

Summary of Consolidated Financial Results for the Full-Term of the Fiscal Year 2024 (FY03/2024) [Japanese GAAP]

Company name: EKITAN & Co., Ltd.
 Stock exchange listing: Tokyo
 Securities code: 3646 URL: <https://ekitan.co.jp/>
 Representative: President, CEO and COO Naoyuki Kaneda
 Inquiries: Director and CFO Katsuya Kojima TEL: 81-3-6367-5951
 Scheduled date of ordinary general meeting of shareholders: June 27, 2024
 Scheduled date to file Securities Report: June 28, 2024
 Scheduled date to commence dividend payments: June 28, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

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

1. Consolidated financial results of FY03/2024 (April 1, 2023 – March 31, 2024)**(1) Consolidated operating results**

(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	%
FY03/2024	4,038	26.0	184	(37.8)	23	(77.5)	27	(73.7)	(736)	—
FY03/2023	3,206	10.9	296	(7.0)	105	(24.3)	104	(25.8)	89	12.0

(Note) Comprehensive profit FY03/2024: (732) mil. yen [−%]
 FY03/2023: 89 mil. yen [12.0%]

* EBITDA = Operating profit + Depreciation + Amortization of goodwill

	Net profit (loss) per share	Diluted net profit (loss) per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to total assets ratio
	yen	yen	%	%	%
FY03/2024	(152.02)	—	(35.2)	0.9	0.6
FY03/2023	17.04	—	3.4	3.1	3.3

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	mil. yen	mil. yen	%	
FY03/2024	2,735	1,700	62.2	351.08
FY03/2023	3,152	2,487	78.9	513.25

(Reference) Shareholders equity FY03/2024: 1,700 mil. yen
 FY03/2023: 2,487 mil. yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	mil. yen	mil. yen	mil. yen	mil. yen
FY03/2024	141	(161)	(81)	1,324
FY03/2023	63	(265)	(452)	1,424

2. Cash dividends

	Annual dividends per share					Total cash dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	yen	yen	yen	yen	yen	mil. yen	%	%
FY03/2023	—	0.00	—	14.00	14.00	67	82.2	2.7
FY03/2024	—	0.00	—	14.00	14.00	67	—	3.2
FY03/2025 (forecasts)	—	0.00	—	14.00	14.00		91.9	

3. Consolidated performance forecasts for FY03/2024 (April 1, 2024 – 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)	1,993	2.7	32	(13.7)	(15)	—	(7)	—	(10)	—	(2.12)
Full term	4,327	7.2	203	10.5	101	328.4	111	304.5	73	—	15.24

***Notes**

- (1) Changes in significant subsidiaries during the current period
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) 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)

FY03/2024:	6,018,800 shares	FY03/2023:	6,018,800 shares
------------	------------------	------------	------------------

- ② Number of treasury stock at the end of the period

FY03/2024:	1,176,541 shares	FY03/2023:	1,171,316 shares
------------	------------------	------------	------------------

- ③ Average number of shares during the period

FY03/2024:	4,843,459 shares	FY03/2023:	5,272,083 shares
------------	------------------	------------	------------------

* 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 4, "1. Overall Operating Results, etc., (4) Forecasts for the future".

Supplementary material on financial results will be posted on the Company's website on May 9, 2024 (Thu.).

○ Table of Contents: Appendix

1. Overall Operating Results, etc.....	2
(1) Overall operating results of the current period	2
(2) Overall financial position of the current period	3
(3) Overall cash flows of the current period.....	3
(4) Forecasts for the future	4
2. Basic Idea for the Selection of Accounting Standards.....	4
3. Consolidated Financial Statements and Principal Notes	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Statements of Comprehensive Income	7
Consolidated Statements of Income.....	7
Consolidated Statements of Comprehensive Income.....	7
(3) Consolidated Statements of Changes in Equity	8
(4) Consolidated Cash Flow Statements.....	9
(5) Notes on Consolidated Financial Statements.....	11
(Going Concern Assumption).....	11
(Significant Information regarding the Preparation of Consolidated Financial Statements).....	11
(Notes on Consolidated Statements of Income).....	14
(Segment Information).....	15
(Per Share Data).....	17
(Significant Post-Balance Sheet Events).....	18

1. Overall Operating Results, etc.

(1) Overall operating results of the current period

During the current consolidated FY, 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, 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.

