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November 11, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)



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 Listing: Growth Market, Tokyo
 Securities code: 4436
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 Scheduled date to file quarterly securities report: November 11, 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 six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended										
September 30, 2022	2,840	17.0	529	(15.1)	162	(46.6)	83	(68.7)	5	(96.5)
September 30, 2021	2,427	37.4	623	24.5	304	15.8	265	7.1	149	13.9

Note: Comprehensive income For the six months ended September 30, 2022: ¥40 million [23.8%]
 For the six months ended September 30, 2021: ¥161 million [(53.8%)]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	0.35	0.35
September 30, 2021	10.28	10.08

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
September 30, 2022	9,609	7,261	73.5	471.62
March 31, 2022	9,757	7,443	75.2	492.54

Reference: Equity

As of September 30, 2022: ¥7,059 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	-	0.00			
Fiscal year ending March 31, 2023 (Forecast)			-	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	50.26

Notes:

1. Revisions to the forecast of financial results most recently announced: None
2. EBITDA is calculated as 'Operating profit + Depreciation + Amortization of goodwill'
3. The impact on the consolidated financial results caused by the acquisition of livedoor Co., Ltd., disclosed on September 28, 2022, is under investigation and will be disclosed immediately after the impact of the acquisition of the shares is clarified.

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 “(4) 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 10.
- (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 September 30, 2022	14,968,700 shares
As of March 31, 2022	14,907,700 shares

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

As of September 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)

Six months ended September 30, 2022	14,922,497 shares
Six months ended September 30, 2021	14,546,760 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:

1. 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.
2. We plan to hold a financial result briefing for institutional investors and analysts on November 11, 2022. Supplementary materials for financial results will be published on our website on the day of the event.

Table of Contents of Attached Material

1. Qualitative Information on Quarterly Financial Results -----	2
(1) Explanation of Results of Operations -----	2
(2) Explanation of Financial Position -----	3
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information -----	4
2. Quarterly Consolidated Financial Statements and Principal Notes-----	5
(1) Quarterly Consolidated Balance Sheets-----	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income -----	7
(Quarterly Consolidated Statements of Income)-----	7
(Quarterly Consolidated Statements of Comprehensive Income) -----	8
(Quarterly Consolidated Statements of Comprehensive Income) -----	8
(3) Consolidated Statement of Cash Flows -----	9
(4) Notes to Quarterly Consolidated Financial Statements-----	10
(Notes to Going Concern Assumption) -----	10
(Notes to Significant Changes in the Amount of Shareholders' Equity) -----	10
(Changes in major subsidiaries during the period) -----	10
(Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statements) ---	10
(Changes in Accounting Policies)-----	10
(Additional Information) -----	11
(Segment Information) -----	12
(Business Combination)-----	14
(Subsequent Event) -----	15

Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

On a consolidated basis, MINKABU THE INFONOID, INC. (hereinafter “the Company”) raised 2,840,407 thousand yen in sales (17.0% increase YoY), 162,491 thousand yen in operating profit (46.6% decrease YoY), 83,114 thousand yen in ordinary profit (68.7% decrease YoY), and 5,243 thousand yen in net profit attributable to shareholders of the parent company (96.5% decrease YoY) for the six months ended September 30, 2022. The Company also recorded 529,985 thousand yen (15.1% decrease YoY) in EBITDA (operating profit + depreciation and amortization + amortization of goodwill,) which is one of the key measurements of the Company’s continuous growth. The short-term periodic profits were decreased due to the upfront investments such as recruiting, the introduction of new services, and initial developments for expanding the services to achieve mid-term growth and depreciation due to the commencement of new services, but both the media business and solution business continuously increased their sales steadily year-on-year.

During the first quarter of the current fiscal year, the Company concluded the syndicated loan agreement to expand the commitment line for securing the working capital necessary for the Company’s continuous growth and optimizing the finance costs to establish a robust financial ground. The arrangement fee and other costs related to the fundraising were recorded as one-time non-operating costs. And for the second quarter of the current fiscal year, the Company recorded a gain on the sale of the software to the customer as extraordinary gain and recorded extraordinary losses related to the reconsideration of the capital/business alliance caused by the change of the priority in the group with the acquisition of livedoor Co., Ltd. as a background.

