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November 14, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)



Company name: MINKABU THE INFONOID INC.
 Listing: Growth Market, Tokyo
 Securities code: 4436
 URL: <https://minkabu.co.jp/>
 Representative: Ken Uryu, President and CEO/CFO
 Inquiries: Junko Yaguchi, Senior Executive Officer
 Telephone: +81-3-6274-6490
 Scheduled date to file quarterly securities report: November 14, 2023
 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2024	4,499	58.4	340	(35.7)	(240)	-	(275)	-	(223)	-
September 30, 2023	2,840	17.0	529	(15.1)	162	(46.6)	83	(68.7)	5	(96.5)

Note: Comprehensive income For the six months ended September 30, 2024: \223 million [(-)%]
 For the six months ended September 30, 2023: \40 million [(74.6%)]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	(14.94)	-
September 30, 2023	0.35	0.35

Notes:

- For the second quarter of the fiscal year ending in March 2024, information regarding the quarterly net income per share after latent share adjustment is not stated, as there are latent shares, but it is a quarterly net loss per share
- 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, 2024	15,524	7,243	46.1	477.28
March 31, 2023	16,534	7,855	47.0	518.45

Reference: Equity

As of September 30, 2024: \7,149 million
 As of March 31, 2023: \7,764 million

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	26.00	26.00
Fiscal year ending March 31, 2024	-	0.00			
Fiscal year ending March 31, 2024 (Forecast)			-	26.00	26.00

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, 2024 (From April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Full year	11,000	60.9	2,200	115.8	1,000	795.4	940	-	900	23.9	60.09

Notes:

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

Notes

(1) Changes in significant subsidiaries during the period (changes in 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: 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 11.

(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: None

(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, 2023	14,979,200 shares
As of March 31, 2023	14,976,200 shares

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

As of September 30, 2023	23 shares
As of March 31, 2023	23 shares

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

Six months ended September 30, 2023	14,977,160 shares
Six months ended September 30, 2022	14,922,497 shares

* 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:

The statements regarding 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 5.

We plan to hold a financial result briefing for institutional investors and analysts on November 14, 2023. Supplementary materials for financial results will be published on our website on the day of the event.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

On a consolidated basis, MINKABU THE INFONOID, Inc. (hereinafter “the Company”) raised 4,499,956 thousand yen in sales (58.4% increase YoY,) 240,747 thousand yen in operating loss (operating profit of 162,491 thousand yen for the six months ended September 30, 2022,) 275,231 thousand yen in ordinary loss (ordinary profit of 83,114 thousand yen for the six months ended September 30, 2022,) and 223,813 thousand yen in net loss attributable to shareholders of the parent company (net profit of 5,423 thousand yen for the six months ended September 30, 2022,) for the second quarter of the current fiscal year. The Company also raised 340,679 thousand yen (a 35.7% decrease YoY) in EBITDA (operating profit + depreciation and amortization + amortization of goodwill).

For the second quarter consolidated cumulative period, the sales substantially increased compared to the corresponding period of the previous fiscal year due to the consolidated contribution from livedoor Co., Ltd., which became a subsidiary on December 28, 2022 (deemed acquisition date being December 31, 2022), and its synergistic effects with existing assets, in addition to the autonomous growth of the solutions business. In terms of profit, on the other hand, it was a recovery phase from short-term profit pressure factors. The Company is confirming a recovery trend in the advertising market in the media business, better progress than planned in cost optimization and structural enhancements to improve profitability. The Company will strive to accelerate profit growth, alongside continuing sales growth in the latter half of this fiscal year.

As an organizational restructuring aimed at efficient management of the group, the group’s media business was transferred to livedoor Co., Ltd. on April 1, 2023, and the solutions business to MINKABU SOLUTION SERVICES, Inc. on July 1 2023, through company splits, respectively.

This transition enables each operational company to lead the development of the media and solutions businesses, enhancing strategic agility for promoting group business strategies, with the Company shifting to overseeing these businesses.

Moreover, to expand the revenue base of the media business and to augment the vertical media in the sports sector, the Company acquired all shares issued by From One Co., Ltd., which operates web, publishing, and video businesses of sports information field, and made it a wholly-owned subsidiary as of September 1, 2023.

Consequently, the monthly user base of the group media business has reached approximately 100 million. For the aim to consolidate sports information media business and achieve growth through mutual synergies, From One Co., Ltd was merged with CWS Brains Co., Ltd., which joined the group as of March 31, 2023, on November 1, 2023, and changed its trade name to SEESAW GAME, Inc.

