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January 30, 2023

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (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 commence dividend payments: March 9, 2023
 Scheduled date of annual general meeting of shareholders: March 27, 2023
 Scheduled date to file annual securities report: March 28, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
December 31, 2022	35,708	6.4	8,249	4.3	8,319	4.7	5,806	78.1
December 31, 2021	33,560	15.0	7,905	27.1	7,947	26.7	3,260	(23.6)

Note: Comprehensive income For the fiscal year ended December 31, 2022: ¥5,921 million [82.6%]
 For the fiscal year ended December 31, 2021: ¥3,242 million [(24.8)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	¥	¥	%	%	%
December 31, 2022	179.60	179.52	31.1	31.9	23.1
December 31, 2021	100.92	100.84	20.9	34.2	23.6

Reference: Share of income (loss) of entities accounted for using equity method
 For the fiscal year ended December 31, 2022: ¥– million
 For the fiscal year ended December 31, 2021: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
December 31, 2022	28,197	20,820	73.8	643.78
December 31, 2021	23,936	16,566	69.2	512.53

Reference: Equity As of December 31, 2022: ¥20,818 million
 As of December 31, 2021: ¥16,562 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	¥ millions	¥ millions	¥ millions	¥ millions
December 31, 2022	6,774	(367)	(1,720)	20,184
December 31, 2021	5,397	34	(1,355)	15,498

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	Q1	Q2	Q3	Q4	Total			
	¥	¥	¥	¥	¥	¥ millions	%	%
FY2021	–	17.00	–	26.00	43.00	1,389	42.6	8.9
FY2022	–	27.00	–	29.00	56.00	1,810	31.2	9.7
FY2023 (Forecast)	–	36.00	–	37.00	73.00		50.2	

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	18,000	(1.5)	3,450	(22.4)	3,450	(23.6)	2,300	(26.5)	¥ 71.13
Fiscal year ending December 31, 2023	36,200	1.4	7,000	(15.1)	7,000	(15.9)	4,700	(19.1)	¥ 145.34

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
2. Changes in accounting policies due to other reasons: None
3. Changes in accounting estimates: None
4. Restatement: None

Note: For details, please refer to “3. Consolidated financial statements and significant notes, (5) Notes to consolidated financial statements (Changes in accounting policies)” on page 11 of the attached materials.

(3) 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 December 31, 2022	34,471,000	As of December 31, 2021	34,471,000
2. Number of treasury shares at the end of the period	As of December 31, 2022	2,133,699	As of December 31, 2021	2,155,503
3. Average number of shares outstanding during the period	Fiscal year ended December 31, 2022	32,329,328	Fiscal year ended December 31, 2021	32,310,868

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
December 31, 2022	34,450	7.0	8,145	2.6	8,265	3.2	5,703	79.7
December 31, 2021	32,185	18.5	7,939	24.3	8,008	23.8	3,174	(30.2)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
December 31, 2022	¥ 176.43	¥ 176.35
December 31, 2021	98.24	98.17

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
December 31, 2022	28,028	20,853	74.4	644.80
December 31, 2021	23,871	16,701	70.0	516.72

Reference: Equity As of December 31, 2022:¥20,851 million

As of December 31, 2021:¥16,698 million

2. Non-consolidated earnings forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending June 30, 2023	17,400	(1.3)	3,400	(22.5)	3,400	(24.1)	2,300	(25.6)	71.13
Fiscal year ending December 31, 2023	35,000	1.6	6,900	(15.3)	6,900	(16.5)	4,600	(19.4)	142.25

* Financial results reports are exempt from audit 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. Overview of operating results and others, (1) Overview of operating results for the fiscal year" on page 2 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 financial results)

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

○Attached Material

Index

1. Overview of operating results and others	2
(1) Overview of operating results for the fiscal year	2
(2) Overview of financial positions for the fiscal year	3
2. Basic policy to select the accounting principle	4
3. Consolidated financial statements and significant notes	5
(1) Consolidated balance sheet	5
(2) Consolidated statement of comprehensive income	7
(3) Consolidated statement of changes in equity	8
(4) Consolidated statement of cash flows	10
(5) Notes to consolidated financial statements	11
(Notes - Uncertainties of entity's ability to continue as going concern)	11
(Changes in accounting policies)	11
(Segment information)	11
(Per share information)	14
(Significant subsequent events)	14

1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

During the fiscal year under review, the Japanese economy began to show signs of a gradual recovery as restrictions on activities to prevent the spread of COVID-19 were eased. However, the uncertain situation is still to continue due to factors such as the impact of rising prices.