Results by business segment are as follows. 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 having 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 six months ended September 30, 2022, existing sites continuously added functionalities mainly consisting of US stock information.

For the six months ended September 30, 2022, the total monthly average unique users and visitors of media sites that the Company operates was 8.27 million, and 25.76 million, respectively. The weak market condition pressed these figures by 0.9 million (9.8%) and 2.67 million (9.4%), compared to the six months ended September 30, 2021. While pure advertising showed robust growth, the weak market condition affects the results mainly in affiliate advertising that ties to individual investors’ motivation to open brokerage accounts for the six months ended September 30, 2022. For the subscription-type revenue, monthly fees from paid services showed healthy growth and implementation service revenue for asset building management tool, “MINKABU ASSET PLANNER” for the corporate user is recorded. On the other hand, depreciation of software derived from new functionalities in information sites and server costs pressed the profit. As a result, consolidated sales for the six months ended September 30, 2022 was 1,081,945 thousand yen (4.6% increase YoY) and segment profit was 204,140 thousand yen (36.7% decrease 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, system installation, and subsequent maintenance services targeting the financial institutions, etc., that are already enjoying the Company’s information solutions. For the six months ended September 30, 2022, in addition to the continued organic growth, the acquisition of a large-sized consulting project for system solutions utilizing the Company’s assets that started during the first quarter of the fiscal year and Prop Tech Plus Inc., a consolidated subsidiary, contributed favourable results. During the second quarter of this fiscal year, the Company started to provide general information solutions for major internet security brokers. As a result, consolidated sales for the second quarter of the current fiscal year was 1,780,242 thousand yen (27.2% increase YoY) and segment profit was 337,481 thousand yen (12.5% increase YoY).

(2) Explanation of Financial Position
Assets, Liabilities, and Net Assets
(Assets)

Current assets at the end of the second quarter were 4,305,702 thousand yen with a decrease of 520,030 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of cash and cash equivalents and accounts receivables by 165,684 thousand yen and 403,954 thousand yen, respectively, partially offset by the increases in consumption tax receivables and prepaid expenses totalled 35,095 thousand yen.

Total fixed assets was 5,303,629 thousand yen with an increase of 371,525 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 292,526 thousand yen in software and software in progress due to the investments in software development, an increase of 56,470 thousand yen in investment securities resulting from the revaluation of marketable securities, and an increase of 43,894 thousand yen in goodwill due to the acquisition of MINKABU WEB3 WALLET, Inc. etc.

As a result, total assets was 9,609,331 thousand yen, a decrease of 148,504 thousand yen from 9,757,836 thousand yen at the end of the previous fiscal year.

(Liability)

Current liabilities at the end of the second quarter of the current fiscal year was 747,671 thousand yen with a decrease of 194,491 thousand yen compared to the end of the previous fiscal year. This was mainly due to decreases of 133,902 thousand yen in account payables and 72,967 thousand yen in income tax payables. Fixed liabilities increased by 227,520 thousand yen to 1,599,690 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 231,463 thousand yen in long-term debt.

As a result, total liabilities amounted to 2,347,361 thousand yen, an increase of 33,029 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 second quarter of the current fiscal year was 7,261,970 thousand yen, a decrease of 181,534 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 dividends, which was partially offset by the increases in share capital and capital surplus amounted to 17,225 thousand yen, respectively due to the exercise of share options, increases in unrealized profit in investment securities by 36,047 thousand yen and non-controlling interests by 101,512 thousand yen.

As a result, the equity ratio was 73.5% (75.2% at the end of the previous fiscal year).

Cash Flow

Cash and cash equivalents at the end of the second quarter of the current fiscal year were 3,360,481 thousand yen, a decrease of 165,684 thousand yen at the end of the previous fiscal year. The status of each category of cash flow and the main reasons are described below.

(Cash Flow from operating activities)

Net cash inflow from operating activities amounted to 601,118 thousand yen. In addition to 56,448 thousand yen in profit before income taxes, 318,322 thousand yen in total depreciation, mainly software depreciation associated with growth, and an increase in cash flow due to a decrease in trade receivables of 403,954 thousand yen, partially offset by the decrease in trade payables of 133,902 thousand yen, the decrease of other provision of 18,628 thousand yen, and increase in other current assets amounted 14,444 thousand yen.

