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August 9, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)



Company name: MINKABU THE INFONOID, INC.
 Listing: Growth Market, Tokyo
 Securities code: 4436
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 Scheduled date to file quarterly securities report: August 9, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended										
June 30, 2022	1,380	22.4	274	1.3	98	(11.6)	25	(68.8)	1	(96.8)
June 30, 2021	1,127	37.0	270	17.6	111	(4.2)	82	(22.6)	41	(38.2)

Note: Comprehensive income For the three months ended June 30, 2022: ¥44 million [23.8%]
 For the three months ended June 30, 2021: ¥36 million [(53.8%)]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	0.09	0.09
June 30, 2021	2.94	2.88

Notes:

- The Company acquired MINKABU WEB3 WALLET, Inc., making the company a consolidated subsidiary. on May 1, 2022.
- EBITDA is calculated as 'Operating profit + Depreciation + Amortization of goodwill'

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Million yen	Million yen	%	Yen
June 30, 2022	9,622	7,232	73.1	471.47
March 31, 2022	9,757	7,443	75.2	492.54

Reference: Equity

As of June 30, 2022: ¥7,029 million
 As of March 31, 2022: ¥7,342million

2. Dividends

	Annual dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	24.00	24.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		0.00	-	24.00	24.00

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

3. Earnings Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Full year	7,500	36.8	2,150	39.6	1,250	42.9	1,120	35.2	750	7.8	50.31

Notes:

1. Revisions to the forecast of financial results most recently announced: None
2. EBITDA is calculated as 'Operating profit + Depreciation + Amortization of goodwill'

Notes

- (1) Changes in significant subsidiaries during the period (changes in the subsidiary resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
The details are described in “(3) Notes to Quarterly Consolidated Financial Statements (Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statements)” under the “2. Quarterly Consolidated Financial Statements and Principal Notes” section on page 9.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	14,909,700 shares
As of March 31, 2022	14,907,700 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2022	23 shares
As of March 31, 2022	23 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	14,907,699 shares
Three months ended June 30, 2021	14,187,638 shares

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

* Proper use of earnings forecasts, and other special matters:

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

For notes on using earnings projections and assumptions for premises thereof, please refer to “(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information” under the “1. Qualitative Information on Quarterly Financial Results” section on page 4.

We plan to hold a financial result briefing for institutional investors and analysts on August 9, 2022. Supplementary materials for financial results will be published on our website on the day of the event.

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Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

On a consolidated basis, MINKABU THE INFONOID, INC. (hereinafter “the Company”) raised 1,380,359 thousand yen in sales (22.4% increase YoY), 98,801 thousand yen in operating profit (11.6% decrease YoY), 25,759 thousand yen in ordinary profit (68.8% decrease YoY), and 1,352 thousand yen in net profit attributable to shareholders of the parent company (96.8% decrease YoY) for the first quarter of the current fiscal year. The Company also recorded 274,240 thousand yen (1.3% increase YoY) in EBITDA (operating profit + depreciation and amortization + amortization of goodwill,) which is one of the key measurements of the Company’s continuous growth.

For the first quarter of the current fiscal year, both the media business and solution business continuously increased their sales with high growth. At the same time, to achieve accelerated mid-term growth, the Company proactively invested in recruiting human-made upfront investments such as initial development with expansion of the services. In addition, the Company made MINKABU WEB3 WALLET, Inc. a consolidated subsidiary in May 2022, to introduce the NFT solution by leveraging Web3, a blockchain-based network.

For the first quarter of the current fiscal year, the Company concluded the syndicated loan agreement in the form of “Positive Impact Finance” *1 provided by MUFG Bank, Ltd., the arranger of this fundraise (Sumitomo Mitsui Banking Corporation functioned as co-arranger). The purpose of the fundraising is to expand the commitment line for securing the working capital necessary for the Company’s continuous growth and to optimize the finance costs to establish a robust financial ground. The commitment fee and other costs related to the fundraising are recorded as one-time non-operating costs for this quarter.

