CARTA HOLDINGS

English Translation
This is a translation of the original release in Japanese.
In the event of any discrepancy, the original release in Japanese shall prevail.

Financial Results for the 4th Quarter of the Fiscal Year Ending December 31, 2019 〔Japanese Standards〕（Consolidated）

Nov 13, 2019

Listed company name:	CARTA HOLDINGS, Inc.	Listed stock exchange:	TSE first section
Stock Code No.:	3688	URL:	https://cartaholdings.co.jp/en/ir/
Representative:	Title Chairman	Name:	Shinsuke Usami
Contact:	Title Director and CFO	Name:	Hidenori Nagaoka TEL +81-3-4577-1453

Date to submit the Securities Report:	Nov 13, 2019
Scheduled date of dividend payments:	—
Availability of supplementary information	Yes
Holding investors' meeting:	Yes (For security analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated Financial Results for FY 2019 First Twelve Months (October 1, 2018 – Sep 30, 2019)

(1)Consolidated results of operations (cumulative total) (The percentage indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY 2019 first twelve months	19,392	—	2,800	—	2,818	—	1,540	—
Year ended September 30, 2018	—	—	—	—	—	—	—	—

(Note) Comprehensive Income: FY 2019 first twelve months: ¥1,480 million —%
Year ended September 30, 2018: ¥— million —%

	Net income per share	Diluted net income per share	EBITDA	
	¥	¥	¥million	%
FY 2019 first twelve months	70.01	69.38	3,540	—
Year ended September 30, 2018	—	—	—	—

(Note) CARTA HOLDINGS, Inc. (the "Company") and Cyber Communications Inc. ("CCI") carried out a share exchange (the "Share Exchange"), having the Company as the share exchange wholly-owning parent company and CCI as the share exchange wholly-owned subsidiary, effective on January 1, 2019. The Share Exchange applies to a reverse acquisition in accounting for business combinations, having the Company as an acquired company and CCI as an acquiring company, the assets and liabilities in the consolidated financial statements of the Company just before the Share Exchange are recorded at fair value and taken over to CCI's balance sheet. In addition, consolidated results for the period under review are the total amount of CCI's three-months consolidated results of the first quarter (from October 1, 2018 to December 31, 2018) and the Company's nine-months consolidated results from the second quarter through the fourth quarter (from January 1, 2019 to September 30, 2019) after the Share Exchange. For this reason, there is no continuity between the consolidated financial statement of the period under review and the first quarter of the current fiscal year or before that. Due to this effect, each of the figures of the period under review has significantly changed, compared to the previous fiscal year. In addition, quarterly consolidated financial statements for the fourth quarter of the previous fiscal year have not been prepared. Thus, the year-on-year change rates for the fiscal year ended September 30, 2018 and the fourth quarter of the fiscal year ending December 31, 2019 are omitted.

* EBITDA noted above (earnings before interest, tax, depreciation and amortization) is calculated by adding interest expenses, depreciation, amortization, and amortization of goodwill to the Company's profit before income taxes.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
September 30, 2019	45,484	22,863	49.6	888.14
September 30, 2018	16,794	8,777	50.8	717.22

(Reference) Owned capital: September 30, 2019 ¥22,568 million
September 30, 2018 ¥8,527 million

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been adopted from the beginning of the first quarter of the fiscal year ending December 31, 2019. With respect to the financial position for the previous fiscal year, figures have been adjusted for the retroactive adoption of the said accounting standards.

2. Dividend status

	Annual dividends					
	1Q end	2Q end	3Q end	4Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen	Yen
FY 2018	—	0.00	—	—	15.00	15.00
FY 2019	—	—	8.00	—		
FY 2019 (Forecast)					8.00	16.00

(Note) Revisions to dividend forecast for the current quarter: No

As for the year-end dividend of the fiscal year ended September 30, 2018, the dividend results for VOYAGE GROUP, INC. are stated.

