

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

January 30, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)

Company name: ValueCommerce Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2491
 URL: <https://www.valuecommerce.co.jp/en/>
 Representative: Jin Kagawa, Representative Director, President and CEO
 Inquiries: Masatomo Endo, Director of the Board, CFO
 Telephone: +81-3-5210-6688
 Scheduled date to commence dividend payments: March 5, 2024
 Scheduled date of annual general meeting of shareholders: March 22, 2024
 Scheduled date to file annual securities report: March 25, 2024
 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, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	29,396	(17.7)	5,229	(36.6)	5,217	(37.3)	3,400	(41.4)
December 31, 2022	35,708	6.4	8,249	4.3	8,319	4.7	5,806	78.1

Note: Comprehensive income For the fiscal year ended December 31, 2023:¥3,390 million [(42.7)%]
 For the fiscal year ended December 31, 2022:¥5,921 million [82.6%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	¥	¥	%	%	%
December 31, 2023	105.16	105.15	15.7	18.5	17.8
December 31, 2022	179.60	179.52	31.1	31.9	23.1

Reference: Share of income (loss) of entities accounted for using equity method
 For the fiscal year ended December 31, 2023:¥– million
 For the fiscal year ended December 31, 2022:¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
December 31, 2023	28,351	22,463	79.2	694.67
December 31, 2022	28,197	20,820	73.8	643.78

Reference: Equity As of December 31, 2023:¥22,463 million
 As of December 31, 2022:¥20,818 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, 2023	3,499	(404)	(1,745)	21,534
December 31, 2022	6,774	(367)	(1,720)	20,184

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	%	%
FY2022	–	27.00	–	29.00	56.00	1,810	31.2	9.7
FY2023	–	25.00	–	28.00	53.00	1,713	50.4	7.9
FY2024 (Forecast)	–	22.00	–	20.00	42.00		50.3	

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(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, 2024	14,200	(4.0)	2,100	(22.7)	2,100	(22.9)	1,400	(24.3)	43.29
Fiscal year ending December 31, 2024	28,300	(3.7)	4,000	(23.5)	4,000	(23.3)	2,700	(20.6)	83.49

*** 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, 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 December 31, 2023	2,133,238	As of December 31, 2022	2,133,699
3. Average number of shares outstanding during the period	Fiscal year ended December 31, 2023	32,337,760	Fiscal year ended December 31, 2022	32,329,328

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	28,123	(18.4)	5,140	(36.9)	5,174	(37.4)	3,519	(38.3)
December 31, 2022	34,450	7.0	8,145	2.6	8,265	3.2	5,703	79.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
December 31, 2023	¥ 108.84	¥ 108.83
December 31, 2022	¥ 176.43	¥ 176.35

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
December 31, 2023	28,201	22,615	80.2	699.37
December 31, 2022	28,028	20,853	74.4	644.80

Reference: Equity As of December 31, 2023:¥22,615 million

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

2. Non-consolidated earnings forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(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, 2024	13,600	(4.1)	2,200	(18.1)	2,200	(18.9)	1,500	(18.5)	46.39
Fiscal year ending December 31, 2024	27,100	(3.6)	4,000	(22.2)	4,000	(22.7)	2,700	(23.3)	83.49

* 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, a moderate recovery was observed in the Japanese economy as a result of the normalization of economic and social activities that followed the easing of restrictions on behavior that had been put in place to address COVID-19. On the other hand, some downside risk for the Japanese economy has emerged in the form of downturns in overseas economies. Meanwhile, there has been a need to carefully monitor effects of 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 fiscal year under review, net sales were ¥29,396 million (down 17.7% year on year).

Overall, changes in the business environment had a strong negative impact starting from the outset of the fiscal year. In “Affiliate Marketing” pay-per-performance advertising, and the “STORE’s R∞” CRM tool for stores in the online shopping mall operated by Yahoo Japan Corporation, net sales significantly decreased year on year. On the other hand, “StoreMatch” pay-per-click advertising held to a modest decline in net sales amid a challenging business environment due to factors that include increased use of the “StoreMatch Pro” advertising function for manufacturers.