(Cash Flow from investment activities)

Net cash used in investing activities totalled 619,979 thousand yen. This was mainly due to 576,740 thousand yen in the purchase of intangible assets, and software development investment.

(Cash Flow from financial activities)

Net cash used for financial activities amounted to 146,823 thousand yen. This was due to the proceeds from the long-term borrowing amounted to 1,257,582 thousand yen, consisting of 1,330,000 thousand of the syndicated excluding 72,417 thousand yen of the arrangement fee that was the refinance of M&A finance for the acquisition of Prop Tech Plus Inc., offset by the 1,080,416 thousand yen of repayment of long-term borrowings and 357,182 thousand yen of dividend payment.

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

For the fiscal year ending March 31, 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 the 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). Considering 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.

“Doubling Asset-based Incomes Plan” will be organized in detail within 2022 in response to the “Grand Design and Action Plan for a New Form of Capitalism” that was approved by the Cabinet of Japan on June 7, 2022 and “Basic Policy on Economic and Fiscal Management and Reform 2022”. To promote the shift from savings to investment, it is expected that eliminating the deadline and significant expansion of NISA (Nippon Individual Savings Account) and drastic reform of iDeCo, individual defined contribution pensions. The Company goes along with the above policy and organizes the platform which promotes innovations and growth of the enterprises, and the enhancement of financial literacy and asset building activities in the household, the Company develops digital platforms for financial education and plans to provide financial education solutions as ASP services to other enterprises and organizations from the beginning of 2023.

The Company and LINE Corporation (hereinafter “LINE”) reached an agreement in which the Company acquires “livedoor Blog”, “livedoor NEWS” and “Kstyle” (hereinafter “Livedoor Business”) operated by LINE on September 28, 2022. The acquisition will be executed with the process that LINE establishes livedoor Co., Ltd., (hereinafter “Livedoor”) a fully owned subsidiary, and transfers its Livedoor Business to livedoor Co., Ltd. by absorption-type company split, and then the Company purchases all shares of Livedoor. As a result of the acquisition, Livedoor will be a subsidiary of the Company on December 28th and the operating results of Livedoor will be reflected by the Company from October 7th, the date of Livedoor’s establishment, by applying deemed acquisition date. The date of business transfer from LINE Corporation after the establishment of Livedoor is planned to be December 1st, 2022. The Company believes the business combination of the Company and Livedoor is a strong synergy in the expansion of the user basis from individual investors to ordinary citizens, strengthening the power of the acquisition of new users, expanding of contents for both companies, etc. Synergies are also expected for the effective use of resources such as having a common basis of advertisement marketing, sharing the expertise of internet media operation, content auto generation engine and NFT technology.

Further, the Company purchased all shares of ALIS Co., Ltd. (hereinafter “ALIS”) and made ALIS a fully owned subsidiary on October 4, 2022. ALIS has expertise in advanced technology such as blockchain. Moreover, ALIS’s operational know-how of the token economy including boosting user communications and incubating paid content is proven in “ALIS.to”, social media platform using blockchain technology. In the Livedoor Business development mentioned above, the Company seeks to create new user experiences of internet media in the Web-3.0-era by utilizing ALIS’s expertise in token issuance and the operation of the token economy. The expected new user experiences will be providing incentives between users for good posting contributors on, including, social function featured asset building information media, “MINKABU”, introducing digital incentives when users share the news delivered with SNS, making posted content as NFT in alliance with MINKABU Web3 Wallet Inc., deploying a marketplace in social media based on the NFT, and so on.

The Company will achieve over 10 billion in net sales for the fiscal year ending March 2024 and enter a new growth phase with the significant expansion of business scale and diversity of service portfolio, which is resulted from the organic growth, the contribution of Livedoor and synergies derived from the integration of resources and know-how in the group of the Company.

1. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	3,526,165	3,360,481
Account receivables	1,127,845	723,890
Work in process	15,218	30,301
Supplies	4,338	2,163
Others	156,836	191,932
Allowance for doubtful accounts	(4,672)	(3,066)
Total current assets	4,825,732	4,305,702
Non-current Assets:		
Property, plant, and equipment	86,771	106,773
Intangible assets:		
Goodwill	931,751	975,645
Clients' asset	432,086	411,719
Technology assets	67,647	62,054
Software	1,592,391	1,997,551
Software in progress	387,280	274,647
Others	33,419	30,889
Total intangible assets	3,444,576	3,752,507
Investments and other assets:		
Investment securities	1,107,015	1,163,486
Guarantee deposits	130,472	129,842
Deferred tax assets	161,411	149,992
Others	6,479	5,648
Allowance for doubtful accounts	(4,621)	(4,621)
Total investment and other assets	1,400,756	1,444,348
Total fixed assets	4,932,104	5,303,629
Total assets	9,757,836	9,609,331

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

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2022
LIABILITIES		
Current liabilities:		
Accounts payables	383,890	249,988
Current portion of long-term borrowings	159,816	177,935
Income tax payable	158,368	85,400
Other allowances	21,610	2,982
Others	218,476	231,364
Total current liabilities	942,162	747,671
Non-current liabilities:		
Long-term borrowings	1,296,203	1,527,666
Deferred tax liabilities	75,967	72,024
Total non-current liabilities	1,372,170	1,599,690
Total liabilities	2,314,332	2,347,361
NET ASSETS		
Shareholders' equity		
Share capital	3,514,020	3,531,245
Capital surplus	4,533,849	4,192,285
Retained earnings	(745,034)	(739,790)
Treasury shares	(93)	(93)
Total shareholders' equity	7,302,741	6,983,646
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	39,841	75,888
Total accumulated other comprehensive income	39,841	75,888
Non-controlling interests	100,922	202,434
Total net assets	7,443,504	7,261,970
Total liabilities and net assets	9,757,836	9,609,331

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 September 30, 2021	From April 1, 2022 to September 30, 2022
Net Sales	2,427,292	2,840,407
Cost of Sales	1,316,658	1,706,128
Gross Profit	1,110,634	1,134,279
Selling, general and administrative expenses	806,321	971,787
Operating profit	304,312	162,491
Non-operating income		
Interest income	15	17
Dividend income	—	2,430
Reversal of allowance for doubtful accounts	943	1,605
Others	58	129
Total non-operating income	1,016	4,183
Non-operating expenses		
Interest expense	5,995	5,241
Financing expenses	25,729	72,417
Foreign exchange losses	183	485
Others	8,254	5,415
Total non-operating expenses	40,162	83,561
Ordinary profit	265,166	83,114
Extraordinary gains		
Gain on sale of non-current assets	—	10,187
Gain on sale of investment securities	—	2,746
Total extraordinary gains	—	12,933
Extraordinary losses		
Settlement payment	—	28,000
Loss on disposal of non-current assets	31	56
Loss on impairment of investment securities	—	11,542
Total extraordinary losses	31	39,598
Profit before income taxes	265,135	56,448
Income taxes (Corporate, residential, enterprise taxes)	101,889	51,532
Quarterly Profit	163,245	4,916
Quarterly profit (loss) attributable to non-controlling interests	13,706	(327)
Quarterly profit attributable to owners of the parent	149,539	5,243

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

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	From April 1, 2021 to September 30, 2021	From April 1, 2022 to September 30, 2022
Quarterly profit	163,245	4,916
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,044)	36,047
Total other comprehensive income	(2,044)	36,047
Quarterly comprehensive income	161,201	40,963
Quarterly comprehensive income attributable to;		
Owners of parent	147,495	41,291
Non-controlling interests	13,706	(327)