3. Forecast of Consolidated Financial Results for FY 2019 (October 1, 2018 ― December 31, 2019)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	EBITDA	
	¥million	%	¥million	%	¥million	%	¥million	%	Yen	¥million	%
Full year	26,000	—	3,500	—	3,500	—	1,800	—	86.32	4,500	—

(Note) Revisions to dividend forecast for the current quarter: No

Since the fiscal year ending December 31, 2019 is an irregular accounting period of 15 months due to the change of fiscal year-end, year-on-year change rate is not stated.

※ Notes

(1) Changes in significant subsidiaries during the period : Yes

(Change of specified subsidiaries that lead to a change in the scope of consolidation)

Newly Companies: 1 (Company Name: cyber communications inc.)

Excluded Companies: — (Company Name: —)

(2) Specific accounting procedures : Yes

(Note) For more information, see page 14, "2. Consolidated Financial Statements (4) Notes to Condensed Interim Consolidated Financial (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)".

(3) Changes in accounting policies, changes in accounting estimates, corrections and restatements and retrospective restatements

1) Changes in accounting policy resulting from revisions to accounting standards : None

2) Changes in accounting policy other than above : Yes

3) Changes in accounting estimates : None

4) Retrospective restatements : None

(Note) For more information, see page 15, "2. Consolidated Financial Statements (4) Notes to Condensed Interim Consolidated Financial (Changes in Accounting Policies)".

(4) Number of shares issued (common stock)

1)Number of shares issued and outstanding (including treasury stock)

Year ended September 30, 2019	25,411,052	Year ended September 30, 2018	11,890,346

2) Number of treasury stock issued and outstanding

Year ended September 30, 2019	554	Year ended September 30, 2018	—

3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Year ended September 30, 2019	21,999,247	Year ended September 30, 2018	11,939,703

※ Notice regarding audit procedures

This financial result is excluded from audit procedures.

※ Explanations related to appropriate use of the performance forecast other special instructions

(Note on forward - looking statements)

Earnings forecasts and other forward-looking statements in this report are based on information currently available and certain assumptions judged to be reasonable. Therefore, these statements do not constitute a guarantee of achievement. Actual results may differ materially for various reasons.

Please refer to the section of "1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information" on page 7 of the attached documents.

(Supplementary materials)

Supplementary materials on quarterly financial results are on our website (in English and Japanese).

Attachment

Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review

CARTA HOLDINGS, Inc. (the "Company") and Cyber Communications Inc. ("CCI") carried out a share exchange (the "Share Exchange"), having the Company as the share exchange wholly-owning parent company and CCI as the share exchange wholly-owned subsidiary, effective on January 1, 2019. The Share Exchange applies to a reverse acquisition in accounting for business combinations, having the Company as an acquired company and CCI as an acquiring company, the assets and liabilities in the consolidated financial statements of the Company just before the Share Exchange are recorded at fair value and taken over to CCI's balance sheet. In addition, consolidated results for the period under review are the total amount of CCI's three-months consolidated results of the first quarter (from October 1, 2018 to December 31, 2018) and the Company's nine-months consolidated results from the second quarter through the fourth quarter (from January 1, 2019 to September 30, 2019) after the Share Exchange. For this reason, there is no continuity between the consolidated financial statement of the period under review and the first quarter of the current fiscal year or before that. Due to this effect, each of the figures of the period under review has significantly changed, compared to the previous fiscal year. In addition, quarterly consolidated financial statements for the fourth quarter of the previous fiscal year have not been prepared. Thus, in (1) Analysis of Operating Results and (2) Analysis of Financial Position, the comparison with the same quarter of the previous fiscal year and the end of previous quarter of the current fiscal year is omitted.

(1) Analysis of Operating Results

With regard to the online advertising market where the Group operates its mainstay business, according to research by Dentsu Inc., in 2018, internet advertising spending reached ¥1,758.9 billion, up 16.5% year on year, supported by growth of the performance-based advertising on mobile devices (Note 1.) and the video advertising. In addition, performance-based advertising costs rose 22.5% year on year to ¥1,151.8 billion, due to the fact that more advertisers are using data and technology as well as the spread of programmatic ad trading (Note 2.), with its increasing significance in branding and market reach.