Results by business segment are as follows. As previously mentioned, for the first quarter of the current fiscal year, the Company acquired majority ownership of WEB3 WALLET, Inc. through the underwriting of the third-party allotment of new shares, thereby making the company as a consolidated subsidiary on May 1, 2022 (currently renamed as MINKABU WEB3 WALLET, Inc.).

(Media)

The media business records advertising revenue from the information media of “MINKABU,” an asset building information media, “Kabutan,” a stock information specialized media, and advertising revenue from the sites in which the Company involves through the business alliances. The media business also records billing services revenue.

For the first quarter of the current fiscal year, the Company added US stock information to the existing site and renewed insurance related information site.

The total monthly average unique users of media sites the Company operates during the first quarter of the current fiscal year was 8.38 million, and 25.48 million. While the weak market condition pressed these figures by 1.3 million (13.5%) and 4.52 million (15.1%), respectively, compared to the same quarter of the last fiscal year, affiliate advertising contributed to the expansion of sales thanks to the continuous use of listing advertising (advertising promotion). Pure advertising and subscription type revenue also showed robust growth.

As a result, consolidated sales for the first quarter of the current fiscal year was 644,193 thousand yen (25.7% increase YoY) and segment profit was 181,723 thousand yen (12.9% increase YoY).

(Solution)

The solution business includes revenues from AI driven software utilizing the know-how of the media business and the initial and monthly fee of ASP services providing information based on the fintech solution content derived from crowd inputs of media sites which the Company operates. Also, by leveraging the Company’s assets, the Company provides consulting services and system installation as well as subsequent maintenance services targeting the financial institutions, etc. that are already enjoying the Company’s information solutions.

During the first quarter of the current fiscal year, in addition to the continued organic growth, system installation project for information solutions in line with the development of shift to primary vendor position, a consulting project for system solutions and initial installations, and subsequent maintenance fees after completion of these solutions contributed favorable results.

As a result, consolidated sales for the first quarter of the current fiscal year was 747,611 thousand yen (20.8% increase YoY) and segment profit was 112,949 thousand yen (5.4% increase YoY).

*1 Positive Impact Finance is intended to support corporations’ activities by comprehensively analyzing and evaluating the impacts (both positive and negative) related to the environment, society, and economy, which is in line with the Principles for Positive Impact Finance (*2) developed by the United Nations Environmental Program Finance Initiative (“UNEP FI”) (*3).

- *2 The Principles for Positive Impact Finance was developed by UNEP FI in January 2017 as a financial framework for achieving the SDGs. Companies disclose the level of contributions to achieving SDGs through KPIs. The lending bank will check if the impact is continuing or not by monitoring the indicators.
- *3 The United Nations Environment Programme (UNEP) is an executive body for implementing the “Action Plan for the Human Environment” and the “Declaration of the United Nations Conference on the Human Environment”, established in 1972 as a subsidiary body to the United Nations system. The United Nations Environment Programme Finance Initiative (UNEP FI) represents a partnership between UNEP and global financial institutions established in 1992. UNEP FI has been working in concert with financial institutions, and policy/regulatory authorities to transform itself into a financial system that integrates economic development and ESG.

(2) Explanation of Financial Position

Assets, Liabilities, and Net Assets

(Assets)

Current assets at the end of the first quarter of the current fiscal year was 4,344,980 thousand yen with a decrease of 480,751 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of accounts receivables by 505,455 thousand yen resulting from the collection of receivables derived from the record high sales in the previous year, while inventories and income tax receivables increased by 44,665 thousand yen and 16,575 thousand yen, respectively.

Total fixed assets was 5,277,407 thousand yen with an increase of 345,303 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 199,549 thousand yen in software and software in progress due to the investments in software development and an increase of 87,245 thousand yen in investment securities resulting from the revaluation of marketable securities.

