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April 27, 2023

Consolidated Financial Results for Q1 of FY2023 (Under Japanese GAAP)

Company name: ValueCommerce Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2491
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 Scheduled date to file quarterly securities report: May 11, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ millions	%	¥ million	%	¥ millions	%	¥ millions	%
Three months ended								
March 31, 2023	7,685	(19.6)	1,488	(36.8)	1,486	(38.8)	1,021	(38.2)
March 31, 2022	9,558	18.2	2,356	30.9	2,427	32.0	1,653	–

Note: Comprehensive income For the three months ended March 31, 2023: ¥989 million [(40.5)%]
 For the three months ended March 31, 2022: ¥1,663 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	¥	¥
March 31, 2023	31.60	31.59
March 31, 2022	51.16	51.13

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
March 31, 2023	27,164	20,872	76.8	645.41
December 31, 2022	28,197	20,820	73.8	643.78

Reference: Equity As of March 31, 2023: ¥20,871 million
 As of December 31, 2022: ¥20,818 million

2. Dividends

	Annual dividends per share				
	Q1	Q2	Q3	Q4	Total
	¥	¥	¥	¥	¥
FY2022	–	27.00	–	29.00	56.00
FY2023	–				
FY2023 (Forecast)		25.00	–	25.00	50.00

Note: Revisions to the forecast of dividends most recently announced: Yes

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	14,700	(19.6)	2,500	(43.8)	2,500	(44.7)	1,600	(48.9)	49.48
Fiscal year ending December 31, 2023	29,100	(18.5)	4,700	(43.0)	4,700	(43.5)	3,200	(44.9)	98.96

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

*** Notes**

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

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

1. Changes in accounting policies due to revisions to accounting standards and other regulations: 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 “2. Quarterly consolidated financial statements and significant notes, (4) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 9 of the attached materials.

(4) Number of issued shares (common shares)

		shares		shares
1. Total number of issued shares at the end of the period (including treasury shares)	As of March 31, 2023	34,471,000	As of December 31, 2022	34,471,000
2. Number of treasury shares at the end of the period	As of March 31, 2023	2,133,238	As of December 31, 2022	2,133,699
3. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Three months ended March 31, 2023	32,337,756	Three months ended March 31, 2022	32,315,766

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

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

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

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

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

○ **Attached Material**

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1. Qualitative information regarding financial results

(1) Analysis of operating results

During the first quarter of the fiscal year, the Japanese economy was poised for recovery as a result of social and economic activities normalizing in conjunction with the easing of restrictions on activities that had been put in place as part of the measures against COVID-19. On the other hand, the Japanese economy had some downside risk due to factors that include rising prices and volatility in financial and capital markets.

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 first quarter of the fiscal year (cumulative), net sales were ¥7,685 million (down 19.6% year on year).

This is driven by following factors: In “Affiliate Marketing” pay-per-performance advertising, despite the recovery observed in Travel category, net sales decreased significantly year on year mainly due to changes in advertisement placement policies and advertising budget constraints of advertisers in the Finance category. In addition, for the “STORE’s R[∞]” CRM tool, there was the impact of the increased use of new advertising products for stores promoted by online shopping malls from October 2022 and changes in campaign implementation policy for online malls, causing year-on-year decline in net sales.

Selling, general and administrative expenses amounted to ¥1,163 million, which is generally at the same level of the corresponding period of the previous year (up 2.2% year on year).

Operating income was ¥1,488 million (down 36.8% year on year) due to the decrease in net sales.

Ordinary income was ¥1,486 million (down 38.8% year on year) mainly due to recognizing loss on investments in investment partnerships of ¥7 million under non-operating expenses.

Net income attributable to owners of parent was ¥1,021 million (down 38.2% year on year) mainly due to recording of income taxes of ¥456 million.

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 first quarter of the fiscal year (cumulative), net sales decreased significantly year on year in “Affiliate Marketing” mainly due to changes to advertisement placement policies and advertising budget constraints of advertisers in the Finance category, despite the recovery observed in the Travel category. As a result, this segment attained net sales of ¥3,226 million (down 27.3% year on year) and segment operating income of ¥574 million (down 33.7% year on year).

(ii) EC Solutions Business

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

During the first quarter of the fiscal year (cumulative), “STORE’s R[∞]” CRM tool was impacted by an increased use of new advertising products for stores promoted by online shopping malls from October 2022 and changes in campaign implementation policy for online malls, causing year-on-year decline in net sales.