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

(3) Consolidated Statement of Cash Flows

	From April 1, 2020 to September 30, 2021	From April 1, 2021 to September 30, 2022
Cash flows from operating activities		
Profit before income taxes	265,135	56,448
Depreciation	274,337	318,322
Amortization of goodwill	45,293	49,171
Decrease in allowance for doubtful accounts	(943)	(1,605)
Decrease in other provisions	(14,303)	(18,628)
Interest and dividend income	(15)	(2,447)
Interest expense	5,995	5,241
Share issuance costs	274	253
Financing expenses	25,729	72,417
Loss (gain) on sale of non-current assets	31	(10,130)
Gain on sales of securities	—	(2,746)
Impairment of security	—	11,542
Decrease in trade receivables	226,382	403,954
Increase in inventories	(3,065)	(12,906)
Increase in other current assets	(40,323)	(14,444)
Decrease in trade payables	(12,982)	(133,902)
Decrease in other current liabilities	(27,420)	(3,412)
Others	1,523	3,213
Subtotal	<u>745,650</u>	<u>720,340</u>
Interest and dividends received	15	2,447
Interest paid	(5,939)	(4,293)
Income taxes paid	<u>(48,541)</u>	<u>(117,376)</u>
Cash flows from operating activities	<u>691,184</u>	<u>601,118</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(51,892)	(36,604)
Purchase of intangible assets	(368,111)	(576,740)
Purchase of investment securities	(385,088)	(25,000)
Proceeds from the sale of investment securities	45,594	8,200
Payments of leasehold and guarantee deposits	(28,100)	—
Proceeds from the refund of leasehold deposits	—	165
Purchase of shares of subsidiaries resulting in a change in scope of consolidation	—	10,000
Cash flows from investing activities	<u>(787,598)</u>	<u>(619,979)</u>
Cash flows from financing activities		
Net decrease in short-term borrowing	(500,000)	—
Proceeds from long-term borrowing	—	1,257,582
Repayments of long-term borrowings	(108,280)	(1,080,416)
Redemption of bonds	(20,000)	—
Proceeds from the issuance of shares	3,476,200	34,196
Purchase of treasury shares	(93)	—
Dividends paid	(248,162)	(357,182)
Purchase of shares of subsidiaries not resulting in a change in scope of consolidation	(96,000)	(1,003)
Cash flows from financing activities	<u>2,503,664</u>	<u>(146,823)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,407,249</u>	<u>(165,684)</u>
Cash and cash equivalents at beginning of the period	<u>1,847,041</u>	<u>3,526,165</u>
Cash and cash equivalents at end of the period	<u>4,254,291</u>	<u>3,360,481</u>

(4) 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 six months ended September 31, 2020 (From April 1, 2021 to September 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 September 30, 2021, the capital stock was 3,512,030 thousand yen and the capital surplus was 2,712,030 thousand yen.

II. For the six months ended September 30, 2022 (From April 1, 2022 to September 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 the accounting standards has no impact on the consolidated financial statements.

(Additional Information)
(Business Combination)

The Company and LINE Corporation (hereinafter “LINE”, President and Representative Director: Takeshi Idezawa) reached an agreement in which the Company acquires “livedoor Blog”, “livedoor NEWS” and “Kstyle” (hereinafter “livedoor Business”) operated by LINE. The acquisition will be executed with the process that LINE establishes livedoor Co., Ltd., a fully owned subsidiary, and transfers its livedoor Business to livedoor Co., Ltd. by absorption-type company split, and then the Company purchases all shares of livedoor Co., Ltd. The two companies signed the Share Transfer Agreement dated September 28th, 2022.

1. Overview of the business combination

(1) Name of the acquired company and its business

Company Name: livedoor Co., Ltd.

Business: Operation of blogging platforms and news sites etc.

(2) The main reason for the business combination

As a result of the business combination, the Company becomes a leading internet media group with an 80 million sizes user base along with “MINKABU,” an asset building information media and “Kabutan,” stock information specialized media. the Company believes the business combination of the Company and livedoor Co., Ltd. is a strong synergy in the expansion of the user basis from individual investors to ordinary citizens, strengthening the power of the acquisition of new users, expanding of contents for both companies, etc. Synergies are also expected for the effective use of resources such as having a common basis of advertisement marketing, sharing the expertise of internet media operation, content auto generation engine and NFT technology.

(3) Date of the business combination

December 28, 2022 (Scheduled)

(4) The legal form of the business combination

Acquisition with a cash consideration

(5) Name of the subsidiary after the business combination

livedoor Co., Ltd.