On the other hand, concerning profit, until the end of second quarter consolidated cumulative period, we had been affected by decreased revenues from services for paid subscribers and even more severe business environment for Cirqua Inc., resulting in sluggish performance. However, during the third quarter consolidated fiscal period, Cirqua Inc. reconsidered its business structure and carried our cost reduction by shrinking expenses, as well as having commercial materials of new genres contribute to revenues, and thus could eventually restore profitability as a standalone entity. Moreover, renovation work of "BTOnline" (a service for arrangement of ticketless business trip) finally came to an end, and depreciation could be shrunk by virtue of booking of impairment loss of intangible assets such as goodwill. As a result, for the third quarter consolidated fiscal period and onward, operating profit and ordinary profit of the entire Group were 97,741 thousand yen and 99,034 thousand yen respectively, both of which substantially improved.

Concerning Net profit attributable to owners of parent, the Company had estimated future cash-flows of Transfer Information services, Cirqua Inc., and a new business of "Ekitan PICKS" in the current consolidated FY, then determined that it would be difficult to recover intangible assets such as goodwill, and consequently recorded impairment loss of 855,627 thousand yen as extraordinary loss, which resulted in recording substantial negative figure.

Consequently financial results of the current consolidated FY were as follows: Net sales: 4,038,300 thousand yen (increase by 26.0% YoY); EBITDA: 184,667 thousand yen (decrease by 37.8% YoY); Operating profit: 23,623 thousand yen (decrease by 77.5% YoY); Ordinary profit: 27,457 thousand yen (decrease by 73.7% YoY); and Net loss attributable to owners of parent: 736,292 thousand yen (as opposed to Net profit of 89,827 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 consolidated FY, M&A/Incubation Business segment has been newly added.

① *Mobility Support Business*

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

During the current consolidated FY, in addition to the abovementioned continuously decreasing number of paid subscribers, extra cost was incurred for renovation work of "BTOnline" (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 1,485,549 thousand yen (decrease by 6.9% YoY), EBITDA of 380,042 thousand yen (decrease by 26.3% YoY) and Segment profit of 323,554 thousand yen (decrease by 29.3% YoY).

② *Advertisement Platform Business*

For the current consolidated FY, Cirqua Inc. reconsidered its business structure and carried our 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.

For the current consolidated FY, although Proud Engine Inc. has been added to this segment since the third quarter consolidated fiscal period of FY2023 and 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 carried out during the third quarter consolidated fiscal period, such efforts were not enough to cover write-off cost for such as goodwill incurred during the preceding second quarter consolidated cumulative period, which resulted in recording segment loss.

These operations resulted in Net sales of 1,486,001 thousand yen (decrease by 7.7% YoY), EBITDA of 22,530 thousand yen (decrease by 66.3% YoY) and Segment loss of 55,545 thousand yen (which was 61,499 thousand yen in the previous FY).

③ *M&A/Incubation Business*

For the current consolidated FY, financial results of this segment were as follows: Net sales: 1,071,286 thousand yen; EBITDA: 73,951 thousand yen; and Segment profit: 51,998 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 consolidated FY; and therefore figures are shown only for the current consolidated FY.

(2) Overall financial position of the current period*(Assets)*

Current assets was 2,109,795 thousand yen at the end of the current consolidated FY, i.e. increase by 241,220 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Notes, accounts receivable - trade & contract assets by 193,544 thousand yen, increase in "Others" included in Current assets by 101,169 thousand yen, and decrease in Cash and deposits by 56,093 thousand yen. Non-current assets was 625,373 thousand yen, i.e. decrease by 658,999 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to decrease in Goodwill by 319,332 thousand yen and decrease in Software by 264,481 thousand yen. As a result, Total assets was 2,735,168 thousand yen, i.e. decrease by 417,779 thousand yen as compared to the end of the previous consolidated FY.

(Liabilities)

Current liabilities was 666,983 thousand yen at the end of the current consolidated FY, i.e. increase by 228,843 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 136,216 thousand yen and in Current portion of long-term loans payable by 66,691 thousand yen. Non-current liabilities was 368,147 thousand yen, i.e. increase by 141,313 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in Long-term loans payable by 201,250 thousand yen and decrease in Deferred tax liabilities by 110,272 thousand yen. As a result, Total liabilities was 1,035,130 thousand yen, i.e. increase by 370,157 thousand yen as compared to the end of the previous consolidated FY.

(Net assets)

Total net assets was 1,700,038 thousand yen at the end of the current consolidated FY, i.e. decrease by 787,936 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to Net loss attributable to owners of parent of 736,292 thousand yen and Dividends from surplus of 67,864 thousand yen. As a result, Equity ratio decreased from the end of the previous consolidated FY by 16.8 points to 62.2%.

(3) Overall cash flows of the current period

Cash and cash equivalents (hereinafter, "business fund") at the end of the current consolidated FY was 1,324,577 thousand yen, i.e. decrease by 100,405 thousand yen as compared to the end of the previous consolidated FY.