Selling, general and administrative expenses amounted to ¥4,919 million (up 7.5% year on year), due to factors that include higher compensation because of an increase in the number of employees, and also system costs incurred for reinforcement of screening and patrols to ensure sound affiliate marketing network administration and for enhancement of security, as well as additional promotion costs incurred for new services.

Operating income was ¥5,229 million (down 36.6% year on year) mainly due to the decrease in net sales and increase in selling, general and administrative expenses.

Ordinary income was ¥5,217 million (down 37.3% year on year) mainly due to recognizing loss on investments in investment partnerships of ¥22 million under non-operating expenses.

Net income attributable to owners of parent was ¥3,400 million (down 41.4% year on year) mainly due to the recording of income taxes of ¥1,640 million and recording of impairment losses of ¥144 million on assets, etc. related to the consolidated subsidiary Dynatech inc.

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 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 ¥11,789 million (down 26.3% year on year) and segment operating income of ¥1,853 million (down 35.1% year on year).

As a major effort in product planning and development, we revamped the smartphone version user interface in January 2023 with the addition of the “SNS Ad Creation Function.” This has greatly simplified the process of creating ads when it comes to the SNS accounts of publishers.

Furthermore, we have acted in response to the so-called stealth marketing regulations implemented by Japan’s Consumer Affairs Agency, effective from October 2023. This has entailed endeavoring to maintain the Company’s envisioned “clean network” by actively engaging with both advertisers and media

operators, reinforcing screening and patrols of their respective websites, and having external experts hold seminars for media operators.

(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, “STORE’s R∞” 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 significant year-on-year decline in net sales. On the other hand, “StoreMatch” held to a modest decline in net sales amid a challenging business environment similar to that of “STORE’s R∞” due to factors that include increased use of the “StoreMatch Pro” advertising function for manufacturers. As a result, this segment attained net sales of ¥17,606 million (down 10.6% year on year) and segment operating income of ¥4,811 million (down 28.2% year on year).

As a major effort in product planning and development, Dynatech inc., whose customers are accommodation facilities, has released membership rank, reward points, and coupon functions, developed jointly with the Company, with respect to its “Direct in S4” accommodation reservation system. Moreover, Dynatech has also released guest room billing and checkout functions with respect to its “Dyalution” accommodation management system, thereby achieving greater convenience when it comes to accommodation facilities and guests.

Regarding the outlook for the next fiscal year, we are poised to encounter an environment lacking in prospects for growth in our existing businesses. One of such concerns is a simultaneous trend of market maturation and changes in consumer spending behavior in “Affiliate Marketing” pay-per-performance advertising. There is, however, a likelihood of moderate recovery when it comes to the “StoreMatch” pay-per-click advertising for stores in the online shopping mall. As such, the Company will make significant investment in new businesses and the travel technology domain.

As a result of the above, for the consolidated earnings forecasts for the next fiscal year, the Group forecasts net sales of ¥28,300 million (down 3.7% year on year), operating income of ¥4,000 million (down 23.5% year on year), ordinary income of ¥4,000 million (down 23.3% year on year), and net income attributable to owners of parent of ¥2,700 million (down 20.6% 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 ¥28,351 million, an increase of ¥153 million from the end of the previous fiscal year.

Current assets amounted to ¥26,665 million, an increase of ¥543 million from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥1,349 million, despite decreases in notes and accounts receivable - trade of ¥527 million and accounts receivable - other of ¥307 million.

Non-current assets amounted to ¥1,685 million, a decrease of ¥389 million from the end of the previous fiscal year. This was mainly due to decreases in goodwill of ¥52 million, customer-related assets of ¥67 million, investment securities of ¥90 million, and deferred tax assets of ¥105 million.

Liabilities

At the end of the fiscal year under review, total liabilities amounted to ¥5,887 million, a decrease of ¥1,490 million from the end of the previous fiscal year.

Current liabilities amounted to ¥5,802 million, a decrease of ¥1,505 million from the end of the previous fiscal year. This was mainly due to a decrease in income taxes payable of ¥1,228 million.