(6) Rate of voting rights acquired

100%

(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 for the acquisition (Cash): 7,100,000 thousand yen (Estimated)

Acquisition cost: 7,100,000 thousand yen (Estimated)

3. Details of major acquisition-related costs

Advisory fee etc.: 100,000 thousand yen (Estimated)

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

Not determined yet

5. Major assets and liabilities transferred at the date of the business combination

Not determined yet

(Segment Information)

[Segment Information]

I. For the six months ended September 30, 2021 (From April 1, 2021 to September 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)	Posted amount to the consolidated statements of income (Note 2)
	Media Business	Solution Business	Total		
Net sales					
Revenue from contracts with customers	1,034,795	1,392,497	2,427,292	—	2,427,292
Other revenue	—	—	—	—	—
Net sales to external customers	1,034,795	1,392,497	2,427,292	—	2,427,292
Intersegment net sales and transfer	—	7,171	7,171	(7,171)	—
Total	1,034,795	1,399,668	2,434,463	(7,171)	2,427,292
Segment profit	322,298	300,103	622,401	(318,088)	304,312

Notes:

1. Segment profit adjustment of (318,088) thousand yen is corporate expenses that are not allocated to each reporting segment and are 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 six months ended September 30, 2022 (From April 1, 2022 to September 30, 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	876,535	—	876,535	—	876,535
Subscription	192,820	—	192,820	—	192,820
Media and others	12,589	—	12,589	—	12,589
Recurring revenue	—	1,267,340	1,267,340	—	1,267,340
Initial/one-time revenue	—	491,121	491,121	—	491,121
Revenue from contracts with customers	1,081,945	1,758,462	2,840,407	—	2,840,407
Other revenue	—	—	—	—	—
Net sales to external customers	1,081,945	1,758,462	2,840,407	—	2,840,407
Intersegment net sales and transfer	—	21,780	21,780	(21,780)	—
Total	1,081,945	1,780,242	2,862,187	(21,780)	2,840,407
Segment profit	204,140	337,481	541,622	(379,130)	162,491

Notes:

1. Segment profit adjustment of (379,130) thousand yen is corporate expenses that are not allocated to each reporting segment and are 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 for the six months ended September 30, 2022.

While the amount of the goodwill was tentative as of June 2022 because the purchase price allocation was not completed, it was fixed as of September 30, 2022 without any change of figure.

(Significant gain on negative goodwill)

None

(Business Combination)

(Business Combination through the acquisition of shares)

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 off 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 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 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 the Company'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. Period of business results of the acquired company in the quarterly consolidated statements of income for the six months ended September 30, 2022

From May 1, 2022 to September 30, 2022

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.

While the amount of the goodwill was tentative as of June 2022 because the purchase price allocation was not completed, it was fixed as of September 30, 2022 without any change of figure.

(2) The reason for the recognition

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

(3) Amortization method and period

Straight line method with a period of 10 years

(Subsequent Event)

(Business Combination through the acquisition of shares)

On October 4, the Company purchased all shares of ALIS Co., Ltd. (hereinafter “ALIS”, Minato-ku, Co-founder/CMO, Takashi Mizusawa, and Co-founder/CTO, Sota Ishii) and made ALIS a fully owned subsidiary.

1. Overview of the business combination

(1) Name of the acquired company and its business

Company Name: ALIS Co., Ltd.

Business: Operation of social media platforms etc.

(2) The main reason for the business combination

ALIS has expertise in advanced technology such as blockchain. Moreover, ALIS’s operational know-how of the token economy including boosting user communications and incubating paid content is proven in “ALIS.to”, social media platform using blockchain technology. As described in “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information” in the development of livedoor business, the Company seeks to create new user experiences of internet media in the Web-3.0-era by utilizing ALIS’s expertise in token issuance and the operation of the token economy. The expected new user experiences will be providing incentives between users for good posting contributors, including, social function featured asset building information media, “MINKABU”, introducing digital incentives when users share the news delivered with SNS, making posted content as NFT in alliance with MINKABU Web3 Wallet Inc. acquired by the Company in May 2022, deploying a marketplace in social media based on the NFT., and so on.

(3) Date of the business combination

October 4, 2022

(4) The legal form of the business combination

Acquisition with a cash consideration

(5) Name of the subsidiary after the business combination

ALIS Co., Ltd.

(6) Rate of voting rights acquired

100%

(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 for the acquisition (Cash): 240,000 thousand yen

Acquisition cost: 240,000 thousand yen

4. Details of major acquisition-related costs

Not determined yet

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

Not determined yet