Furthermore, from this consolidated fiscal year, the "Kabutan" business is classified under the solutions segment to strengthen the collaboration with the solutions operations. Revenues from the paid service "Kabutan Premium" has also been re-segmented from the media to the solutions business. All comparisons and analyses for this second quarter cumulative period are based on these new classifications

(Media)

The media business operates a comprehensive media business, centralizing around the Livedoor business which was newly grouped in the previous consolidated fiscal year. This business includes User Generated Content (UGC) media centered around 'Livedoor Blog', Professionally Generated Content (PGC) media centered around 'Livedoor News', and vertical media such as sports information media 'Ultra WORLD Soccer!', 'SOCCERKING', 'BASEBALLKING', 'BASKETBALLKING', 'totoONE', asset formation information media 'MINKABU', women's information media 'Peachy', Korean media 'Kstyle', along with the affiliate sites 'MINKABU Choice' and 'livedoor Choice'. The business operates with an average monthly unique user count of 100 million, and revenue is recorded from advertising sales generated through the operation of these media sites, as well as from sales of paid services.

During the second quarter of the consolidated cumulative period, the sales substantially increased, primarily driven by the consolidated contribution from the livedoor business. With regard to factors that have pressured to media business to date, the downward trend in the unit price of network advertisements has shown signs of improvement, and cannibalization on performance-based advertising have been mitigated by transferring competing affiliate sites to 'livedoor Choice.' Moreover with leveraging the 'Kabutan' media, the media business aims to capitalize on the unique characteristics of vertical media to generate revenue independent from advertising income, thereby facilitating continuous sales growth.

Although the pace of profit recovery has been slower than anticipated due to the delay of recovery of the advertising market, further cost reductions through operational efficiencies achieved via Post Merger Integration (PMI, processes: integration process aimed at maximizing the effect of M&A,) strategies for

increasing advertising revenue, and proactive initiatives for developing new functions and services, as well as acquiring new revenue sources utilizing the owned management assets which are pillars of the medium-term plan, are being pursued.

As a result, the revenue for the second quarter consolidated cumulative period amounted to 2,542,200 thousand yen (a 177.7% increase YoY), and the segment loss was 172,796 thousand yen (compared to a segment profit of 258,454 thousand yen in the previous second quarter consolidated cumulative period)

As of July 1, 2023, our group has transitioned to a business promotion structure that primarily oversees operations, with the aim of enhancing agility in promoting group business strategies. This transition involves the Media Business and the Solution Business being primarily developed by their respective operating companies. Consequently, the reported segment loss of 172,796 thousand yen includes a management fee of 136,938 yen to Minkabu The Infonoid, Inc. Therefore, the segment loss before deducting this management fee amounts to 35,857 thousand yen.

(Solution)

The solutions business broadly offers various software solutions and information solution services to financial institutions. These solutions leverage AI to automatically generate information using expertise cultivated from operating financial information media, as well as processing cloud input data collected on sites. Additionally, System Integration (SI) and consulting solution services, utilizing company assets, are provided primarily to our customer base, which consists of various financial institutions. Revenue generation in information solution services primarily comes from initial setup and monthly fees for ASP services, while in SI and consulting solution services, it's centered around consulting, initial setup, and subsequent maintenance fees. The company also operates the stock information specialized media 'Kabutan' and generates billing revenue mainly from the paid service 'Kabutan Premium.'

During the second quarter of the consolidated cumulative period, the solution business performed well with an increase in monthly fees and the price hike effect in information-based solution business where main vendorization is progressing from the previous fiscal year, and new acquisitions of consulting and development projects in SI and consulting solutions. As a result, the revenue growth offset the loss in revenue due to the sale of Prop Tech plus Co., Ltd. at the end of the previous consolidated fiscal year. Moreover the new BtoB services, bundling financial institution-targeted market information solution 'Sales-Cue' with 'Kabutan Premium' into 'Kabutan Professional,' has been initiated. Further, through MINKABU Web3 Wallet Inc., a group company, new NFT solution services leveraging blockchain technology have started, along with participation in pilot projects for the tokenization of carbon credits, marking the commencement of new solutions for the Web3 era. For information solution services, the Company will continue to aim to expand market share, leveraging price competitiveness and flexibility to adapt to a differentiation strategy against the market needs such as commission-free offerings. In terms of SI and consulting solution services, the profit margin is currently lower compared to information solution services, as it is in a phase of accumulating new solution expertise and expanding customer accounts, but the Company will further improve profitability by developing SaaS-type model through the promotion of packaging

As a result, the revenue for the second quarter consolidated cumulative period was 1,798,018 thousand yen (a 7.6% decrease YoY), and the segment profit was 119,383 thousand yen (a 58.3% increase YoY). As of July 1, 2023, our group has transitioned to a business promotion structure that primarily oversees operations, with the aim of enhancing agility in promoting group business strategies. This transition involves the media business and the solution business being primarily developed by their respective operating companies. Consequently, the reported segment profit of 119,383 thousand yen includes a management fee of 97,703 yen to Minkabu The Infonoid, Inc. Therefore, the segment loss before deducting this management fee amounts to 217,087 thousand yen.