Under these economic circumstances, the Group has changed the classification of its reportable segments from the second quarter of the current fiscal year in accordance with the management integration by the Share Exchange (the "Management Integration"). The three new reportable segments are: 1) the "Partner Sales Business" which provides advertising sales and solutions mainly through a media rep, 2) the "Ad Platform Business" which operates ad distribution platforms, 3) the "Consumer Business" which plans and operates its owned media and HR related services, operates EC sites and rolles out smartphone game publishing, as well as develops investment and consulting business, etc.

As a result, the Group posted net sales of ¥19,392 million in the period under review, operating income of ¥2,800 million, ordinary income of ¥2,818 million, and profit attributable to owners of parent of ¥1,540 million.

Financial results for each segment were as follows. Sales of each segment include intersegment sales and transfers.

1) Partner Sales Business

The Partner Sales Business sells advertising space and provides solutions mainly through a media rep. In reserved advertising, as the media's shift to performance-based advertising accelerates, in addition to working with existing media, the Group actively carried out sales measures etc. to emerging media, including young people media. In performance-based advertising, the Group actively responded to diversifying needs of advertisers by utilizing abundant audience data that corresponds to the target and building an optimal trading desk system using multiple DSPs (demand-side platforms) and ad exchanges. Also, the Group strengthened its collaboration with solution vendors for the purpose of securing "brand safety (advertisers' brand safety by ensuring the quality of advertising sites)". Additionally, with data utilization becoming increasingly important in corporate management and marketing activities, the Group established "DataCurrent Inc." specialized in the field of data consulting on June 3, 2019, in order to promote data-oriented strategy formulation and execution support.

As a result, the Partner Sales Business recorded sales of ¥10,500 million in the period under review, and segment income of ¥2,441 million.

2) Ad Platform Business

The Ad Platform Business mainly operates the SSP (Supply Side Platform) "fluct" and services for advertisers "Zucks", "BEYOND X". Additionally, in April 2019, we released "PORTO", an ad platform for brand advertising, in order to strengthen our approaches to the field of branding advertisement. For "fluct", with the rapid spread of programmatic ad trading in the online advertising market, the Group has made efforts particularly in proposing the introduction for smartphone publishers and using it to provide support in maximizing advertising revenues. "Zucks" was robust as the Group enhanced its services and functions, while capturing demand of clients.

However, mainly due to the effect of the decline in ad distribution by major advertising companies in the operation of "fluct" and the amortization of goodwill etc. recorded in connection with the Management Integration, the Ad Platform Business recorded sales of ¥4,526 million in the period under review, and segment income of ¥384 million.

3) Consumer Business

In the Consumer Business, in addition to the operation of its owned media that utilizes points, mainly "EC Navi" and "PeX", the Group is actively investing in the HR field, EC field and FinTech field as expansion fields, in order to create businesses that will be the next pillar in the medium- to long-term. Also, the amortization of goodwill etc. recorded in connection with the Management Integration is recorded.

As a result, the Consumer Business recorded sales of ¥4,365 million in the period under review, and segment loss of ¥25 million.

(Notes)

1. Performance-based advertising is a method of advertising with platforms that process vast amounts of data to help optimize ad distribution either automatically or instantaneously. Typical examples include search engine advertising, certain ad networks, as well as DSPs (systems that aid advertisers in maximizing their advertisements' effectiveness), ad exchanges, and SSPs (mechanisms that aid publishers in maximizing advertising efficiency). Selling advertising space, tie-ups and affiliate advertising are not included in performance-based advertising. (Source: Advertising Expenditures in Japan, 2015, Dentsu Inc.)
2. Programmatic ad trading is a form of trading that enables the automatic online purchase of advertising space based on audience data, where advertisers (buyers of advertising space) and publishers (sellers of advertising space) make transactions through ad distribution platforms such as a DSP or SSP.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

(Assets)

Consolidated assets as of the end of the period under review totaled ¥45,484 million. Of the current assets ¥31,272 million, main items are accounts receivable – trade of ¥14,916 million. Non-current assets of ¥14,212 million mainly consist of investment securities of ¥3,858 million and goodwill of ¥3,109 million.

