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April 25, 2024

Consolidated Financial Results for Q1 of FY2024 (Under Japanese GAAP)

Company name: ValueCommerce Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2491
 URL: <https://www.valuecommerce.co.jp/en/>
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 Scheduled date to file quarterly securities report: May 9, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended								
March 31, 2024	7,653	(0.4)	1,315	(11.6)	1,340	(9.8)	913	(10.6)
March 31, 2023	7,685	(19.6)	1,488	(36.8)	1,486	(38.8)	1,021	(38.2)

Note: Comprehensive income For the three months ended March 31, 2024: ¥897 million [(9.3)%]
 For the three months ended March 31, 2023: ¥989 million [(40.5)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	¥	¥
March 31, 2024	28.26	–
March 31, 2023	31.60	31.59

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
March 31, 2024	28,837	22,456	77.9	694.47
December 31, 2023	28,351	22,463	79.2	694.67

Reference: Equity As of March 31, 2024: ¥22,456 million
 As of December 31, 2023: ¥22,463 million

2. Dividends

	Annual dividends per share				
	Q1	Q2	Q3	Q4	Total
	¥	¥	¥	¥	¥
FY2023	–	25.00	–	28.00	53.00
FY2024	–				
FY2024 (Forecast)		22.00	–	20.00	42.00

Note: Revisions to the forecast of dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending June 30, 2024	14,200	(4.0)	2,100	(22.7)	2,100	(22.9)	1,400	(24.3)	43.29
Fiscal year ending December 31, 2024	28,300	(3.7)	4,000	(23.5)	4,000	(23.3)	2,700	(20.6)	83.47

Note: Revisions to the consolidated earnings forecasts most recently announced: None

The Company decided to purchase treasury shares at its Board of Directors meeting held on March 11, 2024, but the Company has not considered the impact of the acquisition of treasury shares on basic earnings per share in the consolidated earnings forecasts.

Please refer to the Company's news releases "Notice Regarding Purchase of Treasury Shares and Tender Offer for Treasury Shares," dated March 11, 2024, and "Notice Regarding Results of Tender Offer for Treasury Shares, Completion of Acquisition of Treasury Shares, and Changes in Parent Companies and Other Affiliated Companies," dated April 10, 2024 for details on the aforementioned acquisition of treasury shares.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 1. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 2. Changes in accounting policies due to other reasons: None
 3. Changes in accounting estimates: None
 4. Restatement: None

(4) Number of issued shares (common shares)

		shares		shares
1. Total number of issued shares at the end of the period (including treasury shares)	As of March 31, 2024	34,471,000	As of December 31, 2023	34,471,000
2. Number of treasury shares at the end of the period	As of March 31, 2024	2,135,577	As of December 31, 2023	2,133,238
3. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Three months ended March 31, 2024	32,337,505	Three months ended March 31, 2023	32,337,756

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*** Proper use of earnings forecasts, and other special matters**
(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to "1. Qualitative information regarding financial results, (3) Information about consolidated earnings forecasts" on page 4 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

(Means of access to supplementary material on quarterly financial results)

The supplementary material on quarterly financial results will be available on the Company's website.

○ **Attached Material**

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1. Qualitative information regarding financial results

(1) Analysis of operating results

During the first quarter of the fiscal year (cumulative), the Japanese economy was expected to recover moderately under improving corporate earnings and conditions in the employment/income environment, partly due to the effects of various government policies. On the other hand, the recovery in personal consumption stalled due to price hikes caused by soaring raw material and energy prices, and other conditions were cause for concern.

In this environment, the Group focused on deriving correct information from a large amount of information and efficiently delivering that information to those who need it, based on its mission “Efficiently Connecting Accurate Information,” resulting in the following consolidated operating results.

For the first quarter of the fiscal year (cumulative), net sales were ¥7,653 million (down 0.4% year on year). As for “StoreMatch,” a pay-per-click advertising service for stores in the online shopping mall operated by Yahoo Japan Corporation, year-on-year comparisons were positive. On the other hand, results for “Affiliate Marketing,” a pay-per-performance advertising service, saw a year-on-year decline under the severe business environment from the previous fiscal year, despite a temporary recovery in the motivation of advertisers to place advertisements in the Finance category.