Non-current liabilities amounted to ¥85 million, an increase of ¥15 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 ¥22,463 million, an increase of ¥1,643 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 ¥3,400 million, despite a decrease in retained earnings of ¥1,746 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 ¥21,534 million, an increase of ¥1,349 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 ¥3,499 million (compared to net cash provided of ¥6,774 million in the previous fiscal year), mainly due to income before income taxes of ¥5,041 million. Positive factors include depreciation and amortization of ¥421 million and a decrease in accounts receivable - trade of ¥527 million. Negative factors include income taxes paid of ¥2,695 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥404 million (compared to net cash used of ¥367 million in the previous fiscal year), mainly due to purchase of intangible assets of ¥390 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,745 million (compared to net cash used of ¥1,720 million in the previous fiscal year), mainly due to dividends paid of ¥1,740 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, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	20,184	21,534
Notes and accounts receivable - trade	4,278	3,750
Accounts receivable - other	1,575	1,267
Income taxes refund receivable	–	0
Other	89	118
Allowance for doubtful accounts	(5)	(4)
Total current assets	26,122	26,665
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	138	138
Accumulated depreciation	(22)	(35)
Facilities attached to buildings, net	116	103
Tools, furniture and fixtures	457	426
Accumulated depreciation	(377)	(362)
Tools, furniture and fixtures, net	79	64
Leased assets	32	32
Accumulated depreciation	(17)	(24)
Leased assets, net	14	7
Total property, plant and equipment	210	175
Intangible assets		
Software	651	607
Software in progress	131	140
Goodwill	104	52
Customer-related assets	134	67
Other	6	5
Total intangible assets	1,028	872
Investments and other assets		
Investment securities	709	619
Deferred tax assets	105	–
Other	21	17
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	835	637
Total non-current assets	2,075	1,685
Total assets	28,197	28,351

(¥ millions)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,722	2,385
Accounts payable - other	2,502	2,378
Income taxes payable	1,478	249
Provision for bonuses	43	0
Other	561	787
Total current liabilities	7,308	5,802
Non-current liabilities		
Deferred tax liabilities	–	22
Other	69	62
Total non-current liabilities	69	85
Total liabilities	7,377	5,887
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,210	1,211
Retained earnings	18,110	19,765
Treasury shares	(521)	(520)
Total shareholders' equity	20,528	22,184
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	279
Total accumulated other comprehensive income	289	279
Share acquisition rights	2	–
Total net assets	20,820	22,463
Total liabilities and net assets	28,197	28,351

(2) Consolidated statement of comprehensive income

(¥ millions)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	35,708	29,396
Cost of sales	22,881	19,247
Gross income	12,826	10,149
Selling, general and administrative expenses	4,577	4,919
Operating income	8,249	5,229
Non-operating income		
Gain on non-refundable commissions for publishers	1	4
Gain on investments in investment partnerships	66	-
Reversal of allowance for doubtful accounts	0	1
Other	8	7
Total non-operating income	75	13
Non-operating expenses		
Loss on investments in investment partnerships	-	22
Other	4	2
Total non-operating expenses	4	25
Ordinary income	8,319	5,217
Extraordinary losses		
Impairment losses	-	144
Loss on valuation of investment securities	-	31
Other	-	0
Total extraordinary losses	-	176
Income before income taxes	8,319	5,041
Income taxes - current	2,584	1,508
Income taxes - deferred	(71)	132
Total income taxes	2,513	1,640
Net income	5,806	3,400
(Break Down)		
Net income attributable to		
Net income attributable to owners of parent	5,806	3,400
Net income attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	115	(10)
Total other comprehensive income	115	(10)
Comprehensive income	5,921	3,390
(Break Down)		
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,921	3,390
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

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

Fiscal year ended December 31, 2023

(¥ millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,728	1,210	18,110	(521)	20,528
Changes during period					
Dividends of surplus			(1,746)		(1,746)
Net income attributable to owners of parent			3,400		3,400
Disposal of treasury shares		1		0	1
Net changes in items other than shareholders' equity					
Total changes during period	–	1	1,654	0	1,656
Balance at end of period	1,728	1,211	19,765	(520)	22,184

	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	289	289	2	20,820
Changes during period				
Dividends of surplus				(1,746)
Net income attributable to owners of parent				3,400
Disposal of treasury shares			(0)	1
Net changes in items other than shareholders' equity	(10)	(10)	(1)	(11)
Total changes during period	(10)	(10)	(2)	1,643
Balance at end of period	279	279	–	22,463