As a result, total assets was 9,622,388 thousand yen, a decrease of 135,448 thousand yen from 9,757,836 thousand yen at the end of the previous fiscal year.

(Liability)

Current liabilities at the end of the first quarter of the current fiscal year was 777,399 thousand yen with a decrease of 164,762 thousand yen compared to the end of the previous fiscal year. This was mainly due to decreases of 126,998 thousand yen in account payables and 116,902 thousand yen in income tax payables, partially offset by an increase of 61,283 thousand yen in the current portion of long-term borrowings.

Fixed liabilities increased by 240,204 thousand yen to 1,612,374 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 242,637 thousand yen in long-term debt.

As a result, total liabilities amounted to 2,389,774 thousand yen, an increase of 75,441 thousand yen from 2,314,332 thousand yen at the end of the previous fiscal year.

(Net Assets)

Total equity at the end of the first quarter of the current fiscal year was 7,232,614 thousand yen, a decrease of 210,890 thousand yen from the previous fiscal year at 7,443,504 thousand yen. This was mainly due to a decrease in capital surplus by 357,784 thousand yen resulting from the payment of ordinary dividend, which was partially offset by increases in unrealized profit in investment securities by 43,185 thousand yen and non-controlling interests by 102,159 thousand yen, respectively.

As a result, the equity ratio was 73.1% (75.2% at the end of the previous fiscal year).

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

This fiscal year ending March 2023, in addition to the stable growth of existing business lines, the Company plans to expand billing revenue in the media business through subscription-based services such as “Kabutan U.S. Stock Premium” and “MINKABU ASEET PLANNER,” an asset building management tool. In the solutions business, the Company plans to increase revenue by expanding recurring revenue with the existing portfolio of information solutions and entering the high-value-added system solutions market which will expand the scope of business while accompanying scale. The Company also expects the profit contribution from the consolidated subsidiary such as Prop Tech Plus Inc. and Robot Fund Co., Ltd. which the Company acquired additional shares in the previous fiscal year without a change in the scope of consolidation. In terms of expenses, the Company expects amortization of goodwill concerning M&A, an increase of depreciation resulting from the investments mainly consisting of software, an increase in human resources costs caused by the Company’s continuous growth, fixed costs such as data acquisition costs relating the brand-new service, “Kabutan U.S. Stock Premium” etc., and advertising costs to achieve broader awareness of the Company’s services.

The Company currently forecasts consolidated sales of 7,500 million yen (36.8% increase YoY), an operating profit of 1,250 million yen (42.9% increase YoY), and an ordinary profit of 1,120 million yen (35.2% increase YoY). As for the net income attributable to owners of the parent company, the Company expects 750 million yen (7.8% increase YoY). EBITDA, which adds depreciation and amortization to operating profit, is expected

to be 2.150 million yen (39.6% increase YoY). In light of the continuous growth of media traffic and upsells of solution products, initial installation timing, as well as some seasonality of the business, the business plan for the fiscal year ending March 31, 2023 is heavily weighted toward the second half as the previous fiscal year.

As for the Covid-19 impact, the Company recognizes the necessity of a flexible response to moving situations. By the establishment of a selectable telework arrangement applicable to all group employees, the Company has been able to smoothly promote the continued operation of existing services and the introduction of new services by utilizing IT.

1. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	3,526,165	3,485,245
Account receivables	1,127,845	622,389
Work in process	15,218	59,883
Supplies	4,338	3,179
Others	156,836	176,766
Allowance for doubtful accounts	(4,672)	(2,484)
Total current assets	4,825,732	4,344,980
Non-current Assets:		
Property, plant, and equipment	86,771	109,843
Intangible assets:		
Goodwill	931,751	999,584
Clients' asset	432,086	421,902
Technology assets	67,647	64,850
Software	1,592,391	1,764,824
Software in progress	387,280	414,397
Others	33,419	32,064
Total intangible assets	3,444,576	3,697,624
Investments and other assets:		
Investments securities	1,107,015	1,194,260
Guarantee deposits	130,472	130,077
Deferred tax assets	161,411	144,297
Others	6,479	5,925
Allowance for doubtful accounts	(4,621)	(4,621)
Total investment and other assets	1,400,756	1,469,940
Total fixed assets	4,932,104	5,277,407
Total assets	9,757,836	9,622,388

Note: Amounts are rounded down to the nearest thousand yen.

