initially planned.



# Consolidated Profit and Loss Statement

FY03/2024, 1-2Q

## Consolidated Profit and Loss Statement

(YoY)						
(mil. yen)	2023 1-2Q	ratio to sales	2024 1-2Q	ratio to sales	+/- %	+/- amount
Net sales	1,529	100.0%	1,941	100.0%	+26.9%	+441
Cost of sales	1,063	69.5%	1,400	72.2%	+31.7%	+337
Gross profit	466	30.5%	540	27.8%	+15.9%	+74
SG&A expenses	402	26.3%	614	31.7%	+52.6%	+211
Operating profit	63	4.2%	-74	-3.8%	N/A	-137
Ordinary profit	65	4.3%	-71	-3.7%	N/A	-136
Net profit attributable to owners of parent	48	3.2%	-794	-40.9%	N/A	-843
EBITDA	153	10.0%	37	1.9%	-75.6%	-115



# Consolidated Balance Sheet

FY03/2024, 1-2Q

## Consolidated Balance Sheet

								(YoY)
(mil. yen)	2023 1-2Q	2024 1-2Q	+/- amount	(mil. yen)	2023 1-2Q	2024 1-2Q	+/- amount	
Total current assets	2,260	1,994	-266	Total current liabilities	365	622	257	
Property, plant and equipment	73	70	-3	Total non-current liabilities	283	355	71	
Intangible assets	1,040	384	-655	Total liabilities	648	978	329	
Investments and other assets	87	197	109	Capital stock	291	291	N/A	
Total non-current assets	1,201	650	-550	Retained earnings	2,857	1,636	-1,221	
Total assets	3,461	2,644	-816	Treasury stock	-630	-598	-31	
				Total shareholders' equity	2,812	1,632	-1,180	
				Total net assets	2,812	1,666	-1,146	
				Total liabilities and net assets	3,461	2,644	-816	





# From the Stations

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## Section 2

Financial results overview  
1-2Q of FY03/2024  
(by segment)



## Proportions by segment

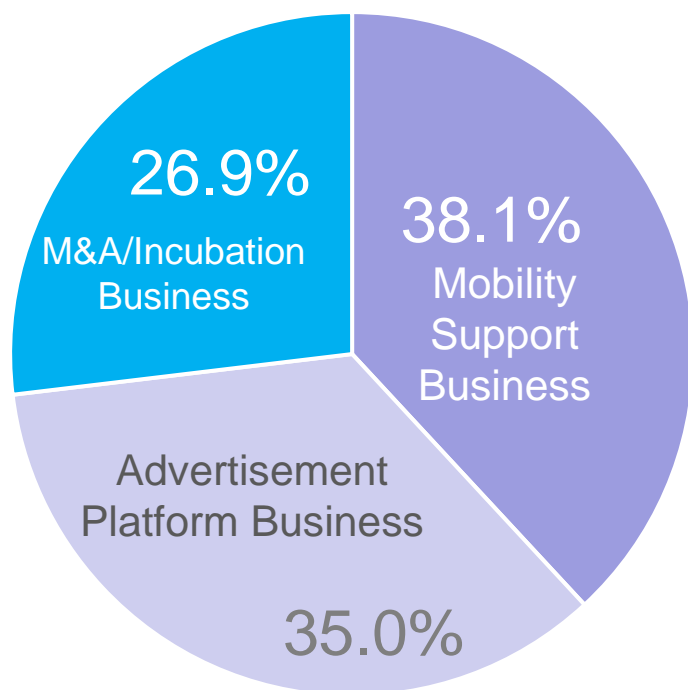
FY03/2024, 1-2Q

# Proportions of net sales are almost the same for the three segments

Negative EBITDA in Advertisement Platform Business is offset by Mobility Support Business and Mobility Support Business

### Net sales

(FY2024, 1-2Q)



### EBITDA

(FY2024, 1-2Q)

Mobility Support Business	184 mil. yen
Advertisement Platform Business	-24 mil. yen
M&A/Incubation Business	23 mil. yen
Total	184 mil. yen