(Liabilities)

Consolidated liabilities as of the end of the period under review totaled ¥22,620 million. Of the current liabilities ¥20,713 million, the main items are accounts payable – trade of ¥14,837 million. Non-current liabilities of ¥1,907 million mainly consist of asset retirement obligations of ¥536 million and long-term loans payable of ¥233 million.

(Net Assets)

Consolidated net assets as of the end of the period under review totaled ¥22,863 million. Of this amount, total shareholders' equity was ¥22,141 million and accumulated other comprehensive income was ¥426 million.

2) Cash Flows

Cash and cash equivalents at the end of the period under review (hereinafter "funds") totaled ¥13,967 million. The following is the status and factors of each cash flow during the period under review.

(Net cash flows from operating activities)

Net cash flows provided by operating activities amounted to ¥5,421 million. The main positive factors included recording of profit and a decrease in notes and accounts receivable –trade, while the main negative factors included a decrease in notes and accounts payable – trade.

(Net cash flows from investing activities)

Net cash flows provided by investing activities amounted to ¥3,788 million. The main positive factors included proceeds from collection of loans receivable.

(Net cash flows from financing activities)

Net cash flows used in financing activities amounted to ¥452 million. The main negative factors included repayments of long-term loans payable and the payment of cash dividends.

(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

With regard to the consolidated performance forecast for the full fiscal year, consolidated net sales are overall in line with the forecast previously announced due to higher sales than expected as a result of greater than anticipated ad placements by national clients such as automakers and beverage manufacturers in the Partner Sales Business, despite the failure of new business in the Consumer Business to start up as planned. With regard to consolidated gross profit, the consolidated gross profit margin is expected to show a greater than anticipated improvement due to a higher than expected ratio of sales from the Partner Sales Business, which has a high gross profit margin, as a result of the aforementioned sales factors. In addition, with regard to consolidated selling, general and administrative expenses, although active development of promotional activities in the Consumer Business was planned, advertising expenses are now expected to be lower than anticipated following a careful examination of the promotion plan in line with business development. As a result, revisions have been made to the full-year consolidated performance forecast announced in "Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2019" on February 14, 2019 due to the anticipated occurrence of discrepancies.

For more information, please refer to the "Notice on Revision of the Full-Year Consolidated Performance Forecast" released on October 16, 2019.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	5,679,809	13,967,904
Accounts receivable - trade	3,639,618	14,916,888
Supplies	472,122	434,917
Other	746,878	1,952,427
Allowance for doubtful accounts	(75)	–
Total current assets	10,538,354	31,272,136
Non-current assets		
Property, plant and equipment	192,770	1,710,240
Intangible assets		
Goodwill	1,468,564	3,109,931
Other	351,475	3,944,627
Total intangible assets	1,820,040	7,054,559
Investments and other assets		
Investment securities	3,558,911	3,858,303
Other	684,473	1,590,074
Allowance for doubtful accounts	–	(768)
Total investments and other assets	4,243,384	5,447,610
Total non-current assets	6,256,194	14,212,411
Total assets	16,794,549	45,484,548
Liabilities		
Current liabilities		
Accounts payable - trade	2,549,450	14,837,459
Short-term loans payable	–	19,600
Current portion of long-term loans payable	489,988	265,568
Income taxes payable	295,364	347,223
Provision for bonuses	38,581	440,210
Provision for directors' bonuses	–	5,657
Provision for point card certificates	2,837,684	464,763
Asset retirement obligations	50,736	–
Other	896,515	4,332,890
Total current liabilities	7,158,320	20,713,372
Non-current liabilities		
Long-term loans payable	498,912	233,344
Asset retirement obligations	–	536,000
Other	359,974	1,138,065
Total non-current liabilities	858,886	1,907,409
Total liabilities	8,017,206	22,620,782

(Thousands of yen)

	As of September 30, 2018	As of September 30, 2019
Net assets		
Shareholders' equity		
Capital stock	1,073,304	1,089,187
Capital surplus	1,063,308	12,009,054
Retained earnings	5,229,730	9,043,617
Treasury shares	–	(35)
Total shareholders' equity	7,366,343	22,141,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,167,607	451,051
Foreign currency translation adjustment	(5,955)	(24,587)
Total accumulated other comprehensive income	1,161,652	426,463
Share acquisition rights	1,908	7,546
Non-controlling interests	247,438	287,930
Total net assets	8,777,342	22,863,765
Total liabilities and net assets	16,794,549	45,484,548