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2022
LIABILITIES		
Current liabilities:		
Accounts payables	383,890	256,892
Current portion of long-term borrowings	159,816	221,099
Income tax payable	158,368	41,466
Other allowances	21,610	8,094
Others	218,476	249,846
Total current liabilities	942,162	777,399
Non-current liabilities:		
Long-term borrowings	1,296,203	1,538,840
Deferred tax liabilities	75,967	73,534
Total non-current liabilities	1,372,170	1,612,374
Total liabilities	2,314,332	2,389,774
NET ASSETS		
Shareholders' equity		
Share capital	3,514,020	3,514,620
Capital surplus	4,533,849	4,175,660
Retained earnings	(745,034)	(743,681)
Treasury shares	(93)	(93)
Total shareholders' equity	3,886,827	7,164,776
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	39,841	83,026
Total accumulated other comprehensive income	39,841	83,026
Non-controlling interests	100,922	203,081
Total net assets	7,443,504	7,232,614
Total liabilities and net assets	9,757,836	9,622,388

Note: Amounts are rounded down to the nearest thousand yen.

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

(Thousands of yen)

	From April 1, 2021 to December 31, 2021	From April 1, 2022 to June 30, 2022
Net Sales	1,127,927	1,380,359
Cost of Sales	613,510	762,547
Gross Profit	514,416	617,812
Selling, general and administrative expenses	402,633	519,011
Operating profit	111,782	98,801
Non-operating income		
Interest income	0	0
Dividend income	—	2,430
Reversal of allowance for doubtful accounts	1,692	2,188
Others	11	23
Total non-operating income	1,704	4,641
Non-operating expenses		
Interest expense	3,340	2,351
Financing expenses	25,729	72,417
Foreign exchange losses	136	287
Others	1,791	2,627
Total non-operating expenses	30,998	77,683
Ordinary profit	82,489	25,759
Extraordinary losses		
Loss on retirement of non-current assets	31	56
Total extraordinary losses	31	56
Profit before income taxes	82,458	25,702
Income taxes (Corporate, residential, enterprise taxes)	34,482	24,030
Quarterly Profit	47,975	1,671
Quarterly profit attributable to non-controlling interests	6,227	319
Quarterly profit attributable to owners of the parent	41,747	1,352

Note: Amounts are rounded down to the nearest thousand yen.

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	From April 1, 2021 to June 30, 2021	From April 1, 2022 to June 30, 2022
Quarterly profit	47,975	1,671
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,753)	43,185
Total other comprehensive income	(11,753)	43,185
Quarterly comprehensive income	36,221	44,857
Quarterly comprehensive income attributable to;		
Owners of parent	29,994	44,538
Non-controlling interests	6,227	319

Note: Amounts are rounded down to the nearest thousand yen.

(3) Notes to Quarterly Consolidated Financial Statements
(Notes to Going Concern Assumption)

None

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

I. For the three months ended December 31, 2020 (From April 1, 2021 to June 30, 2021)

1. Dividend payment amount

Resolutions	Type of stock	Total amount of dividends (Thousands of JPY)	Dividends per share (JPY)	Record date	Effective Date	Source of dividends
Board of Directors meeting on May 21, 2021	Common stock	248,754	18	March 31, 2021	June 8, 2021	Capital surplus

2. Significant Changes in the Amount of Shareholders' Equity

On May 31, 2021, the company received payment from QUICK Corp. and Nikkei Inc. in the form of the third-party allotment of new shares, with capital and capital reserve increases of 1,749,762 thousand yen, respectively. As a result, as of June 30, 2021, the capital stock was 3,512,030 thousand yen and the capital surplus was 2,712,030 thousand yen.