As a result, this segment attained net sales of ¥4,459 million (down 12.9% year on year) and segment operating income of ¥1,241 million (down 30.8% year on year).

(2) Analysis of financial positions

1. The status of assets, liabilities and net assets

Assets

At the end of the first quarter of the fiscal year, total assets amounted to ¥27,164 million, a decrease of ¥1,033 million from the end of the previous fiscal year.

Current assets amounted to ¥25,169 million, a decrease of ¥953 million from the end of the previous fiscal year. This was mainly due to decreases in cash and deposits of ¥380 million and notes and accounts receivable - trade of ¥417 million.

Non-current assets amounted to ¥1,995 million, a decrease of ¥80 million from the end of the previous fiscal year. This was mainly due to decreases in software in progress of ¥41 million and investment securities of ¥54 million, despite an increase in software of ¥52 million.

Liabilities

At the end of the first quarter of the fiscal year, total liabilities amounted to ¥6,291 million, a decrease of ¥1,086 million from the end of the previous fiscal year.

Current liabilities amounted to ¥6,223 million, a decrease of ¥1,084 million from the end of the previous fiscal year. This was mainly due to a decrease in income taxes payable of ¥1,019 million.

Non-current liabilities amounted to ¥67 million, a decrease of ¥1 million from the end of the previous fiscal year.

Net assets

At the end of the first quarter of the fiscal year, total net assets amounted to ¥20,872 million, an increase of ¥52 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 ¥1,021 million, despite a decrease in retained earnings of ¥937 million as a result of a dividend of surplus.

2. Cash flows

At the end of the first quarter of the fiscal year, the balance of cash and cash equivalents amounted to ¥19,803 million, a decrease of ¥380 million from the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥653 million (compared to net cash provided of ¥1,434 million during the first quarter of the previous fiscal year), mainly due to income before income taxes of ¥1,478 million. Positive factors include depreciation and amortization of ¥105 million, a decrease in accounts receivable - trade of ¥417 million and a decrease in accounts receivable - other of ¥249 million. Negative factors include a decrease in accounts payable - other of ¥437 million and income taxes paid of ¥1,406 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥102 million (compared to net cash used of ¥78 million during the first quarter of the previous fiscal year), mainly due to purchase of intangible assets of ¥91 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥931 million (compared to net cash used of ¥836 million during the first quarter of the previous fiscal year), mainly due to dividends paid of ¥930 million.

(3) Information about consolidated earnings forecasts

On April 27, 2023, the Company revised its consolidated earnings forecasts for the fiscal year ending December 31, 2023. For details, please refer to the “Notice of Revision of Earnings and Dividends Forecasts for FY2023,” which was published on the same date.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(¥ millions)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	20,184	19,803
Notes and accounts receivable - trade	4,278	3,861
Accounts receivable - other	1,575	1,326
Other	89	182
Allowance for doubtful accounts	(5)	(4)
Total current assets	26,122	25,169
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	116	113
Tools, furniture and fixtures, net	79	89
Leased assets, net	14	12
Total property, plant and equipment	210	215
Intangible assets		
Software	651	703
Software in progress	131	90
Goodwill	104	91
Customer-related assets	134	117
Other	6	6
Total intangible assets	1,028	1,009
Investments and other assets		
Investment securities	709	655
Deferred tax assets	105	96
Other	21	17
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	835	770
Total non-current assets	2,075	1,995
Total assets	28,197	27,164

(¥ millions)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,722	2,572
Accounts payable - other	2,502	2,078
Income taxes payable	1,478	459
Provision for bonuses	43	109
Other	561	1,004
Total current liabilities	7,308	6,223
Non-current liabilities		
Other	69	67
Total non-current liabilities	69	67
Total liabilities	7,377	6,291
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,210	1,211
Retained earnings	18,110	18,194
Treasury shares	(521)	(520)
Total shareholders' equity	20,528	20,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	257
Total accumulated other comprehensive income	289	257
Share acquisition rights	2	1
Total net assets	20,820	20,872
Total liabilities and net assets	28,197	27,164