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

(Consolidated Statements of Income)

(Thousands of yen)

	Twelve months ended June 30, 2019
Net sales	19,392,100
Cost of sales	2,196,138
Gross profit	17,195,961
Selling, general and administrative expenses	14,395,359
Operating profit	2,800,602
Non-operating income	
Dividends income	18,377
Gain on investments in partnership	39,529
Business commission fee	30,444
Rent income	21,164
Insurance dividend	21,265
Other	18,568
Total non-operating income	149,349
Non-operating expenses	
Share of loss of entities accounted for using equity method	74,192
Loss on investments in partnership	19,570
Foreign exchange losses	11,180
Other	26,259
Total non-operating expenses	131,204
Ordinary profit	2,818,747
Extraordinary income	
Gain on reversal of subscription rights to shares	329
Total extraordinary income	329
Extraordinary losses	
Loss on retirement of non-current assets	37,050
Loss on sales of investment securities	163,298
Head office relocation expenses	121,398
Other	1,090
Total extraordinary losses	322,836
Profit before income taxes	2,496,240
Income taxes	953,635
Profit	1,542,604
Profit attributable to non-controlling interests	2,338
Profit attributable to owners of parent	1,540,266

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Twelve months ended September 30, 2019
Profit	1,542,604
Other comprehensive income	
Valuation difference on available-for-sale securities	(37,100)
Share of other comprehensive income of entities accounted for using equity method	(24,166)
Foreign currency translation adjustment	(421)
Total other comprehensive income	(61,688)
Comprehensive income	1,480,916
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,478,577
Comprehensive income attributable to non-controlling interests	2,338

(3) Overview of Cash Flows for the Fiscal Year under Review

(Thousands of yen)

	Twelve months ended September 30, 2019
Cash flows from operating activities	
Profit before income taxes	2,496,240
Depreciation	794,668
Amortization of goodwill	247,295
Interest and dividend income	(32,239)
Interest expenses	2,002
Share of (profit) loss of entities accounted for using equity method	74,192
Decrease (increase) in notes and accounts receivable - trade	2,895,493
Decrease (increase) in inventories	392,446
Increase (decrease) in notes and accounts payable - trade	(524,675)
Increase (decrease) in allowance for doubtful accounts	342
Increase (decrease) in provision for bonuses	168,018
Increase (decrease) in provision for directors' bonuses	5,657
Increase (decrease) in provision for point card certificates	(3,416)
Loss (gain) on sales of investment securities	163,298
Loss on retirement of non-current assets	37,050
Decrease (increase) in accounts receivable – other	138,465
Other, net	(708,614)
Subtotal	6,146,225
Interest and dividend income received	32,619
Interest expenses paid	(1,914)
Income taxes (paid) refund	(755,823)
Net cash provided by (used in) operating activities	5,421,107
Cash flows from investing activities	
Purchase of property, plant and equipment	(479,979)
Purchase of investment securities	(356,185)
Proceeds from sales of investment securities	431,642
Purchase of loans receivable	(452,694)
Proceeds from loans receivable	5,344,865
Purchase of intangible assets	(265,379)
Payments for lease and guarantee deposits	(487,479)
Proceeds from lease and guarantee deposits	217,483
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	(163,867)
Other, net	5
Net cash provided by (used in) investing activities	3,788,411

(Thousands of yen)

	Twelve months ended September 30, 2019
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	19,600
Repayments of long-term loans payable	(383,068)
Proceeds from exercise of share options	(7,089)
Cash dividends paid	(179,550)
Purchase of treasury shares	(36)
Repayments of lease obligations payable	(39,884)
Proceeds from sale-and-leaseback	123,236
Net cash provided by (used in) financing activities	(452,614)
Effect of exchange rate change on cash and cash equivalents	853
Net increase (decrease) in cash and cash equivalents	8,757,758
Cash and cash equivalents at beginning of period	5,679,809
Cash and cash equivalents of acquired company at beginning of period	(5,679,809)
Cash and cash equivalents of acquiring company at beginning of period	238,105
Cash and cash equivalents received by share exchange	4,972,039
Cash and cash equivalents at end of period	13,967,904

(4) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

None

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

The Company and CCI carried out the Share Exchange, having the Company as the share exchange wholly-owning parent company and CCI as the share exchange wholly-owned subsidiary, effective on January 1, 2019.