(2) Explanation of Financial Position

1.Assets, Liabilities and Net Assets

(Assets)

At the end of the second quarter consolidated accounting period, current assets amounted to 4,547,748 thousand yen, representing a decrease of 2,019,923 thousand yen compared to the end of the previous consolidated fiscal year. This decrease is mainly attributed to a reduction in cash and deposits by 1,809,409 thousand yen and a decrease in prepaid expenses, primarily for office relocation, by 470,367 thousand yen.

Fixed assets reached 10,976,285 thousand yen, an increase of 1,009,071 thousand yen compared to the end of the previous consolidated fiscal year. This is primarily due to an increase in tangible fixed assets by

612,052 thousand yen related to office relocation, an increase in investments and other assets by 303,328 thousand yen due to related security deposits and deferred tax assets, and an increase in intangible fixed assets by 93,691 thousand yen, mainly related to software development progress.

As a result, total assets stood at 15,524,034 thousand yen, a decrease of 1,010,851 thousand yen from 16,534,886 thousand yen at the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of the second quarter consolidated accounting period were 2,152,146 thousand yen, an increase of 225,672 thousand yen compared to the end of the previous consolidated fiscal year. This increase is mainly due to a reduction in short-term borrowings by 192,000 thousand yen, while long-term borrowings due within one year increased by 367,572 thousand yen, and accounts payable increased by 99,034 thousand yen, in addition to an increase in deposits received by 44,365 yen.

Fixed liabilities amounted to 6,128,409 thousand yen, a decrease of 624,090 thousand yen from the end of the previous consolidated fiscal year. This decrease is primarily due to a reduction in long-term borrowings through scheduled repayments of 745,000 thousand yen.

As a result, total liabilities stood at 8,280,556 thousand yen, a decrease of 398,418 thousand yen from 8,678,974 thousand yen at the end of the previous consolidated fiscal year.

(Net Assets)

Total net assets at the end of the second quarter consolidated accounting period were 7,243,478 thousand yen, a decrease of 612,433 thousand yen from 7,855,911 thousand yen at the end of the previous consolidated fiscal year. This decrease is primarily due to a reduction in capital surplus by 389,322 thousand yen, resulting from ordinary dividend payments and a decrease in retained earnings by 223,813 thousand yen.

As a result, the equity ratio stood at 46.1% (compared to 47.0% at the end of the previous consolidated fiscal year).

2. Cash Flow Situation

As of the end of the second quarter of consolidated accounting period, the balance of cash and cash equivalents decreased by 1,809,409 thousand yen compared to the end of the previous consolidated fiscal year, resulting in a balance of 2,654,544 thousand yen. The situation of each cash flow during the second quarter consolidated cumulative period and their causes are as follows:

(Cash Flow from Operating Activities)

The cash flow from operating activities resulted in an income of 206,100 thousand yen. This is mainly due to the quarterly net loss before tax adjustments being 253,475 thousand yen, while the total depreciation expenses, primarily for software investments for medium-term growth, amounted to 437,069 thousand yen. Similarly, the amortization of goodwill associated with M&A for growth expansion was 144,357 thousand yen. Accounts receivable increased by 45,903 thousand yen, while accounts payable increased by 61,621 thousand yen. Other current assets decreased by 143,739 thousand yen, other current liabilities decreased by 80,890 thousand yen, and the amount paid for corporate taxes was 145,532 thousand yen.

(Cash Flow from Investing Activities)

The cash flow from investing activities resulted in an expenditure of 958,063 thousand yen. This was mainly due to expenditures of 297,359 thousand yen for the purchase of tangible fixed assets related to the relocation of the head office, 303,542 thousand yen for the acquisition of intangible fixed assets mainly for software development investments, and 458,172 thousand yen for the acquisition of subsidiary shares associated with M&A for growth expansion.

(Cash Flow from Financing Activities)

The cash flow from financing activities resulted in an expenditure of 1,057,446 thousand yen. This was primarily due to 377,428 thousand yen in expenses for the repayment of long-term loans, a decrease of 292,000 thousand yen in short-term loans, and dividend payments amounting to 389,697 thousand yen.