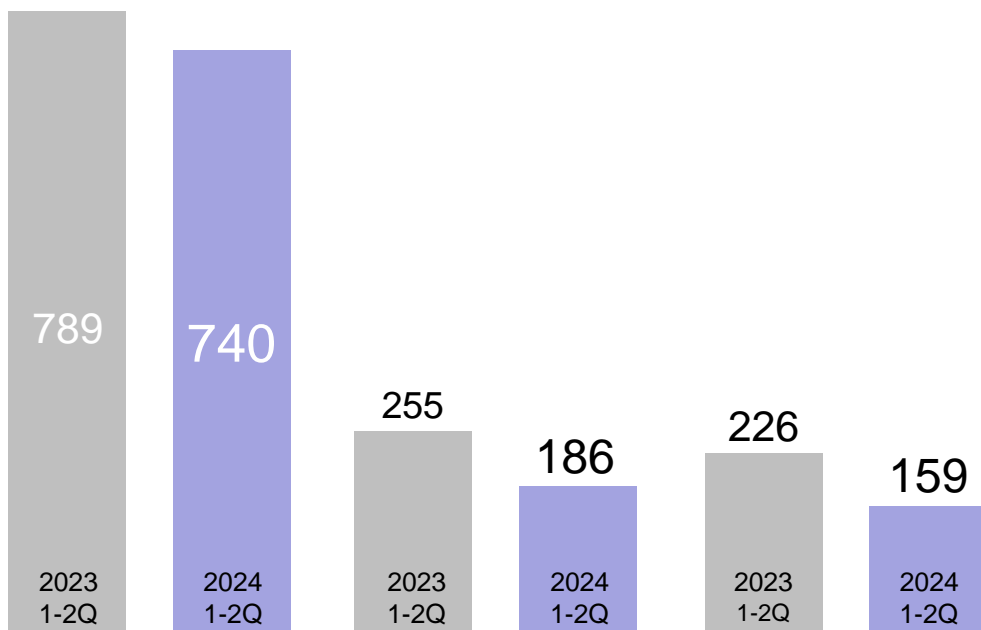
# Mobility Support Business

FY03/2024, 1-2Q

## Lower revenues / Lower earnings

			(YoY)		
Net sales	740 mil. yen	−6.2%	−48 mil. yen	FY2023	789 mil. yen
EBITDA	186 mil. yen	−26.8%	−68 mil. yen	FY2023	255 mil. yen
Segment profit	159 mil. yen	−29.6%	−67 mil. yen	FY2023	226 mil. yen

(mil. yen)



### Factor 1: Lower revenues / Lower earnings

This segment experienced downward trend because of continuously decreasing number of paid subscribers due to commoditization of Transfer Information service

### Factor 2: Lower earnings

Additional cost was incurred for renovation of “BTOOnline” (a service for arrangement of ticketless business trip) which had already carried out during the previous consolidated FY

Net sales

EBITDA

Segment profit



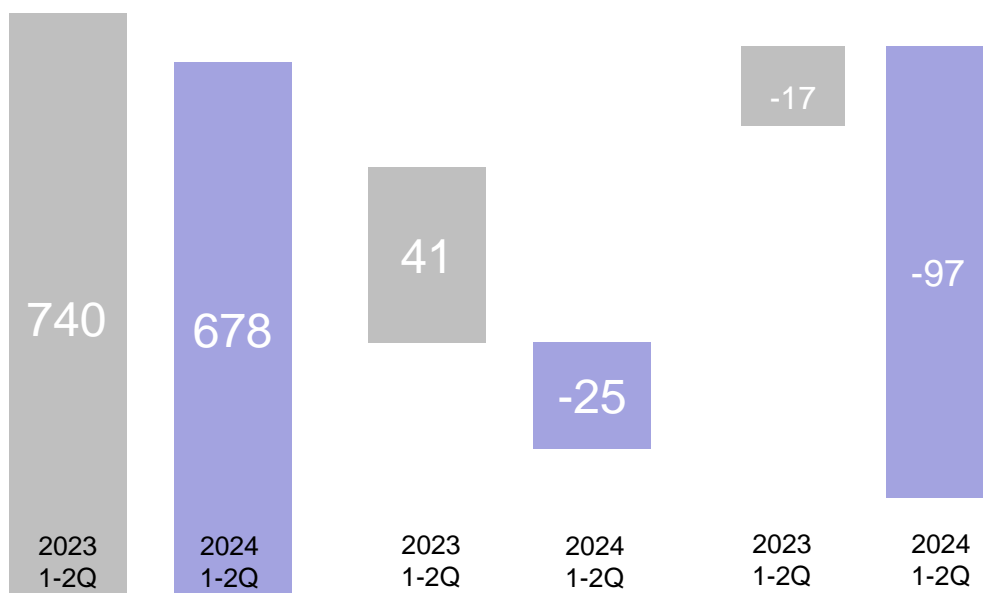
# Advertisement Platform Business

FY03/2024, 1-2Q

## Net sales, EBITDA, and Segment profit decreased

			(YoY)		
Net sales	678 mil. yen	−8.3%	−61 mil. yen	FY2023	740 mil. yen
EBITDA	−25 mil. yen	N/A	−67 mil. yen	FY2023	41 mil. yen
Segments loss	−97 mil. yen	N/A	−80 mil. yen	FY2023	−17 mil. yen

(mil. yen)



### Factor 1: Higher revenues / Higher earnings

#### **Proud Engine Inc.**

Since it was added to this segment in the 3Q consolidated cumulative fiscal period of FY03/2023, both revenues and earnings increased YoY.