In this environment, the Group has been focusing on providing effective marketing solutions to maximize performance of commerce business operators, “Gross Merchandise Value (GMV),” which is reflected in the following consolidated operating results.

For the fiscal year under review, net sales were ¥35,708 million (up 6.4% year on year). In “Affiliate Marketing” pay-per-performance advertising, net sales increased year-on-year due to modest recovery in Travel, and growth in the Finance category in the first half.

In addition, in “StoreMatch” pay-per-click advertising for stores in the online shopping mall, net sales increased year-on-year due to a continuous increase in the number of business operators (stores) using the service with the increased use of the advertising function for manufacturers as well as growing business operator focus toward e-commerce. On the other hand, for the “STORE’s R∞” CRM tool for stores in the online shopping mall, net sales significantly decreased year-on-year because of the increased use of new advertising products for stores that online shopping malls are promoting.

Selling, general and administrative expenses were ¥4,577 million (down 8.0% year on year) due to (i) the absence of temporary increase in expenses relating to the relocation of the head office, which took place in the previous fiscal year, and decrease in rent and other office-related expenses, and (ii) a decrease in amortization of goodwill and depreciation due to the recording of impairment loss on assets related to Dynatech inc., whose customers are accommodation facilities, in the previous fiscal year.

Operating income was ¥8,249 million (up 4.3% year on year) due to the increase in net sales and decrease in selling, general and administrative expenses.

Ordinary income was ¥8,319 million (up 4.7% year on year) due to recognizing gain on investments in investment partnerships of ¥66 million under non-operating income.

Net income attributable to owners of parent was ¥5,806 million (up 78.1% year on year) due to the absence of recording of impairment losses on assets related to Dynatech inc. under extraordinary losses in the previous fiscal year, despite the recording of income taxes of ¥2,513 million.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review. Please refer to “(Application of accounting standard for revenue recognition, etc.)” in “(Changes in accounting policies)” in “(5) Notes to consolidated financial statements” in “3. Consolidated financial statements and significant notes.” The impact of this change in accounting policy is immaterial.

Segment performance was as follows:

(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.

During the fiscal year under review, net sales increased year-on-year in “Affiliate Marketing” due to modest recovery in Travel, and growth in the Finance category in the first half. As a result, this segment attained net sales of ¥16,005 million (up 1.4% year on year) and segment operating income of ¥2,857 million (up 3.0% year on year).

As a major effort in product planning and development, we have added Twitter to the “SNS Accounts” of publishers in December 2022. In addition to the existing advertising mediums YouTube and Instagram, advertisers can now post affiliate ads on Twitter, expanding opportunities for advertising on SNS.

(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 “STORE’s R∞” CRM tool for stores in the online shopping mall operated by Yahoo Japan Corporation, and “StoreMatch” pay-per-click advertising. Its services also include the “B-Space” e-commerce website operation support tool, and consolidated subsidiary Dynatech inc., which develops and provides information systems for accommodation facilities.

During the fiscal year under review, for the “STORE’s R∞” CRM tool for stores in the online shopping mall, net sales significantly decreased year-on-year because of the increased use of new advertising products for stores that online shopping malls are promoting. On the other hand, in “StoreMatch” pay-per-click advertising, net sales increased year-on-year due to a continuous increase in the number of business operators (stores) using the service with the increased use of the advertising function for manufacturers as well as growing business operator focus toward e-commerce. As a result, this segment attained net sales of ¥19,702 million (up 10.8% year on year) and segment operating income of ¥6,704 million (up 1.9% year on year).

As a major effort in product planning and development, we enhanced the advertising function for manufacturers in “StoreMatch,” such as the development of “Brand Search Ads.”