Selling, general and administrative expenses were ¥1,367 million (up 17.5% year on year) due to strategic investments associated with the Medium-Term Management Plan and the recording of expenses related to a tender offer for treasury shares.

Operating income was ¥1,315 million (down 11.6% year on year) mainly due to the increase in selling, general and administrative expenses.

Ordinary income was ¥1,340 million (down 9.8% year on year) despite recognizing gain on investments in investment partnerships of ¥17 million under non-operating income.

Net income attributable to owners of parent was ¥913 million (down 10.6% year on year) mainly due to the recording of income taxes of ¥427 million.

Segment performance was as follows:

The classifications of reportable segments have been changed effective from the first quarter of the fiscal year, and the following year-on-year comparisons are comparative analyses based on figures for the same quarter of the previous fiscal year that have been restated into figures for the segment classifications after the change.

(i) Marketing Solutions Business

Marketing Solutions Business provides solutions oriented to attracting customers to e-commerce websites of commerce business operators. Its main service is that of “Affiliate Marketing” pay-per-performance advertising.

In “Affiliate Marketing,” during the first quarter of the fiscal year (cumulative), although there was a temporary recovery in the motivation of advertisers to place advertisements in the Finance category, which boosted net sales, overall sales declined slightly year on year due to the impact of changes to advertisement placement policies of advertisers in some categories, such as Jobs and PC/Electronics.

As a result, this segment attained net sales of ¥3,182 million (down 1.4% year on year) and segment operating income of ¥563 million (down 1.9% year on year).

(ii) EC Solutions Business

EC Solutions Business provides solutions oriented to sales promotion on e-commerce websites of commerce business operators. Its main services are the “StoreMatch” pay-per-click advertising, and “STORE’s R∞” CRM tool for stores in the online shopping mall operated by Yahoo Japan Corporation. Its services also include the “B-Space” e-commerce website operation support tool.

During the first quarter of the fiscal year (cumulative), “StoreMatch” sales increased year on year mainly due to an increase in the use of the “StoreMatch Pro” advertising function for manufacturers, while “STORE’s R∞” sales slightly decreased year on year due to a decrease in the use of some stores.

As a result, this segment attained net sales of ¥4,152 million (up 0.0% year on year) and segment operating income of ¥1,212 million (down 3.0% year on year).

(iii) Travel Tech Business

Travel Tech Business mainly provides solutions for accommodation facilities centered on the consolidated subsidiary Dynatech inc. Its main services are “Direct In,” an accommodation reservation system, and “Dynamulation,” an accommodation management system.

During the first quarter of the fiscal year (cumulative), net sales increased year on year due in part to a recovery in the willingness of accommodation facilities to invest, but the Company posted a segment operating loss due to investments in new business areas and up-front investments for the transition to an accommodation management system.

As a result, this segment attained net sales of ¥319 million (up 3.8% year on year) and segment operating loss of ¥31 million (compared to segment operating loss of ¥7 million during the first quarter of the previous fiscal year).

(2) Analysis of financial positions

(i) The status of assets, liabilities and net assets

Assets

At the end of the first quarter of the fiscal year, total assets amounted to ¥28,837 million, an increase of ¥486 million from the end of the previous fiscal year.

Current assets amounted to ¥27,140 million, an increase of ¥474 million from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥418 million.

Non-current assets amounted to ¥1,697 million, an increase of ¥12 million from the end of the previous fiscal year. This was mainly due to an increase in software of ¥88 million, despite a decrease in software in progress of ¥69 million.

Liabilities

At the end of the first quarter of the fiscal year, total liabilities amounted to ¥6,381 million, an increase of ¥494 million from the end of the previous fiscal year.

Current liabilities amounted to ¥6,320 million, an increase of ¥518 million from the end of the previous fiscal year. This was mainly due to increases in accounts payable - trade of ¥237 million, income taxes payable of ¥220 million, and other current liabilities of ¥184 million, despite a decrease in accounts payable - other of ¥240 million.

Non-current liabilities amounted to ¥61 million, a decrease of ¥23 million from the end of the previous fiscal year.

Net assets

At the end of the first quarter of the fiscal year, total net assets amounted to ¥22,456 million, a decrease of ¥7 million from the end of the previous fiscal year. This was due to a decrease in valuation difference on available-for-sale securities of ¥16 million, despite a decrease in retained earnings of ¥905 million as a result of a dividend of surplus and an increase in retained earnings of ¥913 million due to the recording of net income attributable to owners of parent.

