

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

Company name: EKITAN & Co., Ltd.
 Stock exchange listing: Tokyo
 Securities code: 3646 URL: <https://ekitan.co.jp/>
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 Scheduled date to file Quarterly Securities Report: February 8, 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 third quarter of FY03/2024 (April 1, 2023 – December 31, 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	%
3Q of FY03/2024	3,044	28.3	119	(40.1)	(15)	—	(11)	—	(743)	—
3Q of FY03/2023	2,373	11.9	200	(5.2)	60	(19.7)	58	(23.2)	51	48.2

(Note) Comprehensive profit 3Q of FY03/2024: (740) mil. yen [—%]
 3Q of FY03/2023: 51 mil. yen [48.2%]

* EBITDA = Operating profit + Depreciation + Amortization of goodwill

	Net profit (loss) per share	Diluted net profit (loss) per share
	yen	yen
3Q of FY03/2024	(153.55)	—
3Q of FY03/2023	9.55	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	mil. yen	mil. yen	%
3Q of FY03/2024	2,677	1,689	63.1
FY03/2023	3,152	2,487	78.9

(Reference) Shareholders equity 3Q of FY03/2024: 1,689 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	—	0.00	—	—	—
FY03/2024 (forecasts)	—	—	—	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)

The Company decided not to disclose its quarterly consolidated performance forecasts for FY03/2024. For details, 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".

***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): No
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: Yes
(Note) For details, please see the appendix, page 7, "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)

3Q 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

3Q of FY03/2024:	1,176,541 shares	FY03/2023:	1,171,316 shares
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- ③ Average number of shares during the period (quarterly cumulative)

3Q of FY03/2024:	4,843,856 shares	3Q of FY03/2023:	5,411,043 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 was posted on the Company's website on February 8, 2024 (Thu.).

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

(1) Descriptions regarding operating results

During the current third quarter 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, surrounded by unstable international circumstances, economic trends are still in unpredictable situations due to, for example, prices of raw materials and energy resources remaining at high levels, and price escalation against the backdrop of weaker yen.

In such situations, during the current third quarter consolidated fiscal period, Cirqua Inc. reconsidered its business structure and carried out cost reduction by shrinking expenses, as well as having commercial materials of new genres contribute to revenues, could consequently restore profitability as a standalone entity. And in addition, renovation work of "BTOOnline" (a service for arrangement of ticketless business trip) finally came to an end, depreciation could be shrunk by virtue of booking of impairment loss of intangible assets such as goodwill, and as a result, operating profit and ordinary profit of the entire Group during the period were 58,964 thousand yen and 59,747 thousand yen respectively, both of which substantially improved.

During the current third quarter cumulative period, 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 of the Company, impacts of decrease in sales of services for paid subscribers which have highly contributed to profit is considerable, and of decrease in revenues due to reduction in Cirqua Inc.'s principal advertising materials and distribution media were significant, 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 lower earnings.

Concerning Net profit attributable to owners of parent, the Company had estimated future cash-flows of Cirqua Inc. and a new business of "Ekitan PICKS" in the second quarter consolidated fiscal period, then determined that it would be difficult to recover intangible assets such as goodwill, and consequently recorded impairment loss of 793,498 thousand yen as extraordinary loss, which resulted in recording substantial negative figure.

Consequently, financial results of the current third quarter consolidated cumulative period were as follows: Net sales: 3,044,472 thousand yen (increase by 28.3% YoY); EBITDA: 119,968 thousand yen (decrease by 40.1% YoY); Operating loss: 15,152 thousand yen (as opposed to Operating profit of 60,094 thousand yen in the previous FY); Ordinary loss: 11,829 thousand yen (as opposed to Ordinary profit of 58,903 thousand yen in the previous FY); and Net loss attributable to owners of parent: 743,768 thousand yen (as opposed to Net profit attributable to owners of parent of 51,655 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 preceding first quarter consolidated fiscal period, M&A/Incubation Business segment has been newly added.

① *Mobility Support Business*

For the current third quarter consolidated fiscal period, profit of this segment decreased YoY because of continuously decreasing number of paid subscribers due to commoditization of Transfer Information services.

During the current third quarter cumulative period, in addition to the abovementioned continuously decreasing number of paid subscribers, extra cost was incurred for renovation work 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 1,101,208 thousand yen (decrease by 7.0% YoY), EBITDA of 274,707 thousand yen (decrease by 24.4% YoY) and Segment profit of 233,726 thousand yen (decrease by 27.0% YoY).

② *Advertisement Platform Business*

For the current third quarter consolidated fiscal period, Cirqua Inc. reconsidered its business structure and carried out cost reduction by shrinking expenses, as well as having commercial materials of new genres contribute to revenues, could consequently restore profitability as a standalone entity, thus profit of this segment substantially improved.

While Proud Engine Inc. has been added to this segment since the previous third quarter consolidated fiscal period, as for the current third quarter consolidated cumulative period, although Cirqua Inc. has shown movement towards improvement, impacts of amendment to the PMD Act and more severe environment for Cirqua were still significant, resulting in lower revenues. In term of profit, as mentioned above, despite cost reduction by Cirqua and contribution to revenues from new commercial materials of new genres, such efforts were not enough to cover write-off cost for such as goodwill incurred during the second quarter consolidated cumulative period, which resulted in recording segment loss.