### Factor 2: Lower revenues / Lower earnings

#### **Cirqua, Inc.**

Market contraction because of amendment to the PMD Act and worsened business environment for Cirqua (suspended advertisement in major media)

Net sales

EBITDA

Segments loss



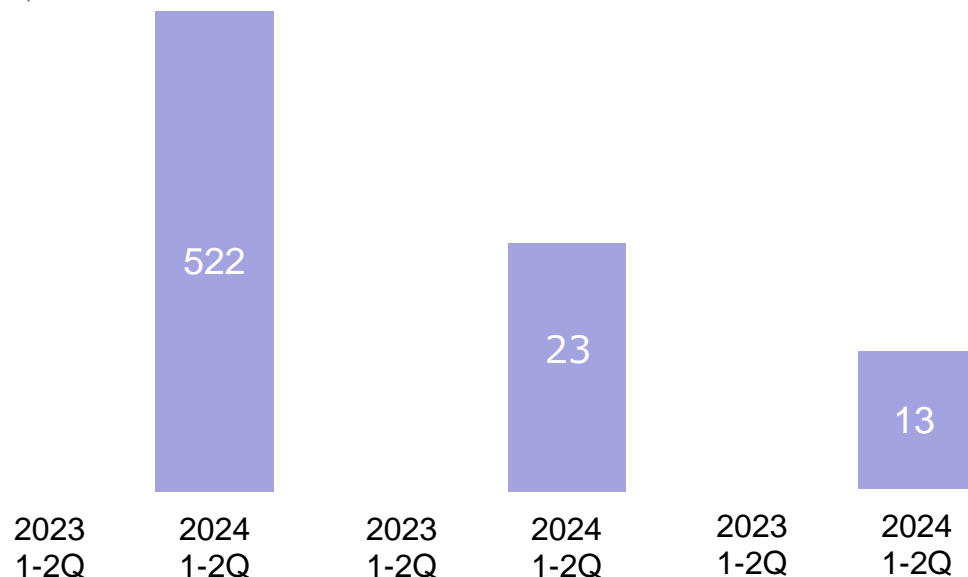
# M&A/Incubation Business

FY03/2024, 1-2Q

## New segment

				* YoY not applicable		
Net sales	522 mil. yen	N/A	N/A	FY2023	N/A	
EBITDA	23 mil. yen	N/A	N/A	FY2023	N/A	
Segment profit	13 mil. yen	N/A	N/A	FY2023	N/A	

(mil. yen)



### Background

This segment was newly added due to establishment of EKITAN&Co., Ltd. on April 25, 2023

\* No data is available on the previous FY for comparison, figures are given only for the current 2Q

Net sales

EBITDA

Segment profit



# Current progress in primary measures (FY03/2024, 1-2Q)

## Framework

### Progress of RMP (Regional Marketing Platform) framework

Strategies	Measures	Progress
RMP strategies*	<b>【Media business】</b> <ul style="list-style-type: none"><li>Facilitating the <b>RMP framework</b><ul style="list-style-type: none"><li>Enhancement of media (Ekitan PICKS, Ekitan LOCAL, and Ekitan Odekake-Lab)</li><li>Increase in <b>inflows via search engines with keywords “region XX”</b> due to obtaining more inbound links and adding regional contents</li><li>More revenues from <b>Ad-net/affiliate advertising</b> (By becoming a regionally powerful site attracting more users, visitors to the media should be increased)</li></ul></li></ul>	<ul style="list-style-type: none"><li>Region-based contents will be added (e.g. real-estate, hotel, tourist spot)</li><li>Improved link functions of EKITAN.com</li><li>Strengthened cooperation with regional media (partnering with <b>three</b> companies is under consideration)</li><li>Linkage and promotion with other media started in order to stop decrease in paid subscribers (courtesy discount services) started (Aug. 2023)</li></ul>
	<b>【Advertisement business】</b> <ul style="list-style-type: none"><li>Sales expansion by advertisement media</li><li>Expansion of Proud Engine and <b>Cirqua</b> (matching of advertisers and media) (Applying both companies' own technologies relating to advertisement and other elements to the <b>RMP framework</b> will lead to revenue expansion)</li></ul>	<ul style="list-style-type: none"><li>Expansion of commercial materials handled by Cirqua</li><li>Utilization of Cirqua's Ad-network to build up region-based advertisement systems →Introduction is under consideration with <b>one</b> media company</li></ul>
	<b>【Solutions business】</b> <ul style="list-style-type: none"><li>Development of solutions services in line with the <b>RMP framework</b> For municipalities and railway companies<ul style="list-style-type: none"><li>(services related to transfer information for corporations)</li></ul></li><li>Providing services which <b>contribute to regional revitalization</b><ul style="list-style-type: none"><li>Promotion services for municipalities and railway companies</li><li>MaaS package</li><li>Development of new solutions services</li></ul></li></ul>	<ul style="list-style-type: none"><li>Promotion of joint development with companies having tools to operate LINE official accounts →To be released in Dec. 2023</li><li>Development of promotion services for municipalities and railway companies → Test marketing with municipalities is under consideration</li></ul>
M&A/alliance strategy	<ul style="list-style-type: none"><li>Faster promotion of M&amp;A/Incubation Business</li></ul>	<ul style="list-style-type: none"><li>M&amp;A and alliance are proactively considered/promoted in order for realizing RMP framework</li></ul>