Each cash flow status and factors thereof in the current consolidated FY are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the current consolidated FY was 141,944 thousand yen (which was 63,211 thousand yen in the previous FY). This is mainly due to Impairment loss of 855,627 thousand yen, Net loss before income taxes and minority interests of 839,423 thousand yen, and Depreciation of 114,780 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the current consolidated FY was 161,303 thousand yen (which was 265,555 thousand yen in the previous FY). This is mainly due to Collection of short-term loans receivable of 112,500 thousand yen, Payments for acquisition of new consolidated subsidiary of 97,102 thousand yen, Purchase of intangible assets of 89,352 thousand yen, and Payments of short-term loans receivable of 67,500 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the current consolidated FY was 81,046 thousand yen (which was 452,250 thousand yen in the previous FY). This is mainly due to Repayments of long-term borrowings of 68,421 thousand yen, Dividends paid of 67,625 thousand yen, and Proceeds from long-term borrowings of 60,000 thousand yen.

(4) Forecasts for the future

Services for paid subscribers such as Transfer Information which is the mainstay of our business have been commoditized and continuously reduced profitability, so it is urgently necessary for us to create some business that should become a new mainstay. Amid such a business environment, in accordance with the mid-term management plan announced on May 11, 2021, the Company has promoted a variety of measures based on its own “Regional Marketing Platform” concept which is an approach to making use of its business resources to the maximum extent possible while associating “needs of local residents” with “services provided by local business entities”, in order to create a new mainstay for profitability. Specifically, more contents were added to the regional media “Ekitan LOCAL”, “MaaS (Mobility as a Service) Package” provided by the Company was enhanced, affiliate advertisings strongly related to Transfer Information services for buyers of such as Shinkansen (bullet train) tickets were added, and provision of an SaaS type CRM tool called “LineON” started.

Given these measures, the next FY03/2025 is considered a phase to expand profitability, during which decrease in revenues from services for paid subscribers is expected to be supplemented by increase in advertising revenues through realizing the “Regional Marketing Platform” concept and by expanding profitability through provision of a variety of solutions.

Also, in addition to earlier acquisition of Cirqua Inc. and Proud Engine Inc. for portfolio reinforcement, three sub-subsidiaries acquired by EKITAN I&I Co., Ltd. substantially contributed to overall revenues as well, and thus sales proportion of Mobility Support Business segment of the Group reached nearly half, which is a great outcome with respect to both sales and profit. Moreover, for Laterra International, Inc. which is another subsidiary, although sales of guidebooks for tourists had been devastatingly impacted by the COVID-19 infections, such a situation came to an end and it could restore profitability during the current consolidated FY and anticipates further profitability expansion for the next FY03/2025.

On the other hand, with respect to cost, we are going to make use of offshore development which has not been made so far, improve productivity by utilizing generative AI and RPA, and shrink depreciation by virtue of booking of impairment loss of intangible assets such as goodwill, all of which would lead to cost reduction.

Consequently, performance forecasts for the next FY03/2025 are as follows: Net sales: 4,327,568 thousand yen (increase by 7.2% YoY); EBITDA: 203,981 thousand yen (increase by 10.5% YoY); Operating profit: 101,214 thousand yen (increase by 328.4% YoY); Ordinary profit: 111,077 thousand yen (increase by 304.5% YoY); and Net profit attributable to owners of parent: 73,825 thousand yen (as opposed to Net loss attributable to owners of parent of 736,292 thousand yen).

The abovementioned performance forecasts are based on currently available information. Actual results may differ from these forecasts due to various factors in the future.

2. Basic Idea for the Selection of Accounting Standards

The Company adopts Japanese accounting standards to ensure comparability with other companies in the same trade in Japan.

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

	(thousand yen)	
	Previous consolidated FY (March 31, 2023)	Current consolidated FY (March 31, 2024)
Assets		
Current assets		
Cash and deposits	1,424,983	1,368,889
Accounts receivable - trade & contract assets	388,810	582,354
Work in process	—	599
Merchandise	12,866	16,573
Raw materials and supplies	1,760	933
Others	40,567	141,737
Allowance for doubtful accounts	(412)	(1,292)
Total current assets	1,868,574	2,109,795
Non-current assets		
Property, plant and equipment		
Buildings (net)	27,639	32,885
Tools, furniture and fixtures (net)	33,345	37,787
Others	—	1,568
Total property, plant and equipment	60,984	72,241
Intangible assets		
Software	313,784	49,303
Customer-related assets	272,490	26,625
Goodwill	451,244	131,911
Others	102,392	119,161
Total intangible assets	1,139,911	327,001
Investments and other assets		
Investment securities	18,702	42,470
Deferred tax assets	21,818	73,104
Others	42,955	111,989
Allowance for doubtful accounts	—	(1,433)
Total investments and other assets	83,476	226,131
Total non-current assets	1,284,373	625,373
Total assets	3,152,947	2,735,168