These operations resulted in Net sales of 1,152,045 thousand yen (decrease by 3.2% YoY), EBITDA of 15,452 thousand yen (decrease by 71.3% YoY), and Segment loss of 59,569 thousand yen (which was 39,392 thousand yen in the previous FY).

③ *M&A/Incubation Business*

Profit of this segment increased YoY during the third quarter consolidated fiscal period, due to such as delivery for large-scale projects by package sales, and cost reduction.

For the current third quarter consolidated cumulative period, Net sales was 793,801 thousand yen, EBITDA was 49,117 thousand yen, and Segment profit was 33,346 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 third quarter consolidated cumulative period; and therefore figures are shown only for the current third quarter consolidated cumulative period.

(2) Descriptions regarding financial position

(Assets)

Current assets at the end of the current third quarter consolidated fiscal period was 2,009,846 thousand yen, i.e. increase by 141,271 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in “Others” included under Current assets by 96,009 thousand yen, in Notes, accounts receivable - trade & contract assets (which was denoted as Accounts receivable - trade & contract assets as of the end of the previous consolidated FY) by 88,265 thousand yen, and decrease in Cash and deposits by 46,836 thousand yen. Non-current assets was 667,725 thousand yen, i.e. decrease by 616,648 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to decrease in Goodwill by 313,796 thousand yen and in Customer-related assets by 244,977 thousand yen. As a result, Total assets was 2,677,571 thousand yen, i.e. decrease by 475,376 thousand yen as compared to the end of the previous consolidated FY.

(Liabilities)

Current liabilities at the end of the current third quarter consolidated fiscal period was 641,734 thousand yen, i.e. increase by 203,594 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in “Others” included under Current liabilities by 116,212 thousand yen and in Current portion of long-term loans payable by 60,348 thousand yen. Non-current liabilities was 346,666 thousand yen, i.e. increase by 119,832 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Long-term loans payable by 175,774 thousand yen. As a result, Total liabilities was 988,400 thousand yen, i.e. increase by 323,427 thousand yen as compared to the end of the previous consolidated FY.

(Net assets)

Total net assets at the end of the current third quarter consolidated fiscal period was 1,689,170 thousand yen, i.e. decrease by 798,803 thousand yen as compared to the end of the previous consolidated FY. This is due to decrease in Retained earnings by 811,633 thousand yen. As a result, Equity ratio decreased from the end of the previous consolidated FY by 15.8 points to 63.1%.

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

Considering movement of our business performance up to the current third quarter cumulative period, and because business environment surrounding the Group tends to change drastically, it is still difficult to calculate highly reliable figures of the Group's performance forecasts, so we have decided not to disclose those forecasts.

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

	(thousand yen)	
	Previous consolidated FY (March 31, 2023)	Current third quarter consolidated fiscal period (December 31, 2023)
Assets		
Current assets		
Cash and deposits	1,424,983	1,378,146
Notes, accounts receivable - trade & contract assets	388,810	477,076
Merchandise	—	557
Work in process	12,866	17,187
Raw materials and supplies	1,760	1,321
Others	40,567	136,577
Allowance for doubtful accounts	(412)	(1,020)
Total current assets	1,868,574	2,009,846
Non-current assets		
Property, plant and equipment	60,984	77,850
Intangible assets		
Software	313,784	117,339
Customer-related assets	272,490	27,512
Goodwill	451,244	137,448
Others	102,392	106,115
Total intangible assets	1,139,911	388,415
Investments and other assets		
Others	83,476	202,906
Allowance for doubtful accounts	—	(1,448)
Total investment and other assets	83,476	201,458
Total non-current assets	1,284,373	667,725
Total assets	3,152,947	2,677,571

(thousand yen)

	Previous consolidated FY (March 31, 2023)	Current third quarter consolidated fiscal period (December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	247,390	276,902
Current portion of long-term loans payable	9,160	69,508
Income taxes payable	13,244	8,626
Provision for bonuses	13,792	14,707
Provision for directors' bonuses	—	504
Provision for loss on order received	9,100	9,822
Valuation allowance for purchase contracts	13,156	13,156
Others	132,294	248,507
Total current liabilities	438,139	641,734
Non-current liabilities		
Long-term loans payable	90,840	266,614
Asset retirement obligations	14,411	14,411
Liabilities on retirement benefits	—	51,499
Deferred tax liabilities	119,581	12,140
Others	2,000	2,000
Total non-current liabilities	226,833	346,666
Total liabilities	664,973	988,400
Net assets		
Shareholders' equity		
Capital stock	291,956	291,956
Capital surplus	293,531	306,633
Retained earnings	2,498,077	1,686,443
Treasury stock	(595,589)	(598,290)
Total shareholders' equity	2,487,974	1,686,741
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	2,429
Total accumulated other comprehensive income	—	2,429
Total net assets	2,487,974	1,689,170
Total liabilities and net assets	3,152,947	2,677,571