# From the Stations

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## Section 3

### RMP framework

RMP: Regional Marketing Platform



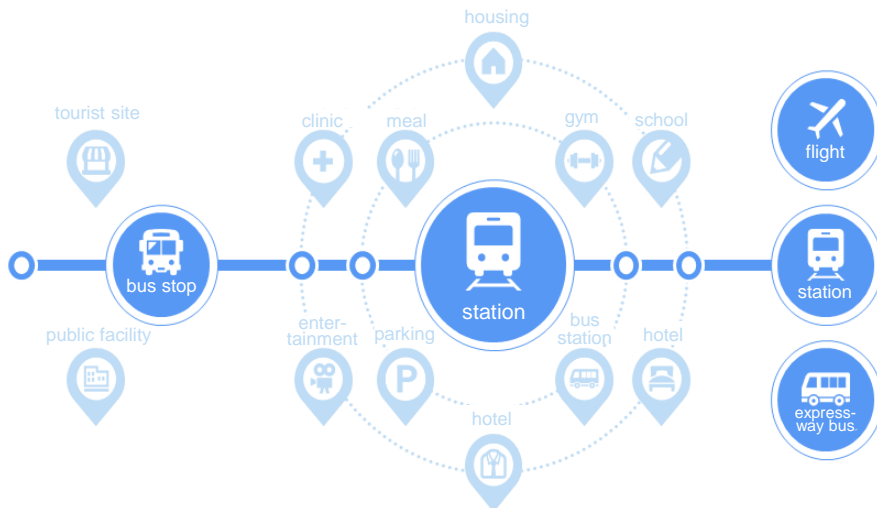
## RMP\* framework

### Realizing RMP framework that connects users with services on regional basis

RMP: Regional Marketing Platform

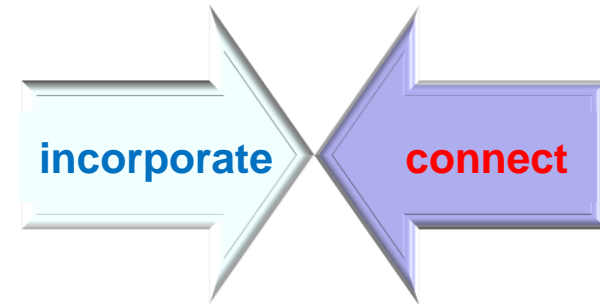
#### ~ From the Stations ~

By utilizing Ekitan Group's business assets, and based on "stations" where many people gather, business entities (services) and local people (users) are connected



#### Aspired orientation

By utilizing transfer information technologies and advertisement technologies, business entities and users are "connected"



#### Incorporating information on users and business entities

This is analyzed/organized around a "station" by utilizing EKITAN Group's business assets

#### Connecting business entities and users

Users are provided with beneficial information and their explorations around the station are supported  
New ways of monetization are realized  
<Revenues from various media, enhanced services for corporations, etc.>