II. For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

1. Dividend payment amount

Resolutions	Type of stock	Total amount of dividends (Thousands of JPY)	Dividends per share (JPY)	Record date	Effective Date	Source of dividends
Board of Directors meeting on May 20, 2022	Common stock	357,784	24	March 31, 2022	June 8, 2022	Capital surplus

2. Significant Changes in the Amount of Shareholders' Equity

None

(Changes in major subsidiaries during the period)

Not applicable.

It is noted however because the Company made MINKABU WEB3 WALLET, Inc. a subsidiary by acquiring the shares, the Company has included it in the consolidated subsidiaries in the first quarter of the current fiscal year.

(Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

We reasonably estimate an effective tax rate after applying tax effect accounting to income before income taxes for the consolidated fiscal year under review and adopt a method to calculate tax expenses by multiplying quarter income before taxes by the estimated effective tax rate.

(Changes in Accounting Policies)

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No.31, June 17, 2021, hereinafter "Guidance for the Standard for Fair Value Measurement") since the beginning of the first quarter of the current fiscal year. Following the transitional measures specified in Paragraph 27-2 of the Guidance for the Standard for Fair Value Measurement, the Company has decided to apply the new accounting policy stipulated by the Guidance on the Standard for Fair Value Measurement prospectively.

The adoption of this accounting standards has no impact on the consolidated financial statements.

(Segment Information)

[Segment Information]

I. For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

1. Information regarding net sales and operating profit or loss by the reportable segments

(Thousands of yen)

	Reportable segments			Adjusted amounts (Note 1, 3,4,5)	Posted amount to the consolidated statements of income (Note 2)
	Media Business	Solution Business	Total		
Net sales					
Revenue from contracts with customers	512,636	615,290	1,127,927	—	1,127,927
Other revenue	—	—	—	—	—
Net sales to external customers	512,636	615,290	1,127,927	—	1,127,927
Intersegment net sales and transfer	—	3,653	3,653	(3,653)	—
Total	512,636	618,944	1,131,581	(3,653)	1,127,927
Segment profit	161,025	107,190	268,216	(156,433)	111,782

Notes:

1. Segment profit adjustment of (156,423) thousand yen is corporate expenses that are not allocated to each reporting segment and is mainly general and administrative expenses that do not belong to the reporting segment.
2. Segment profit is adjusted with operating income on the quarterly consolidated income statement.

2. Information on impairment loss or goodwill of fixed assets by reporting segment
(Significant impairment loss on fixed assets)

None.

(Significant changes in the amount of goodwill)

None

(Significant gain on negative goodwill)

None

II. For the three months ended June 30, 2022 (From April 1, 2022 to June, 2022)

1. Information regarding net sales and operating profit or loss by the reportable segments

(Thousands of yen)

	Reportable segments			Adjusted amounts (Note 1)	Posted amount to the consolidated statements of income (Note 2)
	Media Business	Solution Business	Total		
Net sales					
Advertising	548,285	—	548,285	—	548,285
Subscription	83,213	—	83,213	—	83,213
Media and others	12,693	—	12,693	—	12,693
Recurring revenue	—	602,648	602,648	—	602,648
Initial/one-time revenue	—	133,517	133,517	—	133,517
Revenue from contracts with customers	644,193	736,166	1,380,359	—	1,380,359
Other revenue	—	—	—	—	—
Net sales to external customers	644,193	736,166	1,380,359	—	1,380,359
Intersegment net sales and transfer	—	11,445	11,445	(11,445)	—
Total	644,193	747,611	1,391,804	(11,445)	1,380,359
Segment profit	181,723	112,949	294,672	(195,871)	98,801

Notes:

1. Segment profit adjustment of (195,871) thousand yen is corporate expenses that are not allocated to each reporting segment and is mainly general and administrative expenses that do not belong to the reporting segment.
2. Segment profit is adjusted with operating income on the quarterly consolidated income statement.