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

For the consolidated performance forecast for the fiscal year ending March 2024, the Company anticipates the full-year contribution of livedoor Co., Ltd. and steady revenue increase in the solutions business underpinned by healthy market demand, as well as various rationalization measures and resource optimization within the group. With these, the Company projects sales to reach 11,000 million yen (a 60.9%

increase compared to the fiscal year ending March 2023), operating profit at 1,000 million yen (a 795.4% increase), ordinary profit at 940 million yen (compared to an ordinary loss of 207 million yen for the fiscal year ending March 2023), and parent company attributable net profit at 900 million yen (a 23.9% increase), factoring in the recording of corporate tax adjustments related to the recoverability of goodwill tax from livedoor Co., Ltd. Planned EBITDA, including depreciation and amortization of goodwill, is expected to be 2,200 million yen (a 115.8% increase), which are all record highs.

In addition to the various measures aimed at a V-shaped recovery that has been in place since the beginning of the fiscal year, the Company will implement the following measures to accelerate the recovery, considering the improving advertising market conditions and the second half-weighted performance. In the media business, further cost reductions through operational efficiencies via PMI, combined strategies for increasing advertising revenue, promotional measures to major e-commerce sites, and the development of new functions and services like 'Livedoor News 24,' mobile phone service 'livedoor MOBILE' along with MVNO scheme and 'Oshi Pass' (fan passport) in collaboration with the largest Korean entertainment media in Japan, aim to capitalize on the 100 million customer base and vertical media characteristics for new revenue sources. In the solutions business, the Company aims to expand market share through the new BtoB services 'Kabutan Professional', bundling 'Sales-Cue' with 'Kabutan Premium', service fee hikes, and developing various services to meet various needs of financial institutions against such as commission-free offerings. For SI and consulting solutions, the company focuses on enhancing efficient repeatability through package solutions and continuous improvement in profitability through upselling to information solutions. Moreover, leveraging partnerships and know-how gained in SI and consulting solution, the Company accelerates group synergies in media business expansion targeted at the asset formation demographic, thus maximizing the dual effects of media and solution businesses.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
ASSETS		
Current Assets:		
Cash and deposit	4,463,954	2,654,544
Account receivables	1,247,809	1,416,531
Work in process	10,928	25,835
Supplies	6,154	4,207
Others	845,064	455,303
Allowance for doubtful accounts	(6,238)	(8,675)
Total current assets	<u>6,567,652</u>	<u>4,547,748</u>
Non-current Assets:		
Property, plant and equipment	97,680	709,733
Intangible assets:		
Goodwill	3,564,368	3,710,579
Clients asset	3,382,999	3,260,726
Technology assets	56,461	50,868
Software	1,581,490	1,527,334
Software in progress	209,350	337,740
Others	29,901	31,011
Total intangible assets	<u>8,824,570</u>	<u>8,918,261</u>
Investments and other assets:		
Investments securities	773,591	767,381
Guarantee deposits	129,949	324,880
Deferred tax assets	136,743	226,048
Others	9,299	34,600
Allowance for doubtful accounts	(4,621)	(4,621)
Total investment and other assets	<u>1,044,962</u>	<u>1,348,290</u>
Total fixed assets	<u>9,967,214</u>	<u>10,976,285</u>
Total assets	<u>16,534,886</u>	<u>15,524,034</u>

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

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
LIABILITIES		
Current liabilities:		
Accounts payables	290,163	389,198
Short-term borrowings	200,000	8,000
Current portion of long-term borrowings	567,428	935,000
Income tax payable	186,088	77,424
Other allowances	27,891	8,410
Others	654,904	734,113
Total current liabilities	<u>1,926,474</u>	<u>2,152,146</u>
Non-current liabilities:		
Long-term borrowings	6,752,500	6,007,500
Asset Retirement Obligation	-	120,909
Total non-current liabilities	<u>6,752,500</u>	<u>6,128,409</u>
Total liabilities	<u>8,678,974</u>	<u>8,280,556</u>
NET ASSETS		
Shareholders' equity		
Share capital	3,533,120	3,534,000
Capital surplus	4,194,160	3,804,838
Retained earnings	(18,653)	(242,466)
Treasury share	(93)	(93)
Total shareholders' equity	<u>7,708,533</u>	<u>7,096,277</u>
Accumulated other comprehensive income (loss):		
Valuation difference on available-for-sale securities	55,860	53,005
Total accumulated other comprehensive income (loss)	<u>55,860</u>	<u>53,005</u>
Non-controlling interests	91,518	94,194
Total net assets	<u>7,855,911</u>	<u>7,243,478</u>
Total liabilities and net assets	<u>16,534,886</u>	<u>15,524,034</u>