The Share Exchange applies to a reverse acquisition in accounting for business combinations, having the Company as an acquired company and CCI as an acquiring company, the assets and liabilities in the consolidated financial statements of the Company just before the Share Exchange are recorded at fair value and taken over to CCI's balance sheet. In addition, consolidated results for the period under review are the total amount of CCI's three-months consolidated results of the first quarter (from October 1, 2018 to December 31, 2018) and the Company's nine-months consolidated results from the second quarter through the fourth quarter (from January 1, 2019 to September 30, 2019) after the Share Exchange. For this reason, there is no continuity between the consolidated financial statement of the period under review and the first quarter of the current fiscal year or before that.

The main reasons for changes in each item of shareholders' equity and their amounts in the period under review were as follows.

	Shareholders' equity (Thousands of yen)				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of October 1, 2018 (Note 1.)	490,000	122,500	7,706,578	–	8,319,078
Changes of items during the period under review					
Increase (decrease) by the Share Exchange (Note 2.)	595,643	11,883,023	–	–	12,478,666
Dividends of surplus	–	–	(203,226)	–	(203,226)
Profit attributable to owners of parent	–	–	1,540,266	–	1,540,266
Purchase of treasury shares	–	–	–	(35)	(35)
Exercise of subscription rights to shares	3,544	3,544	–	–	7,089
Change in ownership interest of parent due to transactions with non-controlling interests	–	(14)	–	–	(14)
Total of changes of items during the period under review	599,187	11,886,554	1,337,039	(35)	13,822,746
Balance as of September 30, 2019	1,089,187	12,009,054	9,043,617	(35)	22,141,824

(Notes)

1. "Balance as of October 1, 2018" indicates CCI's balance at the beginning of the period.
2. "Increase (decrease) by the Share Exchange" indicates increase (decrease) recorded by using Purchase Method, having CCI as an acquiring company and the Company as an acquired company.

(Notes on Changes in Significant Subsidiaries during the Period)

The Company and CCI carried out the Share Exchange, having the Company as the share exchange wholly-owning parent company and CCI as the share exchange wholly-owned subsidiary, effective on January 1, 2019, and from the same day, CCI has been included in the scope of consolidation.

(Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)

Tax expenses for the period are calculated by multiplying net income before income taxes for the period by the reasonably estimated annual effective tax rate after applying tax effect accounting which is calculated based on the estimated net income before income taxes for the entire fiscal year.

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018, hereinafter "Accounting Standard for Revenue Recognition") and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018) became applicable from the beginning of the fiscal year commencing on and after April 1, 2018, the Company adopted the Accounting Standard for the Revenue Recognition from the beginning of the first quarter of the fiscal year ending December 31, 2019 and made following changes.

In line with the adoption of the Accounting Standard for Revenue Recognition, the Company examined the case that other parties are involved in providing goods or services to customers, whether the nature of its promise is a performance obligation to self-provide the specified goods or services (i.e. the Company is the principal) or a performance obligation to arrange for those goods or services to be provided by other party (i.e. the Company is the agent). Accordingly, the Company changed the revenue recognition of Partner Sales Business transactions excluding some part, all transactions in Ad Platform Business, and part of transactions in Consumer Business from gross to net amount. As a result, compared to the previous accounting method, net sales and cost of sales in the consolidated statements of income for the period under review decreased by ¥91,221 million, respectively. In addition, point card deposits received of ¥2,237 million of VOYAGE MARKETING Inc., which were previously included in "provision for point card certificates" in the consolidated balance sheet, are now included in "deposits received". Furthermore, as this "deposits received" of ¥2,237 million is less than 10% of the total of liabilities and net assets, it is included in "other current liabilities".