(thousand yen)

	Previous consolidated FY (March 31, 2023)	Current consolidated FY (March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	247,390	231,270
Current portion of long-term loans payable	9,160	75,851
Income taxes payable	13,244	18,623
Provision for bonuses	13,792	52,177
Provision for loss on order received	9,100	9,888
Valuation allowance for purchase contracts	13,156	10,660
Others	132,294	268,511
Total current liabilities	438,139	666,983
Non-current liabilities		
Long-term loans payable	90,840	292,090
Asset retirement obligations	14,411	17,310
Provision for directors' retirement benefits	—	20,510
Liabilities on retirement benefits	—	26,926
Deferred tax liabilities	119,581	9,309
Others	2,000	2,000
Total non-current liabilities	226,833	368,147
Total liabilities	664,973	1,035,130
Net assets		
Shareholders' equity		
Capital stock	291,956	291,956
Capital surplus	293,531	309,595
Retained earnings	2,498,077	1,693,919
Treasury stock	(595,589)	(598,290)
Total shareholders' equity	2,487,974	1,697,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	2,858
Total accumulated other comprehensive income	—	2,858
Total net assets	2,487,974	1,700,038
Total liabilities and net assets	3,152,947	2,735,168

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

	(thousand yen)	
	Previous consolidated FY (Apr. 1, 2021 – Mar. 31, 2023)	Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)
Net sales	3,206,085	4,038,300
Cost of sales	2,259,529	2,863,370
Gross profit	946,556	1,174,929
SG&A expenses	841,471	1,151,306
Operating profit (loss)	105,084	23,623
Non-operating profit (loss)		
Interest income	26	2,996
Dividend income	—	1,078
Gain on forfeiture of unclaimed dividends	157	80
Subsidy income	1,500	—
Surrender value of insurance	—	963
Interest subsidy	1,250	684
Others	869	439
Total non-operating profit (loss)	3,802	6,243
Non-operating expenses		
Interest expenses	1,250	2,328
Purchase of treasury stock	2,978	—
Others	161	81
Total non-operating expenses	4,390	2,410
Ordinary profit (loss)	104,496	27,457
Extraordinary profit		
Gain on forgiveness of debts		
Total extraordinary profit		
Extraordinary losses		
Loss on retirement of non-current assets	—	648
Loss on cancellation of lease contracts	—	1,320
Impairment loss	—	*855,627
Loss on valuation of investment securities	—	9,284
Total extraordinary losses	—	866,880
Net profit (loss) before income taxes and minority interests	123,028	(839,423)
Income taxes	46,825	25,647
Income taxes - deferred	(13,624)	(129,861)
Total income taxes	33,201	(104,214)
Net profit (loss)	89,827	(735,209)
Net profit (loss) attributable to non-controlling shareholders	—	1,083
Profit (loss) attributable to owners of parent	89,827	(736,292)

(Consolidated Statements of Income)

	(thousand yen)	
	Previous consolidated FY (Apr. 1, 2021 – Mar. 31, 2023)	Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)
Net profit (loss)	89,827	(735,209)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	2,998
Total other comprehensive income	—	2,998
Comprehensive income (loss)	89,827	(732,210)
(detail)		
Comprehensive income (loss) attributable to owners of parent	89,827	(733,434)
Comprehensive income (loss) attributable to non-controlling interests	—	1,224

(3) Consolidated Statements of Changes in Equity

Previous consolidated FY (Apr. 1, 2022 – Mar. 31, 2023)

(thousand yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
Balance at beginning of current period	291,956	293,531	2,926,669	(673,216)	2,838,940	2,838,940
Changes of items during period						
Dividends from surplus			(77,135)		(77,135)	(77,135)
Net profit attributable to owners of parent			89,827		89,827	89,827
Purchase of treasury stock				(372,353)	(372,353)	(372,353)
Disposal of treasury stock		(43,197)		43,197	—	—
Stock compensation with transfer restrictions		8,696			8,696	8,696
Retirement of treasury stock		(406,783)		406,783	—	—
Transfer to capital surplus from retained earnings		441,284	(441,284)			
Total changes of items during period	—	—	(428,592)	77,626	(350,965)	(350,965)
Balance at end of current period	291,956	293,531	2,498,077	(595,589)	2,487,974	2,487,974

Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)

(thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total other comprehensive income	
Balance at beginning of current period	291,956	293,531	2,498,077	(595,589)	2,487,974	—	—	2,487,974
Changes of items during period								
Dividends from surplus			(67,864)		(67,864)			(67,864)
Net profit attributable to owners of parent			(736,292)		(736,292)			(736,292)
Purchase of treasury stock		3,921		(3,921)	—			—
Disposal of treasury stock		(1,220)		1,220	—			—
Stock compensation with transfer restrictions		12,138			12,138			12,138
Purchase of shares of consolidated subsidiaries		1,224			1,224			1,224
Changes of items other than shareholders' equity (net)						2,858	2,858	2,858
Total changes of items during period	—	16,063	(804,157)	(2,700)	(790,794)	2,858	2,858	(787,936)
Balance at end of current period	291,956	309,595	1,693,919	(598,290)	1,697,180	2,858	2,858	1,700,038

(3) Consolidated Cash Flow Statements

(thousand yen)

	Previous consolidated FY (Apr. 1, 2022 – Mar. 31, 2023)	Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)
Cash flows from operating activities		
Net profit (loss) before income taxes and minority interests	123,028	(839,423)
Depreciation	140,461	114,780
Impairment loss	—	855,627
Amortization of goodwill	51,310	46,262)
Increase (decrease) in allowance for doubtful accounts	(157)	26
Increase (decrease) in reserve for bonuses	1,259	3,537
Increase (decrease) in provision for directors' retirement benefits	(19,800)	1,449
Increase (decrease) in provision for directors' bonuses	—	(912)
Increase (decrease) in liabilities for retirement benefits	—	(7,955)
Increase (decrease) in provision for loss on order received	9,100	787
Increase (decrease) in valuation allowance for purchase contracts	—	(2,496)
Interest income	(26)	(2,996)
Interest expenses	1,250	2,328
Purchase of treasury stock	(18,531)	—
Gain on forgiveness of debts	—	9,284
Loss (gain) on valuation of investment securities	—	648
Loss on retirement of non-current assets	(583)	16,879
Decrease (increase) in notes and accounts receivable - trade & contract assets	(12,389)	5,561
Decrease (increase) in inventories	(3,996)	(39,897)
Increase (decrease) in notes and accounts payable - trade	—	(1,078)
Dividend income	(111,428)	44,771
Others	162,476	207,187
Subtotal	(18,531)	—
Interest income received	26	3,023
Interest expenses paid	—	(1,538)
Income taxes refund	0	150
Income taxes paid	(99,291)	(66,879)
Net cash provided by (used in) operating activities	63,211	141,944
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,524)	(32,081)
Proceeds from sales of tangible fixed assets	250	—
Purchase of intangible assets	(231,520)	(89,352)
Payments into time deposits	—	(12,400)
Proceeds from withdrawal of time deposits	—	31,619
Payments of short-term loans receivable	—	(67,500)
Collection of short-term loans receivable	—	112,500
Purchase of insurance funds	—	(6,256)
Proceeds from cancellation of insurance funds	—	1,292
Payments of leasehold and guarantee deposits	—	(10,412)
Proceeds from refund of leasehold and guarantee deposits	2,000	8,391
Payments for acquisition of new consolidated subsidiary	(20,761)	(97,102)
Net cash provided by (used in) investing activities	(265,555)	(161,303)

	(thousand yen)	
	Previous consolidated FY (Apr. 1, 2022 – Mar. 31, 2023)	Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)
Cash flows from financing activities		
Repayments of short-term borrowings	—	(5,000)
Proceeds from long-term borrowings	—	60,000
Repayments of long-term borrowings	—	(68,421)
Purchase of treasury stock	(375,332)	—
Dividends paid	(76,917)	(67,625)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(32,000)
Proceeds from share issuance to non-controlling shareholders	—	32,000
Net cash provided by (used in) financing activities	(452,250)	(81,046)
Net increase (decrease) in cash and cash equivalents	(654,593)	(100,405)
Cash and cash equivalents at beginning of period	2,079,577	1,424,983
Balance of cash and cash equivalents at end of period	1,424,983	1,324,577

(5) Notes on Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Information regarding the Preparation of Consolidated Financial Statements)

1. Matters on the scope of consolidation

(1) Number of consolidated subsidiaries: 7

Names of the consolidated subsidiaries

Laterra International, Inc.
 Cirqua, Inc.
 Proud Engine Inc.
 EKITAN I&I Co., Ltd.
 Growth and Communications Co., Ltd.
 Cybernet Co., Ltd.
 Information Technology Japan Co., Ltd.

During the current consolidated FY, EKITAN I&I Co., Ltd. was newly established, which has been included in the scope of consolidation.

In addition, 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.

(2) Non-consolidated subsidiary

Not applicable.

2. Matters on application of equity method

(1) Affiliate company to which equity method is applied

Not applicable.

(2) The affiliate company to which equity method is not applied (Mocosuku Co., Ltd.) would have no major influence on the Company's consolidated financial statements if it were excluded from the scope of equity method from the perspective of its current term profit/loss and retained earnings (those commensurate with its equity), etc., and also it had no significance as a whole, so it was excluded from the scope of application of equity method.