2. Information on impairment loss or goodwill of fixed assets by reporting segment
(Significant impairment loss on fixed assets)

None

(Significant changes in the amount of goodwill)

In the Solution business segment, the Company recognized goodwill since it consolidated MINKABU WEB3 WALLET, Inc. due to the acquisition of the shares. The amount of goodwill derived from the acquisition was 93,065 thousand yen in the first quarter of the current fiscal year.

The amount of the goodwill is tentative because the purchase price allocation was not completed for the first quarter of the current fiscal year.

(Significant gain on negative goodwill)

None

(Business Combination)

On April 11, the Company entered into an investment agreement with BANQ Inc. (Head office: Minato-ku, Tokyo; Representative: Munetaka Takahashi, hereinafter “BANQ”) concerning BANQ’s incorporation-type company split of its NFT division and the Company acquires majority of the total voting rights of shares issued by the new company, WEB3 WALLET, Inc. through the underwriting of the third-party allotment of new shares, thereby making the company as a consolidated subsidiary. And WEB3 WALLET, Inc. was renamed to MINKABU WEB3 WALLET, Inc. following the resolution of the shareholders’ meeting of WEB3 WALLET on May 1, 2022.

1. Overview of the business combination

(1) Name of the acquired company and its business

Company Name: WEB3 WALLET, Inc.

Business: NFT Marketplace Business, ABC (Activity Based Certificates)

(2) The main reason for the business combination

Web3 is a network based on decentralized blockchain technology. Unlike Web 2.0, where information was centralized in a specific company or government, ownership of information belongs to individuals. User information that was previously limited to specific companies will be converted to NFT and managed by users in their wallets, enabling a UX where users can receive various benefits not limited to specific companies. In addition, user information can be smoothly utilized in the fields of metaverse and e-sports by linking user information.

As companies adapt to the Web3, information on loyal customers which used to be tied to specific companies and organizations, can now belong to individuals, and be utilized across companies and organizational boundaries. This makes it possible to develop services based on information on loyal customers shared among multiple companies and organizations.

Based on Minkabu’s mission of "providing a mechanism that embodies the value of information," we will help companies, organizations, and public institutions respond to the Web3 by uncovering information assets that have been buried within certain companies and creating new value. We made MINKABU WEB3 WALLET, Inc. a consolidated subsidiary to expand our business by leveraging Web3.

(3) Date of the business combination

May 1, 2022

(4) The legal form of the business combination

Acquisition with a cash consideration

(5) Name of the subsidiary after the business combination

MINKABU WEB3 WALLET, Inc.

(6) Rate of voting rights acquired

51.2%

(7) The basis for determining the acquiring company

Acquisition of an equity stake through a cash consideration.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Payment

3. Acquisition cost of the acquired company and breakdown by type of consideration

Payment for the acquisition (Cash): 199,999 thousand yen

Acquisition cost: 199,999 thousand yen

4. Details of major acquisition-related costs

Remuneration and fee paid to M&A advisor: 896 thousand yen

5. Goodwill recognized by acquisition, reason, amortization method, and period

(1) Goodwill recognized

93,065 thousand yen, a temporary amount since purchase price allocation is not completed yet at the end of the current fiscal quarter.

(2) The reason for the recognition

Excess earning power to be expected in the future development of the business

(3) Amortization method and period

At the end of the fiscal quarter, the Company is specifying the identifiable assets at the date of the business combination, and purchase price allocation is not completed yet. Accordingly, the amount of goodwill is tentative, and the amortization method and period are also under investigation.