(ii) Cash flows

At the end of the first quarter of the fiscal year, the balance of cash and cash equivalents amounted to ¥21,952 million, an increase of ¥418 million from the end of the previous fiscal year.

The cash flows and their causes during the first quarter of the fiscal year (cumulative), are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,400 million (compared to net cash provided of ¥653 million during the first quarter of the previous fiscal year), mainly due to income before income taxes of ¥1,340 million. Positive factors include depreciation and amortization of ¥87 million and an increase in accounts payable - trade of ¥237 million. Negative factors include a decrease in accounts payable - other of ¥281 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥80 million (compared to net cash used of ¥102 million during the first quarter of the previous fiscal year), mainly due to purchase of intangible assets of ¥79 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥900 million (compared to net cash used of ¥931 million during the first quarter of the previous fiscal year), mainly due to dividends paid of ¥899 million.

(3) Information about consolidated earnings forecasts

The Company has not revised its consolidated earnings forecasts for the fiscal year ending December 31, 2024, as released in its “Financial Results for Fiscal Year 2023” of January 30, 2024.

2. Quarterly consolidated financial statements and significant notes**(1) Quarterly consolidated balance sheet**

(¥ millions)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	21,534	21,952
Notes and accounts receivable - trade	3,750	3,817
Accounts receivable - other	1,267	1,169
Other	118	202
Allowance for doubtful accounts	(4)	(1)
Total current assets	26,665	27,140
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	103	109
Tools, furniture and fixtures, net	64	89
Leased assets, net	7	6
Total property, plant and equipment	175	205
Intangible assets		
Software	607	695
Software in progress	140	70
Goodwill	52	39
Customer-related assets	67	50
Other	5	5
Total intangible assets	872	861
Investments and other assets		
Investment securities	619	613
Deferred tax assets	–	2
Other	17	15
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	637	630
Total non-current assets	1,685	1,697
Total assets	28,351	28,837

(¥ millions)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,385	2,622
Accounts payable - other	2,378	2,138
Income taxes payable	249	470
Provision for bonuses	0	116
Other	787	972
Total current liabilities	5,802	6,320
Non-current liabilities		
Deferred tax liabilities	22	–
Other	62	61
Total non-current liabilities	85	61
Total liabilities	5,887	6,381
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,211	1,211
Retained earnings	19,765	19,773
Treasury shares	(520)	(520)
Total shareholders' equity	22,184	22,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	279	263
Total accumulated other comprehensive income	279	263
Total net assets	22,463	22,456
Total liabilities and net assets	28,351	28,837

(2) Quarterly consolidated statement of comprehensive income (cumulative)

(¥ millions)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	7,685	7,653
Cost of sales	5,033	4,970
Gross income	2,652	2,682
Selling, general and administrative expenses	1,163	1,367
Operating income	1,488	1,315
Non-operating income		
Gain on non-refundable commissions for publishers	0	0
Gain on investments in investment partnerships	–	17
Reversal of allowance for doubtful accounts	0	2
Other	3	5
Total non-operating income	4	25
Non-operating expenses		
Loss on investments in investment partnerships	7	–
Foreign exchange losses	0	0
Other	0	–
Total non-operating expenses	7	0
Ordinary income	1,486	1,340
Extraordinary losses		
Impairment losses	7	–
Total extraordinary losses	7	–
Income before income taxes	1,478	1,340
Income taxes - current	433	444
Income taxes - deferred	22	(17)
Total income taxes	456	427
Net income	1,021	913
(Break Down)		
Net income attributable to		
Net income attributable to owners of parent	1,021	913
Net income attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	(32)	(16)
Total other comprehensive income	(32)	(16)
Comprehensive income	989	897
(Break Down)		
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	989	897
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly consolidated statement of cash flows