Dynatech inc., whose customers are accommodation facilities, released several additional functions for its accommodation reservation system “Direct In S4,” with a focus on improving convenience for existing customers and attracting new customers.

The outlook for the next fiscal year remains difficult to accurately predict due to the impact of high prices caused by soaring resource prices and the changing trend of COVID-19. However, it is expected that moves to normalize economic activities will progress with the easing of COVID-19-related restrictions on activities. As a result, in “Affiliate Marketing” pay-per-performance advertising, the Company assumes that the recovery in advertising placements in the Travel category, etc., will start.

In addition, while the EC market is a growing market that will continue to expand steadily, and demand for “StoreMatch” pay-per-click advertising for stores in the online shopping mall is relatively solid, the use of the “STORE’s R∞” CRM tool for stores in the online shopping mall is expected to slow down because of the increased use of new advertising products for stores that online shopping malls are promoting.

As a result of the above, for the consolidated earnings forecasts for the next fiscal year, the Group forecasts net sales of ¥36,200 million (up 1.4% year on year), operating income of ¥7,000 million (down 15.1% year on year), ordinary income of ¥7,000 million (down 15.9% year on year), and net income attributable to owners of parent of ¥4,700 million (down 19.1% year on year).

(Note) The forward-looking statements, including earnings forecasts, contained in this financial results are based on information currently available to management, and various factors may cause actual results to differ materially from these estimates.

(2) Overview of financial positions for the fiscal year

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

Assets

At the end of the fiscal year under review, total assets amounted to ¥28,197 million, an increase of ¥4,260 million from the end of the previous fiscal year.

Current assets amounted to ¥26,122 million, an increase of ¥4,102 million from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥4,686 million, despite a decrease in notes and accounts receivable - trade of ¥747 million.

Non-current assets amounted to ¥2,075 million, an increase of ¥157 million from the end of the previous fiscal year. This was mainly due to an increase in investment securities of ¥256 million, despite a decrease in customer-related assets of ¥67 million.

Liabilities

At the end of the fiscal year under review, total liabilities amounted to ¥7,377 million, an increase of ¥6 million from the end of the previous fiscal year.

Current liabilities amounted to ¥7,308 million, an increase of ¥13 million from the end of the previous fiscal year. This was mainly due to increases in accounts payable - other of ¥245 million and income taxes payable of ¥113 million, despite decreases in accounts payable - trade of ¥264 million and other current liabilities of ¥96 million.

Non-current liabilities amounted to ¥69 million, a decrease of ¥6 million from the end of the previous fiscal year.

Net assets

At the end of the fiscal year under review, total net assets amounted to ¥20,820 million, an increase of ¥4,253 million from the end of the previous fiscal year. This was mainly due to an increase in recording of net income attributable to owners of parent of ¥5,806 million, despite a decrease in retained earnings of ¥1,713 million as a result of a dividend of surplus.

(ii) Cash flows

At the end of the fiscal year under review, the balance of cash and cash equivalents amounted to ¥20,184 million, an increase of ¥4,686 million from the end of the previous fiscal year.

The cash flows and their causes during the fiscal year under review, are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥6,774 million (compared to net cash provided of ¥5,397 million in the previous fiscal year), mainly due to income before income taxes of ¥8,319 million. Positive factors include depreciation and amortization of ¥415 million and a decrease in accounts receivable - trade of ¥747 million. Negative factors include a decrease in accounts payable - trade of ¥264 million and income taxes paid of ¥2,462 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥367 million (compared to net cash provided of ¥34 million in the previous fiscal year), mainly due to purchase of intangible assets of ¥315 million and purchase of investment securities of ¥66 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,720 million (compared to net cash used of ¥1,355 million in the previous fiscal year), mainly due to dividends paid of ¥1,717 million.

2. Basic policy to select the accounting principle

The Group's policy is to prepare the consolidated financial statements with JGAAP for the moment considering consolidated financial statements' period comparability and inter-company comparability.

Regarding adaption of international accounting standards (IFRS), the Company is going to correspond appropriately considering several situations inside and outside Japan.