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

(¥ millions)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	9,558	7,685
Cost of sales	6,064	5,033
Gross income	3,494	2,652
Selling, general and administrative expenses	1,137	1,163
Operating income	2,356	1,488
Non-operating income		
Gain on non-refundable commissions for publishers	0	0
Gain on investments in investment partnerships	67	–
Other	6	4
Total non-operating income	73	4
Non-operating expenses		
Loss on investments in investment partnerships	–	7
Other	2	0
Total non-operating expenses	2	7
Ordinary income	2,427	1,486
Extraordinary losses		
Impairment losses	–	7
Total extraordinary losses	–	7
Income before income taxes	2,427	1,478
Income taxes - current	714	433
Income taxes - deferred	60	22
Total income taxes	774	456
Net income	1,653	1,021
(Break Down)		
Net income attributable to		
Net income attributable to owners of parent	1,653	1,021
Net income attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	9	(32)
Total other comprehensive income	9	(32)
Comprehensive income	1,663	989
(Break Down)		
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,663	989
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly consolidated statement of cash flows

(¥ millions)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	2,427	1,478
Depreciation and amortization	100	105
Amortization of goodwill	13	13
Share-based payment expenses	–	3
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	(67)	7
Impairment losses	–	7
Decrease (increase) in accounts receivable - trade	47	417
Increase (decrease) in accounts payable - trade	210	(149)
Decrease (increase) in accounts receivable - other	(262)	249
Increase (decrease) in accounts payable - other	38	(437)
Other, net	221	366
Subtotal	2,727	2,059
Interest received	0	0
Income taxes paid	(1,292)	(1,406)
Net cash provided by (used in) operating activities	1,434	653
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(11)
Purchase of intangible assets	(78)	(91)
Net cash provided by (used in) investing activities	(78)	(102)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	0	1
Dividends paid	(835)	(930)
Repayments of finance lease liabilities	(1)	(1)
Net cash provided by (used in) financing activities	(836)	(931)
Net increase (decrease) in cash and cash equivalents	519	(380)
Cash and cash equivalents at beginning of period	15,498	20,184
Cash and cash equivalents at end of period	16,017	19,803

(4) Notes to quarterly consolidated financial statements

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

Not applicable.

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

Not applicable.

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

Not applicable.

(Changes in accounting policies)

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) (hereinafter, "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the first quarter of the current fiscal year, and decided to apply new accounting standards set forth in the Fair Value Measurement Accounting Standard Implementation Guidance prospectively in accordance with the transitional treatment provided for in paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This does not affect the quarterly consolidated financial statements.

(Segment information)

I. The first quarter of the previous year (cumulative) (Jan. 1 to Mar. 31, 2022)

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

(¥ millions)

	Reportable segments			Adjustments (Note 1)	Amounts reported on the quarterly consolidated statement of comprehensive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Total		
Net sales					
“Affiliate Marketing” pay-per-performance advertising					
ASP	750	–	750	–	750
Consulting	2,805	–	2,805	–	2,805
Options	876	–	876	–	876
“StoreMatch” pay-per-click advertising	–	3,435	3,435	–	3,435
“STORE’s R∞” CRM tool	–	1,181	1,181	–	1,181
Others	3	504	507	–	507
Net sales from contracts with customers	4,437	5,121	9,558	–	9,558
Net sales from external customers	4,437	5,121	9,558	–	9,558
Transactions with other segments	–	–	–	–	–
Total	4,437	5,121	9,558	–	9,558
Segment operating income	866	1,794	2,661	(304)	2,356

(Notes) 1. The adjustment to segment operating income of ¥(304) million constitutes corporate expense not allocated to any of the reportable segments.

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

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

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

(¥ millions)

	Reportable segments			Adjustments (Note 1)	Amounts reported on the quarterly consolidated statement of comprehensive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Total		
Net sales					
“Affiliate Marketing” pay-per-performance advertising					
ASP	648	–	648	–	648
Consulting	2,016	–	2,016	–	2,016
Options	558	–	558	–	558
“StoreMatch” pay-per-click advertising	–	3,303	3,303	–	3,303
“STORE’s R∞” CRM tool	–	661	661	–	661
Others	3	493	496	–	496
Net sales from contracts with customers	3,226	4,459	7,685	–	7,685
Net sales from external customers	3,226	4,459	7,685	–	7,685
Transactions with other segments	–	–	–	–	–
Total	3,226	4,459	7,685	–	7,685
Segment operating income	574	1,241	1,816	(327)	1,488

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

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