3. Matters on business year and other factors of the consolidated subsidiaries

End of business year of the consolidated subsidiaries is the same as the consolidated closing date.

4. Matters on accounting policies

(1) Standards and methods for evaluating important assets

①Securities

- Available-for-sale securities
 - Other than equity securities without market value
Market value method (evaluation difference is treated with recognition directly into net assets in full, and cost of products sold is calculated by moving average method) is adopted.
 - Equity securities without market value
Cost method using moving average method is adopted.

②Inventories

- Merchandise:
Cost method based on individual method (method of devaluating book value based on decline in profitability) is adopted.
- Work in process:
Cost method based on individual method (method of devaluating book value based on decline in profitability) is adopted.
- Raw materials and supplies:
Cost method based on individual method (method of devaluating book value based on decline in profitability) is adopted.

(2) Depreciation methods for important depreciable assets

① Property, plant, and equipment

Fixed-rate method is applied. However, straight-line method is applied for buildings and accompanying facilities and structures acquired on or after April 1, 2016.

Meanwhile, useful lives of major buildings are 8-15 years and those of major tools, furniture and fixture are 3-10 years.

In addition, for assets acquired prior to April 1, 2007, method of straight-line depreciation over 5 years is applied starting from the next year following the end of depreciation up to the final depreciable limit.

② Intangible assets

Straight-line method is applied.

Meanwhile, for software intended for marketing, depreciation method based on the expected effective period (within 2 years) is adopted; and for software intended for internal use, straight-line method based on the internally available period (5 years) is adopted.

And for customer-related assets identified upon business combination, straight-line method based on the period on which such combination has effects (within 12 years) is adopted.

(3) Basis for allocating important provisions

① Allowance for doubtful accounts

In order to protect against losses due to uncollectible receivables, amount calculated based on historical default rates is allocated for general receivables, and for specific ones such as those with default possibilities respective collectibilities are taken into account and estimated uncollectible amount is allocated.

② Provision for bonuses

In order to prepare for payments of bonuses to employees, estimated amount for such payments which is incurred during the current consolidated FY is allocated.

③ Provision for loss on order received

In preparation for the future loss related to order received, estimated amount of loss on order received as of the end of the current FY is allocated.

④ Valuation allowance for purchase contracts

In order to protect against losses due to decline in profitability of merchandise in the future, amount which is estimated as uncollectible out of purchase prices based on merchandise purchase contracts is allocated.

⑤ Provision for directors' retirement benefits

In order to prepare for payments of directors' retirement benefits, amount required to be paid is allocated, based on internal regulations of some of the consolidated subsidiaries.

(4) Accounting treatment method concerning retirement benefit

Some of the consolidated subsidiaries apply a simplified method when calculating liabilities on retirement benefits and retirement benefit expenses, where amounts required to be paid in case of voluntary termination for retirement benefits is deemed as retirement benefit obligations.

(5) Basis for allocating important revenues and expenses

Points of time when revenues and contents of major performance obligations in the Group's principal businesses are usually recognized are as described below.

① Providing services

Mainly services for paid subscribers related to transfer information, API services and data licenses are provided. For relevant performance obligations, contracts are executed for certain periods of time and revenues are recognized when such performance obligations are fulfilled in the course of those service periods.

② Software development

Custom-made softwares are developed and provided.

Relevant performance obligations are considered as those to be fulfilled over a certain period of time and revenues are recognized based on progress level in relation to such fulfillment of performance obligations.

Progress level is calculated, for each contract, as percentage of actual cost relative to total estimated cost.

Meanwhile, for introduction works the periods of which from start-up date of contract to the point of time when relevant performance obligations are expected to be completely fulfilled are very short, alternative treatments are applied and revenues are not recognized for a certain period of time but are recognized at the time of such complete fulfillment.

③ Advertisement

Advertisings are distributed via an ad network system.

Revenues are recognized when relevant performance obligations are considered as fulfilled quantitatively along with advertising transactions such as clicking.

④ Engineer dispatch

Concerning engineer dispatch business, the Company considers that performance obligations are fulfilled for a certain period of time because control over services is transferred to the customer for the duration of dispatch based on the dispatch contract, and therefore revenues are recognized based on the march of time.

It should be noted that compensations for these performance obligations are received generally within one year after their fulfillment and therefore no important financial element is included.

(6) Method and period of amortization of goodwill

Goodwill is amortized equally over 10 years or less during which it exert effects, based on a reasonable estimation.

(7) Scope of business fund for the consolidated cash flow statement

It consists of cash on hand, demand deposit, and short-term investment with maturity date within three months after its acquisition which is highly liquid, easily realizable and involves only de minimis risk concerning value change.