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

(Quarterly Consolidated Statements of Income)

(For the third quarter consolidated cumulative period)

(thousand yen)

	Previous third quarter consolidated cumulative period (Apr. 1, 2022 – Dec. 31, 2022)	Current third quarter consolidated cumulative period (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	2,373,228	3,044,472
Cost of sales	1,674,386	2,180,730
Gross profit	698,841	863,741
SG&A expenses	638,746	878,894
Operating profit (loss)	60,094	(15,152)
Non-operating profit (loss)		
Interest income	18	2,403
Dividend income	—	705
Gain on forfeiture of unclaimed dividends	157	80
Subsidy income	1,500	—
Surrender value of insurance	—	963
Interest subsidy	941	939
Others	111	384
Total non-operating profit (loss)	2,729	5,476
Non-operating expenses		
Interest expenses	941	2,098
Purchase of treasury stock	2,978	—
Others	—	54
Total non-operating expenses	3,920	2,153
Ordinary profit (loss)	58,903	(11,829)
Extraordinary profit		
Gain on forgiveness of debts	18,531	—
Total extraordinary profit	18,531	—
Extraordinary losses		
Loss on retirement of non-current assets	—	648
Loss on cancellation of lease contracts	—	1,320
Impairment loss	—	*793,498
Loss on valuation of investment securities	—	9,284
Total extraordinary losses	—	804,751
Net profit (loss) before income taxes and minority interests	77,435	(816,580)
Income taxes	25,779	(73,895)
Net profit (loss)	51,655	(742,685)
Profit (loss) attributable to non-controlling shareholders	—	1,083
Profit (loss) attributable to owners of parent	51,655	(743,768)

(Quarterly Consolidated Statements of Income)

(For the third quarter consolidated cumulative period)

(thousand yen)

	Previous third quarter consolidated cumulative period (Apr. 1, 2022 – Dec. 31, 2022)	Current third quarter consolidated cumulative period (Apr. 1, 2023 – Dec. 31, 2023)
Net profit (loss)	51,655	(742,685)
Valuation difference on available-for-sale securities	—	2,569
Comprehensive income (loss)	51,655	(740,115)
(detail)		
Comprehensive income (loss) attributable to owners of parent	51,655	(741,339)
Comprehensive income attributable to non-controlling interests	—	1,224

(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 third quarter consolidated fiscal period.

(Notes on Quarterly Consolidated Statements of Income)

* Impairment loss

For the current third quarter consolidated cumulative period (Apr. 1, 2023 – Dec. 31, 2023)

Considering the change in external environment around Cirqua, Inc. which is our consolidated subsidiary, and that one of our new businesses called "Ekitan PICKS" has experienced significant delays in its initial plan, relevant intangible assets like goodwill are recorded as impairment loss (extraordinary loss).

(Segment Information)

I Previous third quarter consolidated cumulative period (Apr. 1, 2022 – Sep. 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	1,183,703	1,189,525		2,373,228
Inter-segment sales or transfer	—	—	—	—
Total	1,183,703	1,189,525	—	2,373,228
Segment profit (loss)	320,195	(39,392)	—	280,803
Depreciation	42,280	56,452	—	98,733
Amortization of goodwill	863	36,752	—	37,615
EBITDA (see Note)	363,339	53,812	—	417,152

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	280,803
Corporate expenses (see Note)	(220,708)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	60,094

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 (Significant changes in amount of goodwill)

In the “Advertisement Platform Business” segment, Proud Engine Inc. has been included in the scope of consolidation due to acquisition of its shares during the current third quarter consolidated fiscal period.

This event caused increase in the amount of goodwill by 84,497 thousand yen in the current third quarter consolidated fiscal period.

II Current third quarter consolidated cumulative period (Apr. 1, 2023 – Sep. 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	1,099,907	1,151,563	793,001	3,044,472
Inter-segment sales or transfer	1,300	482	800	2,583
Total	1,101,208	1,152,045	793,801	3,047,056
Segment profit (loss)	233,726	(59,569)	33,346	207,504
Depreciation	40,980	45,465	4,922	91,368
Amortization of goodwill	—	29,556	10,847	40,404
EBITDA (see Note)	274,707	15,452	49,117	339,277

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	207,504
Corporate expenses (see Note)	(222,657)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	(15,152)

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 second quarter consolidated fiscal period increased by 812,182 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 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 third 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

(Important impairment loss on non-current assets)

Impairment loss on non-current assets was recorded for the “Advertisement Platform Business” segment. Recorded amount of the impairment loss was 793,498 thousand yen in the current third quarter consolidated cumulative period.

(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. This event caused increase in the amount of goodwill by 68,961 thousand yen in the first quarter consolidated fiscal period.

Also, since impairment loss of goodwill was recorded for the “Advertisement Platform Business” segment, amount of goodwill decreased accordingly. This event caused decrease in the amount of goodwill by 345,855 thousand yen in the current second quarter consolidated cumulative period.

Meanwhile, the amount as described in the paragraph *(Important impairment loss on non-current assets)* above includes this impairment of goodwill.