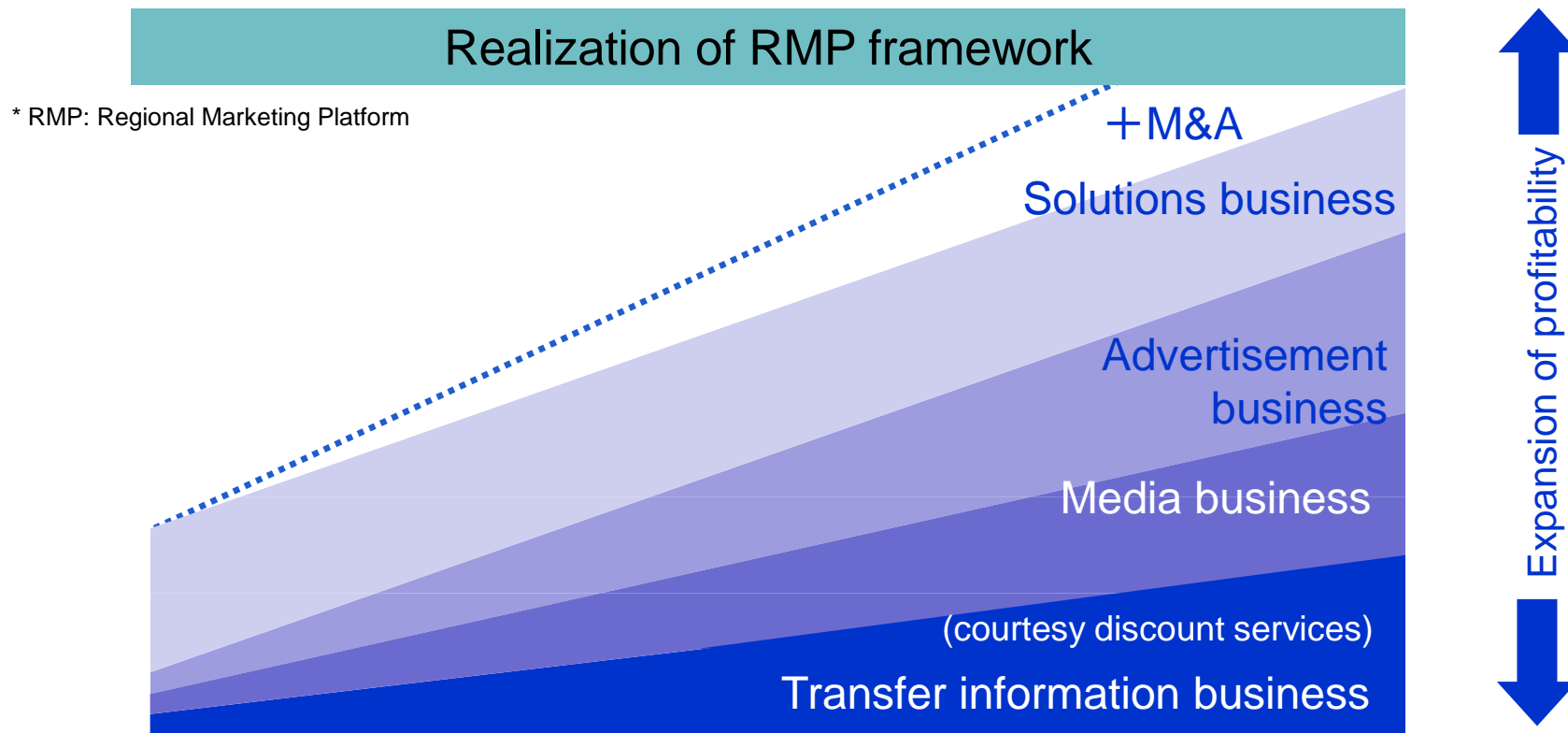




# Image of business growth

FY03/2024, 1-2Q

Four businesses (Transfer information business, Media business, Advertisement business, Solutions business) plus M&A will be reinforced, aiming at revenue expansion



By increasing **contents, inbound links, clients, and partner websites**,  
**business models of value accumulation** are built up to expand revenue



# Strategies (summary)

FY03/2024, 1-2Q

In order for realizing RMP framework,  
businesses are promoted with three strategies as their pillars

\* RMP: Regional Marketing Platform

## (Strategy 1) **To reinforce EKITAN.com (Media business)**

- By changing configuration of Ekitan media which were independent each other and by increasing inbound links, search results with regional keywords would be presented at higher positions than before, leading to increase in UU and PV
- By adding OTA\* and other players, PV unit price would increase, leading to revenue expansion

\* OTA (Online Travel Agent): Travel agents which carry out their businesses only online

## (Strategy 2) **RMP extension (Media business and Advertisement business)**

- Information networking: Bidirectional delivery of information (partner regional media and EKITAN.com)
- Link networking: Formation of mutual links (partner regional media and EKITAN.com)
- Ad networking: Recommendation widgets provided by Cirqua's Ad-network will be posted on partnering regional media, leading to sharing revenues

## (Strategy 3) **PR engines & options (Solutions business)**

- EKITAN.com and RMP extension will be utilized to the maximum, and services will be rolled out to improve awareness of municipalities and business entities which carry out regional marketing and to draw their attention