(Notes on Consolidated Statements of Income)

* Impairment loss

For the current consolidated FY, the Group allocated impairment loss to the assets groups as listed below.

Place	Purpose	Type	Impairment loss (thousand yen)
Chiyoda Ward, Tokyo	Business assets for Transfer Information services	Software	59,434
		Software in progress	2,695
Chiyoda Ward, Tokyo	Business assets for Ekitan PICKS	Software	96,963
		Software in progress	13,446
Chiyoda Ward, Tokyo	Business assets for Cirqua, Inc.	Software	107,033
		Goodwill	345,855
		Customer-related assets	230,199

The Group divides its assets into groups mainly in accordance with business units as representing minimum units to generate cash flows.

In measuring impairment loss, recoverable values are determined according to their use values, and the use values are deemed as zero because they are negative based on future cash flows.

Please note that backgrounds to recognizing impairment losses for individual business assets are as follows:

① Business assets for Transfer Information services

Transfer Information services became commoditized and thus revenues from them have continued to decrease, thus showing signs of impairment. So the Company considered future collectability and consequently decided to allocate Impairment loss of 62,129 thousand yen as Extraordinary loss in terms of Software in progress.

② Business assets for Ekitan PICKS

In November 2021, the Company launched “Ekitan PICKS” which utilized its Transfer Information website with high domain authority (ranking score within a search engine), but regulations became even tight on domain lending where evaluation of a search result could be lowered in case of theme of a website being determined as inconsistent. and as a result, there was very little effects of Ekitan PICKS on revenues, thus showing signs of impairment. So the Company considered future collectability and consequently decided to allocate Impairment loss of 110,409 thousand yen as Extraordinary loss in terms of Software and Software in progress relevant to thus service.

③ Business assets for Cirqua, Inc.

Since the amendment to the PMD Act in Japan, external environment for Cirqua, Inc. has become more severe especially concerning its commercial materials for advertising and shrinking advertisement media, and thus the market as a whole was inclined to diminish and Cirqua could not achieve business performance as initially envisioned. So the Company considered future collectability and consequently decided to allocate Impairment loss of 683,088 thousand yen as Extraordinary loss in terms of Cirqua’s Software, Goodwill, and Customer-related assets.

(Segment Information)

1. Overview of reportable segments

The Company's reportable segments are those being its constituent units for which separated financial information is available and are subject to periodic review by the board of directors for determining allocation of management resources and for evaluating business performance. The Company consists of several segments each of which deals with different services, and sets two reportable segments as "Mobility Support Business" and "Advertisement Platform Business".

"Mobility Support Business" segment is responsible for business relating to mobility operated mainly by EKITAN Co., Ltd. and Lateral International, Inc.; "Advertisement Platform Business" segment is responsible for business relating to advertisement operated mainly by Cirqua, Inc. and Proud Engine Inc.; and "M&A/Incubation Business" segment is responsible for investment mainly by EKITAN I&I Co., Ltd. and for system-related operations (system development/maintenance, SES and others) undertaken by EKITAN I&I's subsidiaries.

From the current FY, in association with establishment of EKITAN I&I Co., Ltd. which operates "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 consolidated fiscal year is disclosed based on the categories of reportable segments after such change.

2. How to calculate amounts of net sales, profit/loss, assets, liabilities and other items for each reportable segment

Accounting treatment methods for the business segments as reported herein are identical to the accounting principles for producing the consolidated financial statements. Figures of segment profit of individual reportable segments are based on their operating profit.

3. Information on amounts of net sales, profit/loss, assets, liabilities and other items for each reportable segment

Previous consolidated FY (Apr. 1, 2022 – Mar. 31, 2023)

(thousand yen)

	Reportable segments			
	Mobility Support Business	Advertisement Platform Business	M&A/Incubation Business	Total
Net sales				
Sales to external customers	1,595,863	1,610,222	—	3,206,085
Inter-segment sales or transfer	—	—	—	—
Total	1,595,863	1,610,222	—	3,206,085
Segment profit (loss)	457,538	(61,499)	—	396,038
Segment assets	554,694	1,476,184	—	2,030,879
Other items				
Depreciation	57,336	77,952	—	135,288
Amortization of goodwill	863	50,447	—	51,310
EBITDA (see Note 2)	515,738	66,899	—	582,638
Increase in property, plant and equipment and in intangible assets	93,261	151,574	—	244,835

- Notes
1. Amounts of segment liabilities are not regularly provided/used in the highest decision-making body.
 2. EBITDA = Segment profit (loss) + Depreciation + Amortization of goodwill

Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)

(thousand yen)