3. Consolidated financial statements and significant notes

(1) Consolidated balance sheet

(¥ millions)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	15,498	20,184
Notes and accounts receivable - trade	5,025	4,278
Accounts receivable - other	1,420	1,575
Other	79	89
Allowance for doubtful accounts	(4)	(5)
Total current assets	22,019	26,122
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	138	138
Accumulated depreciation	(9)	(22)
Facilities attached to buildings, net	129	116
Tools, furniture and fixtures	432	457
Accumulated depreciation	(343)	(377)
Tools, furniture and fixtures, net	89	79
Leased assets	32	32
Accumulated depreciation	(11)	(17)
Leased assets, net	20	14
Total property, plant and equipment	239	210
Intangible assets		
Software	689	651
Software in progress	70	131
Goodwill	156	104
Customer-related assets	202	134
Other	8	6
Total intangible assets	1,126	1,028
Investments and other assets		
Investment securities	453	709
Deferred tax assets	84	105
Other	14	21
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	551	835
Total non-current assets	1,917	2,075
Total assets	23,936	28,197

(¥ millions)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,986	2,722
Accounts payable - other	2,256	2,502
Income taxes payable	1,364	1,478
Provision for bonuses	28	43
Other	657	561
Total current liabilities	7,294	7,308
Non-current liabilities		
Other	76	69
Total non-current liabilities	76	69
Total liabilities	7,370	7,377
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,168	1,210
Retained earnings	14,017	18,110
Treasury shares	(526)	(521)
Total shareholders' equity	16,387	20,528
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	174	289
Total accumulated other comprehensive income	174	289
Share acquisition rights	3	2
Total net assets	16,566	20,820
Total liabilities and net assets	23,936	28,197

(2) Consolidated statement of comprehensive income

(¥ millions)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	33,560	35,708
Cost of sales	20,681	22,881
Gross income	12,879	12,826
Selling, general and administrative expenses	4,973	4,577
Operating income	7,905	8,249
Non-operating income		
Gain on non-refundable commissions for publishers	4	1
Gain on investments in investment partnerships	30	66
Other	11	8
Total non-operating income	47	75
Non-operating expenses		
Foreign exchange losses	1	0
Other	4	4
Total non-operating expenses	5	4
Ordinary income	7,947	8,319
Extraordinary losses		
Impairment losses	2,406	–
Other	91	–
Total extraordinary losses	2,497	–
Income before income taxes	5,449	8,319
Income taxes - current	2,359	2,584
Income taxes - deferred	(170)	(71)
Total income taxes	2,189	2,513
Net income	3,260	5,806
(Break Down)		
Net income attributable to		
Net income attributable to owners of parent	3,260	5,806
Net income attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	115
Total other comprehensive income	(18)	115
Comprehensive income	3,242	5,921
(Break Down)		
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,242	5,921
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2021

(¥ millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,728	1,164	12,113	(529)	14,478
Changes during period					
Dividends of surplus			(1,356)		(1,356)
Net income attributable to owners of parent			3,260		3,260
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		3		2	6
Net changes in items other than shareholders' equity					
Total changes during period	-	3	1,903	2	1,909
Balance at end of period	1,728	1,168	14,017	(526)	16,387

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	192	192	5	14,676
Changes during period				
Dividends of surplus				(1,356)
Net income attributable to owners of parent				3,260
Purchase of treasury shares				(0)
Disposal of treasury shares			(1)	4
Net changes in items other than shareholders' equity	(18)	(18)	(0)	(18)
Total changes during period	(18)	(18)	(1)	1,890
Balance at end of period	174	174	3	16,566

Fiscal year ended December 31, 2022

(¥ millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,728	1,168	14,017	(526)	16,387
Changes during period					
Dividends of surplus			(1,713)		(1,713)
Net income attributable to owners of parent			5,806		5,806
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		3		2	6
Restricted share-based remuneration		38		2	41
Net changes in items other than shareholders' equity					
Total changes during period	–	41	4,093	5	4,140
Balance at end of period	1,728	1,210	18,110	(521)	20,528