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, 2022 to September 30, 2022	From April 1, 2023 to September 30, 2023
Net Sales	2,840,407	4,499,956
Cost of Sales	1,706,128	2,507,315
Gross Profit	1,134,279	1,992,641
Selling, general and administrative expenses	971,787	2,233,389
Operating profit	162,491	(240,747)
Non-operating income		
Interest income	17	590
Dividend income	2,430	140
Reversal of allowance for doubtful accounts	1,605	2,474
Others	129	1,817
Total non-operating income	4,183	5,022
Non-operating expenses		
Interest expense	5,241	30,160
Guarantee Commission	-	1,100
Financing expenses	72,417	301
Foreign exchange losses	485	1,410
Others	5,415	6,533
Total non-operating expenses	83,561	39,505
Ordinary profit	83,114	(275,231)
Extraordinary Profit		
Gain on Sale of Fixed Assets	10,187	-
Gain on Sale of Investment Securities	2,746	1,038
Gain on Negative Goodwill	-	23,678
Total extraordinary profit	12,933	24,716
Extraordinary losses		
Settlement Payment	28,000	-
Loss on retirement of non-current assets	56	2,960
Investment Securities Valuation Loss	11,542	-
Total extraordinary losses	39,598	2,960
Profit before income taxes	56,448	(253,475)
Income taxes (Corporate, residential, enterprise taxes)	51,532	(32,338)
Quarterly Profit	4,916	(221,137)
Quarterly profit attributable to non-controlling interests	(327)	2,676
Quarterly profit attributable to owners of parent	5,243	(223,813)

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

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	From April 1, 2022 to September 30, 2022	From April 1, 2023 to September 30, 2023
Quarterly profit	4,916	(221,137)
Other comprehensive income		
Valuation difference on available-for-sale securities	36,047	(2,854)
Total other comprehensive income	36,047	(2,854)
Quarterly comprehensive income	40,963	(223,991)
Quarterly comprehensive income attributable to;		
Owners of parent	41,291	(226,668)
Non-controlling interests	(327)	2,676

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

(3) Quarterly Consolidated Cash Flow Statement
(Quarterly Consolidated Cash Flow Statement)

(Thousands of yen)

	From April 1, 2022 to September 30, 2022	From April 1, 2023 to September 30, 2023
Cash Flows from Operating Activities		
Quarterly Net Profit Before Tax Adjustments	56,448	(253,475)
Depreciation	318,322	437,069
Amortization of Goodwill	49,171	144,357
Gain on Negative Goodwill	-	(23,678)
Change in Allowance for Doubtful Accounts (() indicates decrease)	(1,605)	136
Change in Other Allowances (() indicates decrease)	(18,628)	(25,078)
Interest and Dividend Income Received	(2,447)	(730)
Interest Paid	5,241	30,160
Stock Issuance Cost	253	81
Fund Raising Expenses	72,417	-
Gain/Loss on Sale of Fixed Assets (() indicates gain)	(10,130)	2,960
Gain/Loss on Sale of Securities (() indicates gain)	(2,746)	(1,038)
Gain/Loss on Valuation of Securities (() indicates gain)	11,542	-
Change in Accounts Receivable (() indicates increase)	403,954	(45,903)
Change in Inventories (() indicates increase)	(12,906)	(12,347)
Change in Other Current Assets (() indicates increase)	(14,444)	143,739
Change in Accounts Payable (() indicates decrease)	(133,902)	61,621
Change in Other Current Liabilities (() indicates decrease)	(3,412)	(80,890)
Others	3,213	4,222
Subtotal	720,340	381,207
Interest and Dividends Received	2,447	730
Interest Paid	(4,293)	(30,304)
Corporate Taxes Paid	(117,376)	(145,532)
Total Cash Flows from Operating Activities	601,118	206,100
Cash Flows from Investing Activities		
Expenditures for Acquisition of Tangible Fixed Assets	(36,604)	(297,359)
Expenditures for Acquisition of Intangible Fixed Assets	(576,740)	(303,542)
Expenditures for Acquisition of Investment Securities	(25,000)	(20,000)
Proceeds from Sale of Investment Securities	8,200	25,584
Recovery of Deposits and Security Deposits	165	95,425
Expenditures for Acquisition of Subsidiary Shares Accompanied by Change in Scope of Consolidation	-	(458,172)
Income from Acquisition of Subsidiary Shares Accompanied by Change in Scope of Consolidation	10,000	-
Total Cash Flows from Investing Activities	(619,979)	(958,063)
Cash Flows from Financing Activities		
Net Increase/Decrease in Short-term Borrowings (() indicates decrease)	-	(292,000)
Proceeds from Long-term Borrowings	1,257,582	-
Repayments of Long-term Borrowings	(1,080,416)	(377,428)
Proceeds from Issuance of Shares	34,196	1,678
Dividend Payments	(357,182)	(389,697)
Expenditures for Acquisition of Subsidiary Shares not Accompanied by Change In Scope of Consolidation	(1,003)	-
Total Cash Flows from Financing Activities	(146,823)	(1,057,446)
Net Increase/Decrease in Cash and Cash Equivalents (() indicates decrease)	(165,684)	(1,809,409)
Cash and Cash Equivalents at Beginning of Period	3,526,165	4,463,954
Cash and Cash Equivalents at End of Period	3,360,481	2,654,544

(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 period 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	31 March 2022	June 8, 2022	Capital surplus

2. Significant Changes in the Amount of Shareholders' Equity

None

II. For the six-months period ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

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 30, 2023	common stock	389,380	26	31 March 2023	June 16, 2023	Capital surplus

2. Significant Changes in the Amount of Shareholders' Equity

None

(Changes in major subsidiaries during the period)

Not applicable.