	Reportable segments			
	Mobility Support Business	Advertisement Platform Business	M&A/Incubation Business	Total
Net sales				
Sales to external customers	1,483,895	1,485,518	1,068,886	4,038,300
Inter-segment sales or transfer	1,654	482	2,400	4,537
Total	1,485,549	1,486,001	1,071,286	4,042,837
Segment profit (loss)	323,554	(55,545)	51,998	320,007
Segment assets	517,569	535,593	939,221	1,992,385
Other items				
Depreciation	56,487	46,352	7,414	110,254
Amortization of goodwill	—	31,723	14,538	46,262
EBITDA (see Note 2)	380,042	22,530	73,951	476,523
Increase in property, plant and equipment and in intangible assets	90,377	18,133	10,698	119,209

- Notes 1. Amounts of segment liabilities are not regularly provided/used in the highest decision-making body.
2. EBITDA = Segment profit (loss) + Depreciation + Amortization of goodwill

4. *Difference between the total amounts of reportable segments and the amount presented on the Consolidated Financial Statements; and main contents of said difference (items in relation to adjustment of difference)*

(thousand yen)

Net sales	Previous consolidated FY	Current consolidated FY
Reportable segments total	3,206,085	4,042,837
Inter-segment transactions elimination	—	(4,537)
Net sales on the Consolidated Financial Statements	3,206,085	4,038,300

(thousand yen)

Profit (loss)	Previous consolidated FY	Current consolidated FY
Reportable segments total	396,038	320,007
Corporate expenses (see Note)	(290,954)	(296,383)
Operating profit (loss) on the Consolidated Financial Statements	105,084	23,623

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

(thousand yen)

Assets	Previous consolidated FY	Current consolidated FY
Reportable segments total	2,030,879	1,992,385
Corporate assets (see Note)	1,122,068	742,783
Total assets on the Consolidated Financial Statements	3,152,947	2,735,168

Note: Corporate assets comprises of cash and cash deposits not attributable to reportable segments.

(thousand yen)

Other items	Reportable segments total		Adjustment		Amount allocated on the Consolidated Financial Statements	
	FY03/2023	FY03/2024	FY03/2023	FY03/2024	FY03/2023	FY03/2024
Depreciation	135,288	110,254	5,172	4,526	140,461	114,780
Amortization of goodwill	51,310	46,262	—	—	51,310	46,262
Increase in property, plant and equipment and in intangible assets	244,835	119,209	1,544	489	246,379	119,699

- Notes
- Adjusted depreciation refers to depreciation of buildings and others not attributable to the reportable segments.
 - Adjusted increase in property, plant and equipment and in intangible assets comprises mainly of capital investment buildings not allocated to the reportable segments.

(Per share data)

	Previous consolidated FY (Apr. 1, 2022 – Mar. 31, 2023)	Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)
Net assets per share	513.25 yen	351.08 yen
Net profit (loss) per share	17.04 yen	(152.02) yen

- Notes
- Diluted net profit per share of the current consolidated FY is not disclosed because net loss per share has been posted and no residual securities exist. Also, diluted net profit per share of the previous consolidated FY is not disclosed because no residual securities exist.
 - Calculation bases of net profit (loss) per share are as follows.

	Previous consolidated FY (Apr. 1, 2022 – Mar. 31, 2023)	Current consolidated FY (Apr. 1, 2023 – Mar. 31, 2024)
Net profit (loss) per share		
Net profit attributable to owners of parent (thousand yen)	89,827	(736,292)
Amount not attributable to common stockholders (thousand yen)	—	—
Net profit (loss) attributable to owners of parent applicable to common shares (thousand yen)	89,827	(736,292)
Average number of common shares outstanding during the period (shares)	5,272,083	4,843,459

(Significant Post-Balance Sheet Events)

(Purchase of treasury stock)

The Company, at its board meeting on May 9, 2024, decided to purchase its treasury stock, based on the provisions of Article 156 of the Companies Act of Japan which apply mutatis mutandis pursuant to Article 165, Paragraph 3 of that Act.

1. Reasons for purchasing treasury stock

This purchase is done in order for carrying out agile capital policies responsive to changing management environment and for improving capital efficiency, and also as part of measures for shareholders return.

2. Matters concerning the purchase

- | | |
|---|---|
| (1) Type of the stock to be purchased: | Common stock of the Company |
| (2) Total number of shares to be purchased: | 150,000 shares (upper limit)
(percentage to the total number of outstanding shares (excluding treasury stock): 3.1%) |
| (3) Total value of the stock to be purchased: | 50,000,000 yen (upper limit) |
| (4) Period for the purchase: | From May 20, 2024 to December 30, 2024 |
| (5) How to purchase: | Open market purchase on the Tokyo Stock Exchange |