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	174	174	3	16,566
Changes during period				
Dividends of surplus				(1,713)
Net income attributable to owners of parent				5,806
Purchase of treasury shares				(0)
Disposal of treasury shares			(1)	4
Restricted share-based remuneration				41
Net changes in items other than shareholders' equity	115	115	–	115
Total changes during period	115	115	(1)	4,253
Balance at end of period	289	289	2	20,820

(4) Consolidated statement of cash flows

(¥ millions)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Income before income taxes	5,449	8,319
Depreciation and amortization	709	415
Amortization of goodwill	84	52
Share-based payment expenses	-	16
Increase (decrease) in allowance for doubtful accounts	(0)	0
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	(30)	(66)
Impairment losses	2,406	-
Decrease (increase) in accounts receivable - trade	(605)	747
Increase (decrease) in accounts payable - trade	239	(264)
Decrease (increase) in accounts receivable - other	(3)	(163)
Increase (decrease) in accounts payable - other	(202)	255
Other, net	(165)	(75)
Subtotal	7,882	9,236
Interest received	0	0
Income taxes paid	(2,485)	(2,462)
Net cash provided by (used in) operating activities	5,397	6,774
Cash flows from investing activities		
Purchase of property, plant and equipment	(136)	(28)
Purchase of intangible assets	(277)	(315)
Purchase of investment securities	-	(66)
Proceeds from distributions of investment partnerships	135	41
Proceeds from refund of guarantee deposits	313	-
Net cash provided by (used in) investing activities	34	(367)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	4	4
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,352)	(1,717)
Repayments of finance lease liabilities	(7)	(7)
Net cash provided by (used in) financing activities	(1,355)	(1,720)
Net increase (decrease) in cash and cash equivalents	4,076	4,686
Cash and cash equivalents at beginning of period	11,422	15,498
Cash and cash equivalents at end of period	15,498	20,184

(5) Notes to consolidated financial statements

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

Not applicable.

(Changes in accounting policies)

Application of accounting standard for revenue recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The Company has adjusted the balance of retained earnings at the beginning of the fiscal year under review by reflecting the cumulative effect of its retrospective application assuming application of the new accounting policy to the periods prior to the beginning of the fiscal year under review. Meanwhile, whereas the Company has accordingly applied the new accounting policy starting from such beginning balance, the beginning balance has not been affected. The effect of such application on the consolidated financial statements and per share information for the fiscal year under review was immaterial.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Advances received," which had been presented in "Other" under "Current liabilities" in the consolidated balance sheet of the previous fiscal year, is now to be presented in "Other" under "Current liabilities" as "Contract liabilities" from the beginning of the fiscal year under review. Furthermore, the "Information on Disaggregation of Revenue From Contracts With Customers" during the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition.

Application of accounting standard for fair value measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(Segment information)

1. Overview of reportable segments

The reportable segments of the Company are components of the Company for which separate financial information is available. These segments are periodically evaluated by the Board of Directors for the purpose of determining the allocation of the Company's managerial resources and evaluating its business performance.

The Company plans comprehensive strategy and develops business activities based on service provided as the basis of business unit. Accordingly, the Company composes business segments with a service unit and regards Marketing Solutions Business and EC Solutions Business as reportable segments.

"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.

"EC Solutions Business" provides solutions oriented to sales promotion on e-commerce websites of commerce business operators. Its main services are the "STORE's R∞" CRM tool for stores in the online shopping mall operated by Yahoo Japan Corporation, and "StoreMatch" pay-per-click advertising.

2. Methods of calculating amounts of sales, income (loss), assets, liabilities and other items for each reportable segment

The accounting methods applied to reportable segments are according to the accounting policies used to prepare the consolidated financial statements.

The income of the reportable segments is based on operating income.

As described in “Application of accounting standard for revenue recognition, etc.,” “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the fiscal year under review, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring income or loss of operating segments.

For the fiscal year under review, the impact of this change by reportable segment was immaterial, and there was no impact on segment income.