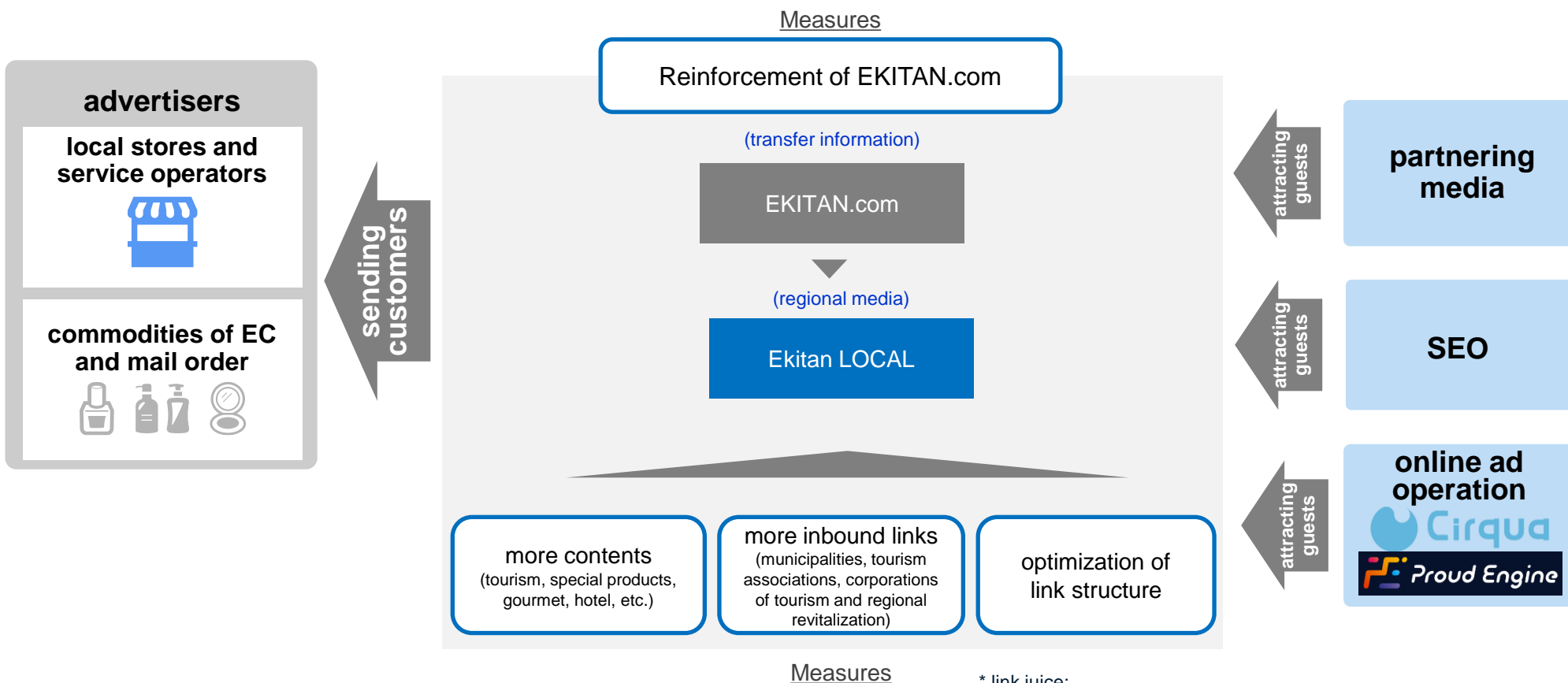
# Strategy 1: To transform EKITAN.com to RMP (Media business)

FY03/2024, 1-2Q

By **optimizing link structure** of Ekitan media and by increasing **regional information**, **contents** and **inbound links**, inflow from search results with regional keywords (which would be presented at higher positions) will be increased, leading to expansion of revenues from advertising

## Revenue model

$$\begin{array}{|c|} \hline \text{UU} \\ \hline \text{(unique user)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Page Per} \\ \hline \text{Session} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{PV unit price} \\ \hline \end{array}$$



\* link juice:

Evaluation that is passed from a particular page to another by placing a link from the former to the latter