Regarding the adoption of the Accounting Standard for Revenue Recognition, the Company follows the transitional treatment stated in the provision under Paragraph 84 of the Accounting Standard for Revenue Recognition. However, since there is no cumulative impact to be reflected in the net assets at the beginning of the current consolidated fiscal year, there is no impact on the balance of the retained earnings at the beginning of the current consolidated fiscal year.

(Additional Information)

(Accounting Method for the Share Exchange)

The Company and CCI carried out the Share Exchange, having the Company as the share exchange wholly-owning parent company and CCI as the share exchange wholly-owned subsidiary, effective on January 1, 2019. The Share Exchange applies to a reverse acquisition in accounting for business combinations, having the Company as an acquired company and CCI as an acquiring company, the assets and liabilities in the consolidated financial statements of the Company just before the Share Exchange are recorded at fair value and taken over to CCI's balance sheet. In addition, consolidated results for the period under review are the total amount of CCI's three-months consolidated results of the first quarter (from October 1, 2018 to December 31, 2018) and the Company's nine-months consolidated results from the second quarter through the fourth quarter (from January 1, 2019 to September 30, 2019) after the Share Exchange. For this reason, there is no continuity between the consolidated financial statement of the period under review and the first quarter of the current fiscal year or before that.

From the above, the Company is adopting the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "Accounting Standard for Accounting Changes and Error Corrections and its Implementation Guidance" (ASBJ Guidance No.24, December 4, 2009), but as comparative data, figures of the previous fiscal year of former VOYAGE GROUP, INC. (the Company before the Share Exchange) are used.

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and Other Standards)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been adopted from the beginning of the first quarter of the fiscal year ending December 31, 2019, whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under non-current liabilities.

(Segment Information)

I For the twelve-month period ended September 30, 2019 (October 1, 2018 to September 30, 2019)

1. Information on sales and income or loss by reportable business segment

(thousands of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Partner Sales Business	Ad Platform Business	Consumer Business	Total		
Sales						
Outside Sales	10,500,317	4,526,540	4,365,242	19,392,100	—	19,392,100
Intersegment Sales or Transfer	—	10,480	—	10,480	(10,480)	—
Total	10,500,317	4,537,021	4,365,242	19,402,580	(10,480)	19,392,100
Segment Income (loss)	2,441,390	384,335	(25,122)	2,800,602	—	2,800,602

(Note) Segment income or loss is adjusted with operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on noncurrent assets, goodwill and other items by reportable business segment

(Material impairment loss on noncurrent assets)
No significant items to be reported.

(Material changes in goodwill)
In connection with the Management Integration as of January 1, 2019, for goodwill, ¥2,416,228 thousand in Ad Platform Business and ¥761,120 thousand in Consumer Business were recorded.

(Material profit from negative goodwill)
No significant items to be reported.

3. Matters concerning changes etc. in reportable segments

Since the Company changed its accounting method concerning revenue recognition as described in the Changes in Accounting Policies, it changed its method for measuring profit or loss in each business segment as well.

In addition, in connection with the Management Integration as of January 1, 2019, the Company changed the reportable segments from “Ad Platform Business”, “Points Media Business” and “Incubation Business” to “Partner Sales Business”, “Ad Platform Business”, and “Consumer Business”.

<table>
<tr><th>Company Name</th><th>Business Contents</th><th>Business Segments (Before the Management Integration)</th><th>Business Segments (After the Management Integration)</th></tr>
<tr><td rowspan="2">Cyber Communications Inc.</td><td>Media Rep, etc.</td><td>-</td><td>Partner Sales Business</td></tr>
<tr><td>BEYOND X, PMP, etc.</td><td>-</td><td rowspan="2">Ad Platform Business</td></tr>
<tr><td rowspan="4">VOYAGE GROUP, INC.</td><td>Zucks, fluct, CMerTV, etc.</td><td>Ad Platform Business</td></tr>
<tr><td>EC Navi, PeX, Research Panel</td><td>Points Media Business</td><td rowspan="3">Consumer Business</td></tr>
<tr><td>EC, FinTech, HR, etc.</td><td rowspan="2">Incubation Business</td></tr>
<tr><td>VOYAGE VENTURES, etc.</td></tr>
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