3. Information about amounts of sales, income (loss) assets, liabilities and other items for each reportable segment and information on disaggregation of net sales

The previous fiscal year (Jan. 1 to Dec. 31, 2021)

(¥ millions)

	Reportable segments			Adjustments (Note 1)	Amounts reported on consolidated financial statements (Note 2)
	Marketing Solutions Business	EC Solutions Business	Total		
Net sales					
Net sales from external customers	15,778	17,782	33,560	—	33,560
Transactions with other segments	—	—	—	—	—
Total	15,778	17,782	33,560	—	33,560
Segment operating income	2,774	6,577	9,352	(1,446)	7,905
Segment assets	4,266	3,857	8,123	15,812	23,936
Other items					
Depreciation	102	430	533	176	709
Amortization of goodwill	—	84	84	—	84
Increase in property, plant and equipment and intangible assets	100	204	304	169	474

(Notes) 1. Adjustments are as follows.

- (1) The adjustment to segment operating income of ¥(1,446) million constitutes corporate expense not allocated to any of the reportable segments.
 - (2) The adjustment to segment assets of ¥15,812 million constitutes corporate assets not allocated to any of the reportable segments.
 - (3) The adjustment to depreciation of ¥176 million constitutes corporate expense not allocated to any of the reportable segments.
 - (4) The adjustment to increase in property, plant and equipment and intangible assets of ¥169 million is increase in corporate assets not allocated to any of the reportable segments.
2. Segment operating income is adjusted to operating income on the consolidated statement of comprehensive income.

The fiscal year under review (Jan. 1 to Dec. 31, 2022)

(¥ millions)

	Reportable segments			Adjustments (Note 1)	Amounts reported on consolidated financial statements (Note 2)
	Marketing Solutions Business	EC Solutions Business	Total		
Net sales					
“Affiliate Marketing” pay-per-performance advertising					
ASP	2,745	–	2,745	–	2,745
Consulting	9,814	–	9,814	–	9,814
Options	3,432	–	3,432	–	3,432
“StoreMatch” pay-per-click advertising	–	13,491	13,491	–	13,491
“Store’s R∞” CRM tool	–	4,216	4,216	–	4,216
Others	13	1,994	2,007	–	2,007
Net sales from contracts with customers	16,005	19,702	35,708	–	35,708
Net sales from external customers	16,005	19,702	35,708	–	35,708
Transactions with other segments	–	–	–	–	–
Total	16,005	19,702	35,708	–	35,708
Segment operating income	2,857	6,704	9,562	(1,312)	8,249
Segment assets	4,154	3,190	7,344	20,853	28,197
Other items					
Depreciation	108	263	372	42	415
Amortization of goodwill	–	52	52	–	52
Increase in property, plant and equipment and intangible assets	87	245	333	11	344

(Notes) 1. Adjustments are as follows.

- (1) The adjustment to segment operating income of ¥(1,312) million constitutes corporate expense not allocated to any of the reportable segments.
 - (2) The adjustment to segment assets of ¥20,853 million constitutes corporate assets not allocated to any of the reportable segments.
 - (3) The adjustment to depreciation of ¥42 million constitutes corporate expense not allocated to any of the reportable segments.
 - (4) The adjustment to increase in property, plant and equipment and intangible assets of ¥11 million is increase in corporate assets not allocated to any of the reportable segments.
2. Segment operating income is adjusted to operating income on the consolidated statement of comprehensive income.

(Per share information)

(Yen)

Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
Net assets per share	512.53	Net assets per share	643.78
Basic earnings per share	100.92	Basic earnings per share	179.60
Diluted earnings per share	100.84	Diluted earnings per share	179.52

(Note) The calculation basis for basic earnings per share and diluted earnings per share is as follows.

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Basic earnings per share		
Net income attributable to owners of parent (¥ millions)	3,260	5,806
Amounts not attributed to common shareholders (¥ millions)	—	—
Net income attributable to owners of parent relating to common shares (¥ millions)	3,260	5,806
Average number of shares outstanding during the period	32,310,868	32,329,328
Diluted earnings per share		
Adjustments to net income attributable to owners of parent (¥ millions)	—	—
Increase in the number of common shares (Shares)	24,487	14,837
(of which, share acquisition rights, etc.) (Shares)	[24,487]	[14,837]
Description of the possible diluted shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	—	—

(Significant subsequent events)

Not applicable.