There have been no changes in terms of specified subsidiaries, but have some in consolidated subsidiaries as follow. During the first quarter SynchroLife Co., Ltd., and MINKABU SOLUTION SERVICES, Inc., have been included on the scope of consolidation as the Company's wholly owned subsidiary livedoor Co., Ltd acquired all shares issued by SynchroLife Co., Ltd., and made it its subsidiary, and MINKABU SOLUTION SERVICES, Inc. was established as the Company's wholly owned subsidiary. On the other hand, ALIS Co., Ltd. has been excluded from the scope of consolidation as it has been dissolved as a result of an absorption-type merger with livedoor Co., Ltd.

During the second quarter of the consolidated fiscal period, From One Co., Ltd. has been included in the scope of consolidation as it became a subsidiary through the acquisition of shares by the Company. On the other hand, SynchroLife Co., Ltd., which was a consolidated subsidiary, has been excluded from the scope of consolidation as it has been dissolved as a result of an absorption-type merger with the surviving company, livedoor Co., Ltd., which is also a consolidated subsidiary. Consequently, SynchroLife Co., Ltd. has been excluded from the scope of consolidation

(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)

None

(Segment Information)

I. For the six- months period 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 (Notes 1)	Posted amount to the quarterly consolidated statements of income (Notes 2)
	Media	Solution	Total		
Net sales					
Advertising	876,535	—	876,535	—	876,535
Subscription	26,161	—	26,161	—	26,161
Media and Others	12,589	—	12,589	—	12,589
Recurring Revenue	—	1,433,999	1,433,999	—	1,433,999
Initial/one-time revenue	—	491,121	491,121	—	491,121
Revenue from contracts with customers	915,286	1,925,121	2,840,407	—	2,840,407
Other revenue	—	—	—	—	—
Net sales to external customers	915,286	1,925,121	2,840,407	—	2,840,407
Intersegment net sales and transfer	—	21,780	21,780	(21,780)	—
Total	915,286	1,946,901	2,862,187	(21,780)	2,840,407
Segment profit	258,454	286,076	544,530	(382,038)	162,491

Notes:

1. Segment profit adjustment of (382,038) thousand yen is corporate expenses that are not allocated to each reporting segment, and is mainly general and administrative expenses that do not belong to the reporting segment.
2. Segment profit is adjusted with operating income on the quarterly consolidated income statement.

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

None.

(Significant changes in the amount of goodwill)

In the Solution Business segment, during the first quarter consolidated accounting period, the goodwill amount related to the business combination with MINKABU web3 wallet Co.,Ltd. was calculated on a provisional basis. However, during the second quarter consolidated accounting period, the allocation of the acquisition cost was completed, and the provisional accounting treatment was finalized. As a result, we have recorded goodwill of 93,065 thousand yen. It should be noted that there have been no revisions to the goodwill amounts due to this finalization.

(Significant gain on negative goodwill)

None

II. For the nine- months period ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

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

(Thousands of yen)

	Reportable segments			Adjusted amounts (Notes 1)	Posted amount to the quarterly consolidated statements of income (Note 2)
	Media	Solution	Total		
Net sales					
Advertising	2,540,154	—	2,540,154	—	2,540,154
Subscription	67,746	—	67,746	—	67,746
Media and Others	42,368	—	42,368	—	42,368
Recurring Revenue	—	1,233,058	1,233,058	—	1,233,058
Initial/one-time revenue	—	616,629	616,629	—	616,629
Revenue from contracts with customers	2,650,269	1,849,687	4,499,956	—	4,499,956
Other revenue	—	—	—	—	—
Net sales to external customers	2,650,269	1,849,687	4,499,956	—	4,499,956
Intersegment net sales and transfer	(108,069)	(51,668)	(159,737)	159,737	—
Total	2,542,200	1,798,018	4,340,219	159,737	4,499,956
Segment profit	(172,796)	119,383	(53,412)	(187,335)	(240,747)

Notes:

1. Segment profit adjustment of (187,335) thousand yen is corporate expenses that are not allocated to each reporting segment and is mainly general and administrative expenses that do not belong to the reporting segment. Furthermore, from this second quarter consolidated accounting period, the Company has been collecting management fees from each group company. The segment profit or loss for each business segment is the amount after deducting these management fees. The management fee included in the reported segment loss of 172,796 thousand yen for the Media Business is 136,938 thousand yen, making the segment loss before this expense deduction 35,857 thousand yen. In the Solutions Business segment, the segment profit of 119,383 thousand yen includes a management fee of 97,703 thousand yen, resulting in a segment profit of 217,087 thousand yen before this expense deduction.
2. Segment profit is adjusted with operating loss 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 media business segment, during the first quarter of the consolidated fiscal year, the Company recognized goodwill due to the acquisition of shares in SynchroLife Co.Ltd., by the Company's wholly owned subsidiary, livedoor Co., Ltd., and its inclusion to the scope of subsidiaries. The amount of goodwill resulting from this event was tentatively calculated but the allocation of acquisition cost was completed during the second quarter of the current fiscal year, and the tentative accounting treatment has been finalized. As a result, the amount to be 290,569 thousand yen for the cumulative first quarter of the consolidated fiscal year.

There have been no revisions to the amount of goodwill in relation to this finalization.

(Significant gain on negative goodwill)

In the media business segment, during the second quarter of the consolidated fiscal period, the Company recognized a gain on negative goodwill due to the acquisition of shares in From One Co., Ltd., and its inclusion in the consolidation scope. The gain on negative goodwill recorded for this event amounts to 23,678 thousand yen for the second quarter consolidated cumulative period. This gain on negative goodwill, being an extraordinary profit, is not included in the above segment profit.

Additionally, the amount of gain on negative goodwill is provisional, as the allocation of the acquisition cost has not been completed as of the end of the second quarter consolidated accounting period.

3. Matters Concerning Changes in Reporting Segments

For the purpose of enhancing agility in advancing group business strategies, the Company transferred the media business to livedoor Co., Ltd. in the first quarter of consolidated accounting period and the

solutions business to MINKABU SOLUTION SERVICES, Inc. in the second quarter of consolidated accounting period through a company split, respectively. In this context, the Company reviewed its management control methods from the perspective of business development, allocation of management resources, and management control systems within the group, resulting in a change in reportable segments. As a result, a part of the SG&A expenses, which was previously allocated based on segment headcount and etc, has been changed to be adjusted as corporate expenses.

In addition, the Company has started to collect management fees from each group company with transition of both businesses to their respective operating companies along with the completion of the transition of the media and solution business to their respective operating companies during the second quarter of the current fiscal year and the Company's shift to a business promotion structure that primarily oversees these businesses. As corporate revenue not allocated to any reporting segment, we are adjusting it from the profits of each segment.

(Business Combination)

(Business Combination through the acquisition of shares)

On August 10, 2023, the Company executed an agreement based on the Board resolution regarding share transfer of From One Co., Ltd. (hereinafter "From One", headquartered in Chuo-ku, Tokyo, President and CEO: Naoto Michigami) with its shareholders including Dentsu Group Inc. (headquartered in Minato-ku, Tokyo, President and CEO: Hiroshi Igarashi), and the Company acquired all issued shares of From One on September 1, 2023, resulting From One a wholly-owned subsidiary of the Company. In addition, CWS Brains Co., Ltd. (which will change its trade name to SEESAW GAME, Inc as of November 1, 2023), a 100% owned subsidiary of the Company, has signed a merger agreement on September 1, 2023, to merge with CWS Brains as the surviving company, with the merger completed on November 1, 2023.

1. Overview of the business combination

(1) Name of the acquired company and the description of business

Company name: From One Co., Ltd.

Description of business: Operation of sports information media sites, etc.

The main reason for the business combination

The group of the Company aims to provide specialized vertical media in financial asset formation, sports, entertainment, and gourmet themes through subsidiary livedoor Co., Ltd. and grandchild subsidiary CWS Brains. The combined monthly unique users for these media reach approximately 90 million, positioning the group as one of the largest internet media operators in Japan, not only providing expertise in various fields but also enhancing the value of information by creating new customer experiences utilizing technology. This aligns with the fundamental strategy to build a new media economy for the Web3 era.

As part of this strategy, the decision was made to acquire From One to expand the vertical media in the sports field and to increase the media business revenue base.

From One's web media operations include the nation's largest soccer web media "SOCCERKING", baseball media "BASEBALLKING", and the leading basketball media "BASKETBALLKING", attracting approximately 9 million monthly unique users. The acquisition will combine these with the group's existing service "Ultra WORLD Soccer!" to form a top-class internet media service group in Japan's soccer domain, and the group's monthly media user base will exceed 100 million.

The Company will leverage the business and monetization expertise of From One to enhance the overall synergy of the group's media business and strengthen the revenue base.