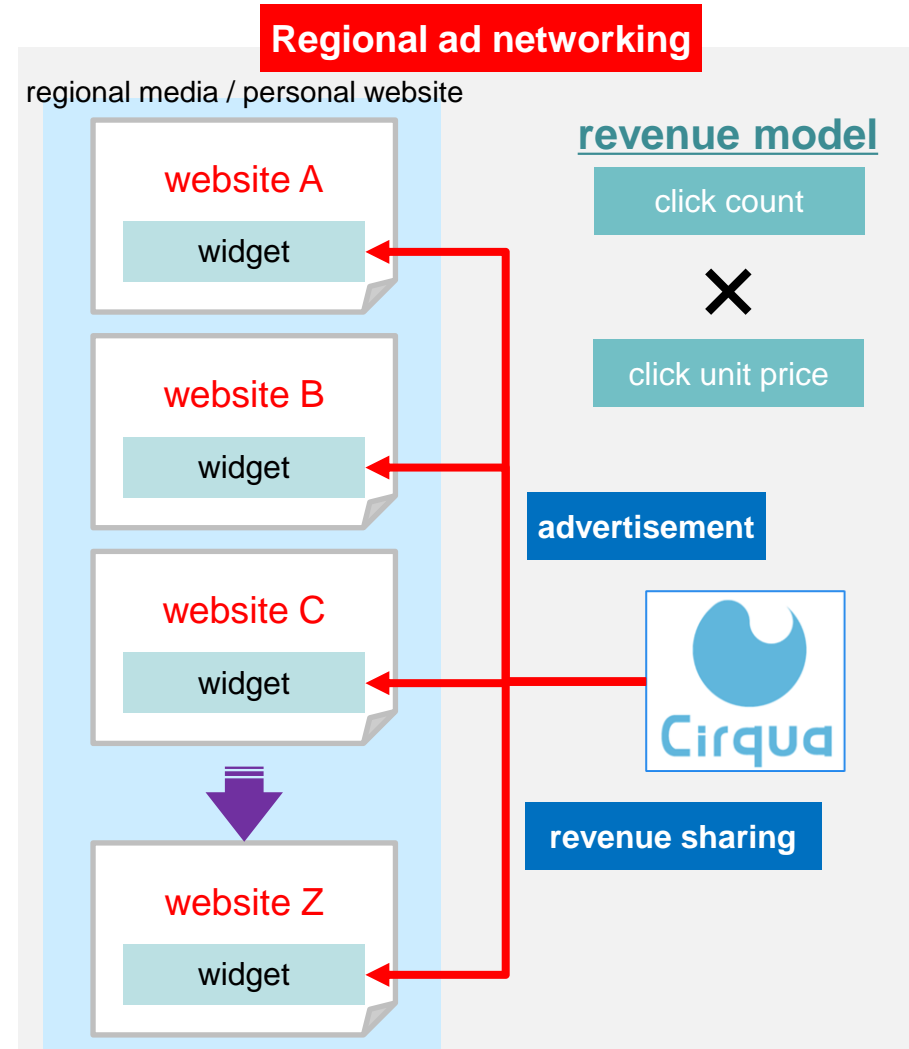


## Strategy 2: RMP extension (Media business and Advertisement business)

FY03/2024, 1-2Q

\* RMP: Regional Marketing Platform

Not only partnering with regional media and others to **reinforce contents and links of EKITAN.com**, but also placing **recommendation widgets of Cirqua's Ad-network**, will lead to revenue expansion



**information networking**

bidirectional  
delivery of  
information

**link networking**

mutual link

Relevant website	Examples of specific contents
Regional media	relocation, workcation, souvenir, life style, recruitment, tourism, hometown tax donation, various events (nationwide or regionally specialized)
Individuals/NPO	tourer
	tourism creator for local revitalization
	tourism NPO for local revitalization



## Strategy 3: PR engines & options (Solutions business)

FY03/2024, 1-2Q

EKITAN.com and RMP extension will be utilized to the maximum, and services will be rolled out to **improve awareness** of municipalities and business entities which carry out regional marketing and to **draw their attention**

revenue model

monthly fee



number of contracts





# From the Stations

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## Section 4

About performance  
forecasts of FY03/2024



## About performance forecasts of FY03/2024

Considering movement of our business performance up to the current second quarter cumulative period, and because business environment surrounding the Group tends to change drastically, it is difficult to calculate highly reliable figures of the Group's performance forecasts, so we have decided not to disclose those forecasts. However, upon considering our progress from now on, such forecasts will be disclosed promptly when it becomes possible to figure out.