(¥ millions)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Cash flows from operating activities		
Income before income taxes	1,478	1,340
Depreciation and amortization	105	87
Amortization of goodwill	13	13
Share-based payment expenses	3	4
Increase (decrease) in allowance for doubtful accounts	(1)	(2)
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	7	(17)
Impairment losses	7	-
Decrease (increase) in accounts receivable - trade	417	(66)
Increase (decrease) in accounts payable - trade	(149)	237
Decrease (increase) in accounts receivable - other	249	97
Increase (decrease) in accounts payable - other	(437)	(281)
Other, net	366	210
Subtotal	2,059	1,622
Interest received	0	0
Income taxes paid	(1,406)	(221)
Income taxes refund	-	0
Net cash provided by (used in) operating activities	653	1,400
Cash flows from investing activities		
Purchase of property, plant and equipment	(11)	(1)
Purchase of intangible assets	(91)	(79)
Net cash provided by (used in) investing activities	(102)	(80)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	1	-
Dividends paid	(930)	(899)
Repayments of finance lease liabilities	(1)	(1)
Net cash provided by (used in) financing activities	(931)	(900)
Net increase (decrease) in cash and cash equivalents	(380)	418
Cash and cash equivalents at beginning of period	20,184	21,534
Cash and cash equivalents at end of period	19,803	21,952

(4) Notes to quarterly consolidated financial statements

(Notes - Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

Not applicable.

(Segment information)

I. The first quarter of the previous year (cumulative) (Jan. 1 to Mar. 31, 2023)

Information about sales and income (loss) for each reportable segment and information on disaggregation of net sales

(¥ millions)

	Reportable segments				Adjustments (Note 1)	Amounts reported on the quarterly consolidated statement of comprehensive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Travel Tech Business	Total		
Net sales						
“Affiliate Marketing” pay-per-performance advertising						
ASP	648	—	—	648	—	648
Consulting	2,016	—	—	2,016	—	2,016
Options	558	—	—	558	—	558
“StoreMatch” pay-per- click advertising	—	3,303	—	3,303	—	3,303
“STORE’s R∞” CRM tool	—	661	—	661	—	661
Travel Tech	—	—	307	307	—	307
Others	3	185	—	188	—	188
Net sales from contracts with customers	3,226	4,151	307	7,685	—	7,685
Net sales from external customers	3,226	4,151	307	7,685	—	7,685
Transactions with other segments	—	—	—	—	—	—
Total	3,226	4,151	307	7,685	—	7,685
Segment operating income (loss)	574	1,249	(7)	1,816	(327)	1,488

(Notes) 1. The adjustment to segment operating income (loss) of ¥(327) million constitutes corporate expense not allocated to any of the reportable segments.

2. Segment operating income (loss) is adjusted to operating income on the quarterly consolidated statement of comprehensive income.

II. The first quarter of the fiscal year (cumulative) (Jan. 1 to Mar. 31, 2024)

1. Information about sales and income (loss) for each reportable segment and information on disaggregation of net sales

(¥ millions)

	Reportable segments				Adjustments (Note 1)	Amounts reported on the quarterly consolidated statement of comprehensive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Travel Tech Business	Total		
Net sales						
“Affiliate Marketing” pay-per-performance advertising						
ASP	555	–	–	555	–	555
Consulting	2,120	–	–	2,120	–	2,120
Options	503	–	–	503	–	503
“StoreMatch” pay-per- click advertising	–	3,361	–	3,361	–	3,361
“STORE’s R∞” CRM tool	–	617	–	617	–	617
Travel Tech	–	–	318	318	–	318
Others	2	173	–	175	–	175
Net sales from contracts with customers	3,182	4,152	318	7,653	–	7,653
Net sales from external customers	3,182	4,152	318	7,653	–	7,653
Transactions with other segments	–	–	0	0	(0)	–
Total	3,182	4,152	319	7,653	(0)	7,653
Segment operating income (loss)	563	1,212	(31)	1,744	(428)	1,315

(Notes) 1. The adjustment to segment operating income (loss) of ¥(428) million constitutes corporate expense not allocated to any of the reportable segments.

2. Segment operating income (loss) is adjusted to operating income on the quarterly consolidated statement of comprehensive income.

2. Disclosure of changes, etc. in reportable segments

The Group had maintained a framework of two reportable segment classifications consisting of the “Marketing Solutions Business” and “EC Solutions Business.” However, in accordance with the change to its business management classification effective from January 1, 2024, the Group has transitioned to a framework of three reportable segment classifications consisting of the “Marketing Solutions Business,” “EC Solutions Business,” and “Travel Tech Business” effective from the first quarter of the fiscal year.

The segment information for the first quarter of the previous year (cumulative) is disclosed based on classifications after the change of the reportable segment and net sales from contracts with customers.