(2) The date of the business combination:

September 1, 2023

(3) The legal form of business combination

Acquisition of shares by cash

(4) Name of the subsidiary after the business combination

No change

(5) Rate of voting rights acquired

100%

(6) The basis for determining the acquiring company

The acquisition was based on the purchase of shares for cash consideration.

2. Period of business results of the acquired company in the consolidated statements of income for the six months ended September 30, 2023 from April 1, 2023 to September 30, 2023

Since the deemed acquisition date is September 30, 2023, the performance of the acquired company is not included in the quarterly consolidated statement of income for the second quarter cumulative period.

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

Payment for the acquisition (Cash): 0 thousand yen

Acquisition cost: 0 thousand yen

Note: The company has separately signed a debt transfer agreement with Dentsu Group Inc., where the company acquires a loan receivable of 880 million yen held by Dentsu Group Inc., against From One for 300 million yen.

4. Details of major acquisition-related costs

The costs have not been finalized.

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

(i) Amount of Negative Goodwill

23,678 thousand yen

The amount is provisional, as the allocation of the acquisition cost has not been finalized during the second quarter consolidated accounting period.

(ii) The reason for the recognition

Negative goodwill was recognized as the fair value of the net assets of the acquired company exceeded the acquisition cost at the time of the business combination.

6. Amounts of assets received and liabilities assumed on the date of business combination and their breakdown

Not confirmed at this time

(Finalization of Provisional Accounting Treatment for Business Combination)

The business combination with Synchrolife Co., Ltd., which took place on April 1, 2023, was accounted for provisionally during the first quarter consolidated accounting period, but has been finalized during the second quarter consolidated accounting period. There has been no change in the amounts due to the finalization of this provisional accounting treatment.

The amount of goodwill generated, the reason for its occurrence, the amortization period, and the method of amortization are as follows:

(1) Amount of goodwill generated: 290,569 thousand yen.

(2) Reason for occurrence: It represents the expected future excess earning power from future business development.

(3) Method and period of amortization: Equal amortization over eight years

(Transaction under common control)

(Absorption-type Merger Among Consolidated Subsidiaries)

On June 9, 2023, at the Board of Directors meeting, it was resolved to merge SynchroLife Co., Ltd. (hereinafter "SynchroLife"), a 100% owned consolidated subsidiary, with livedoor Co., Ltd. (hereinafter "livedoor"), another 100% owned consolidated subsidiary. The absorption merger was completed on August 1, 2023.

1. Overview of the Transaction

(a) Names of the combining entities and their business operations

i Name of the combining entity: livedoor Co., Ltd.

ii Nature of business: Operation of blog services, news sites, etc.

iii Name of the combined entity: SynchroLife Co., Ltd.

iv Nature of business: Planning, development, and operation of smartphone applications, etc.

(b) Date of the Business Combination: August 1, 2023

(c) Legal Form of the Business Combination: Absorption merger with livedoor as the surviving entity and SynchroLife as the dissolved entity

(d) Post-Combination Name of the Entity: livedoor Co., Ltd.

(e) Other Overview of the Transaction: The merger aims to consolidate media operations provided by SynchroLife into livedoor, the core media business entity within the group, to improve management efficiency and consolidate resources, as well as to strengthen sales activities. Furthermore, the group intends to utilize its media capabilities to further develop and accelerate the livedoor Gourmet business.

2. Overview of Accounting Treatment Implemented

The merger has been treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 dated January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 dated January 16, 2019).

(Business Succession to Consolidated Subsidiary)

On February 14, 2023, at the Board of Directors meeting, it was resolved to transfer the company's solutions business to MINKABU SOLUTION SERVICES, Inc. (hereinafter "MINKABU SOLUTION SERVICES"), a 100% owned consolidated subsidiary, through an absorption-type split. The company split was completed on July 1, 2023.

1. Overview of the Transaction

- (a) Name and nature of the business subject to the transaction
Name of the business: The Company's solutions business
Nature of business: Primarily information system solutions and system integration services in the financial sector.
- (b) Date of the Business Combination: July 1, 2023
- (c) Legal Form of the Business Combination: Company split with the Company as the splitting entity and MINKABU SOLUTION SERVICES (the Company's consolidated subsidiary) as the succeeding entity
- (d) Post-Combination Name of the Entity: MINKABU SOLUTION SERVICES, Inc. (the company's consolidated subsidiary)
- (e) Other Overview of the Transaction: The Company's solutions business aims to further evolve information system services and system integration services, in addition to deploying new financial information solutions to contribute to the expansion of the asset formation layer. The basic growth strategy moving forward is to dynamically promote this strategy and to build a business structure that can dynamically advance this strategy.

2. Overview of Accounting Treatment Implemented

The split has been treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 dated January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 dated January 16, 2019).