# From the Stations

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## Section 5

Topics

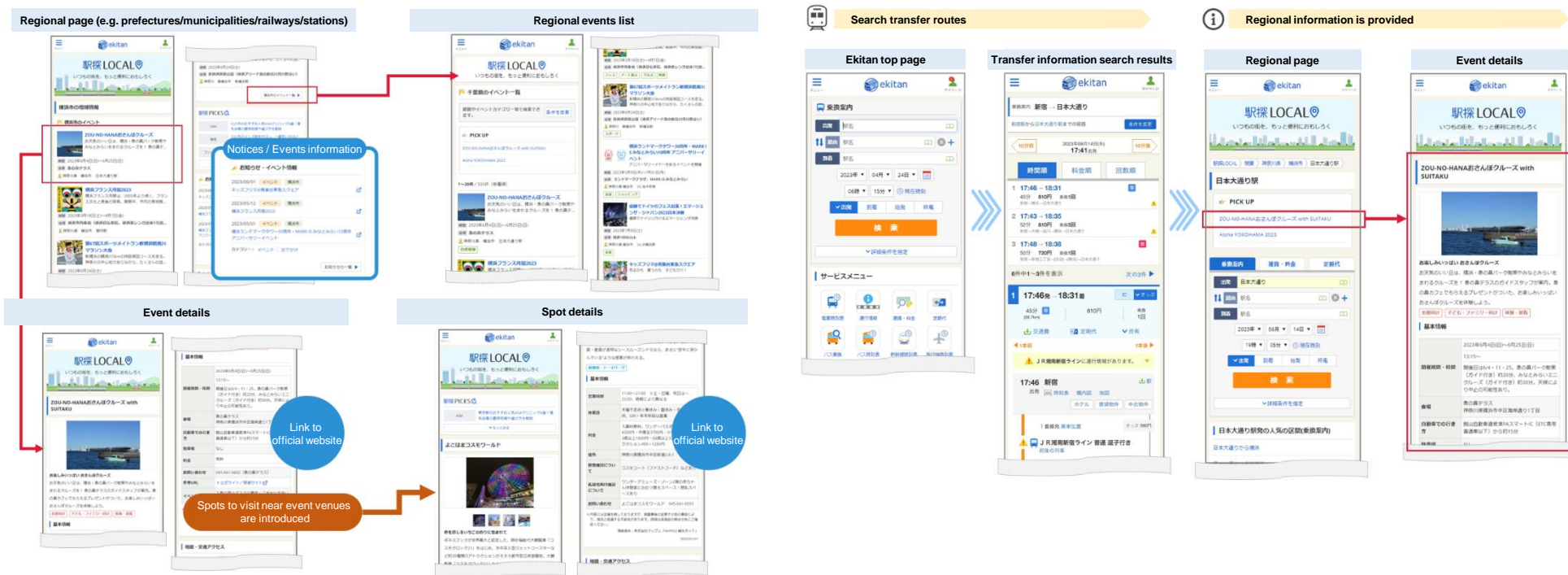




## Media business

June 22, 2023 Ability of “Ekitan LOCAL” to deliver information and its contents were strengthened

Reinforcing services of “Ekitan LOCAL”, a web medium that disseminates regional attractiveness, is promoted  
Places for **municipalities**, **tourism associations** and **transport operators**  
to deliver regional information are provided, to which events/spots information are added



Events/tourism information; notices on relocation and workcation; announcements for local residents and tourists are provided to nationwide Ekitan users who use Transfer Information and time table services (monthly UUs are 10 mil.)



## Solutions business

August 1, 2023 Adopted as a “Co-creation Model Operational Demonstration Project (2023)” sponsored by MLIT

“Esashi MaaS” which is revenue circularity model aiming at maintaining and revitalizing regional public transportation  
We have participated in the final demonstration experiment so that it would become our actual business in 2024

**■ This system increases demands for travel/purchase, and tries a revenue cycle model in which income of the business entity is returned for service operation**

**■ This is an attempt to increase convenience for residents such as introduction of cashless payment with Esashi EZOCA card**

### ■ Key functions

1. On-demand car reservation (phone/call-center, LINE app) and movement
2. Information about stores/shopping-mall
3. Distribution of shopping coupons
4. Information about municipal events
5. Borrow/return books from/to library

### ■ Operating period

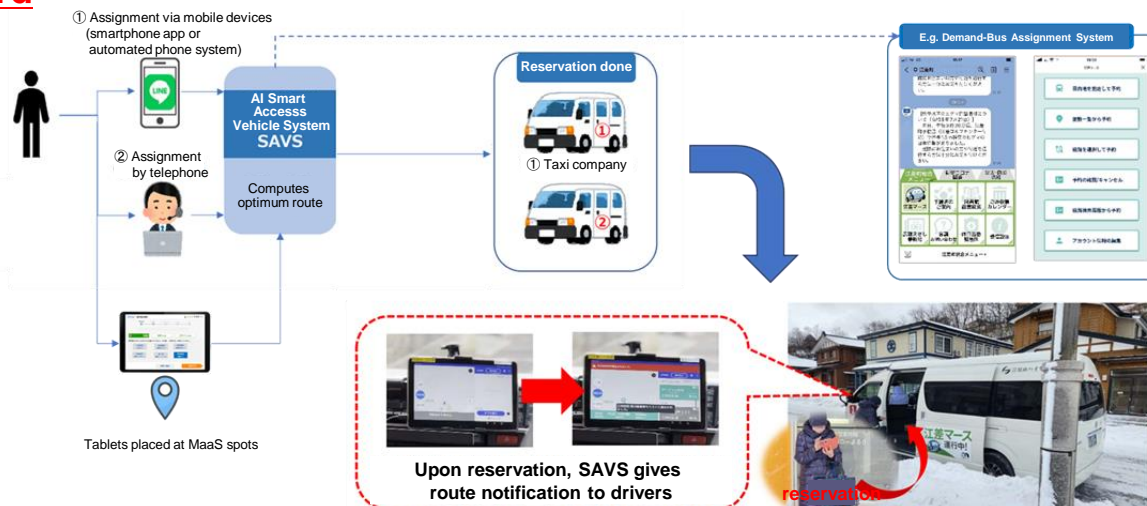
Nov. 2023 - Feb. 2024

### ■ Covered area

Esashi Town (almost all)

### ■ Eligible user

Residents of Esashi Town (operating area) and visitors from Okushiri Town to Esashi Town



### **Ekitan's roles are:**

- To develop systems/UI utilizing its Transfer Information technologies
- To provide reservation systems based on automated voice functions
- To open and design its LINE official account
- To establish information linkage with existing public transport operators and to obtain mobility-related data

## ~ From the Stations ~



### 【Contact for IR】

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URL <https://ekitan.co.jp/>

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