(4) Consolidated statement of cash flows

(¥ millions)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Income before income taxes	8,319	5,041
Depreciation and amortization	415	421
Amortization of goodwill	52	52
Share-based payment expenses	16	11
Increase (decrease) in allowance for doubtful accounts	0	(0)
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	(66)	22
Impairment losses	–	144
Loss (gain) on valuation of investment securities	–	31
Decrease (increase) in accounts receivable - trade	747	527
Increase (decrease) in accounts payable - trade	(264)	(337)
Decrease (increase) in accounts receivable - other	(163)	307
Increase (decrease) in accounts payable - other	255	(127)
Other, net	(75)	97
Subtotal	9,236	6,192
Interest received	0	0
Income taxes paid	(2,462)	(2,695)
Income taxes refund	–	3
Net cash provided by (used in) operating activities	6,774	3,499
Cash flows from investing activities		
Purchase of property, plant and equipment	(28)	(35)
Purchase of intangible assets	(315)	(390)
Purchase of investment securities	(66)	(8)
Proceeds from distributions from investment partnerships	41	30
Net cash provided by (used in) investing activities	(367)	(404)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	4	1
Purchase of treasury shares	(0)	–
Dividends paid	(1,717)	(1,740)
Repayments of finance lease liabilities	(7)	(7)
Net cash provided by (used in) financing activities	(1,720)	(1,745)
Net increase (decrease) in cash and cash equivalents	4,686	1,349
Cash and cash equivalents at beginning of period	15,498	20,184
Cash and cash equivalents at end of period	20,184	21,534

(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 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 fiscal year under review, 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 consolidated financial statements.

(Segment information)

1. Overview of reportable segments

The reportable segments of the Group are components of the Group 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 Group's managerial resources and evaluating its business performance.

The Group plans comprehensive strategy and develops business activities based on service provided as the basis of business unit. Accordingly, the Group 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 "StoreMatch" pay-per-click advertising, and "STORE's R∞" CRM tool for stores in the online shopping mall operated by Yahoo Japan Corporation.

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.

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, 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.

The fiscal year under review (Jan. 1 to Dec. 31, 2023)

(¥ 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	2,380	–	2,380	–	2,380
Consulting	7,652	–	7,652	–	7,652
Options	1,746	–	1,746	–	1,746
“StoreMatch” pay-per-click advertising	–	13,120	13,120	–	13,120
“STORE’s R∞” CRM tool	–	2,482	2,482	–	2,482
Others	10	2,003	2,013	–	2,013
Net sales from contracts with customers	11,789	17,606	29,396	–	29,396
Net sales from external customers	11,789	17,606	29,396	–	29,396
Transactions with other segments	–	0	0	(0)	–
Total	11,789	17,606	29,396	(0)	29,396
Segment operating income	1,853	4,811	6,665	(1,435)	5,229
Segment assets	3,466	2,682	6,149	22,201	28,351
Other items					
Depreciation	111	271	382	38	421
Amortization of goodwill	–	52	52	–	52
Increase in property, plant and equipment and intangible assets	207	216	423	5	428

(Notes) 1. Adjustments are as follows.

- (1) The adjustment to segment operating income of ¥(1,435) million constitutes corporate expense not allocated to any of the reportable segments.
 - (2) The adjustment to segment assets of ¥22,201 million constitutes corporate assets not allocated to any of the reportable segments.
 - (3) The adjustment to depreciation of ¥38 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 ¥5 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, 2022		Fiscal year ended December 31, 2023	
Net assets per share	643.78	Net assets per share	694.67
Basic earnings per share	179.60	Basic earnings per share	105.16
Diluted earnings per share	179.52	Diluted earnings per share	105.15

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

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Basic earnings per share		
Net income attributable to owners of parent (¥ millions)	5,806	3,400
Amounts not attributed to common shareholders (¥ millions)	—	—
Net income attributable to owners of parent relating to common shares (¥ millions)	5,806	3,400
Average number of shares outstanding during the period	32,329,328	32,337,760
Diluted earnings per share		
Adjustments to net income attributable to owners of parent (¥ millions)	—	—
Increase in the number of common shares (Shares)	14,837	2,302
[of which, share acquisition rights, etc.] (Shares)	[14,837]	[2,302]
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)

Changes in reportable segments

The Group had maintained a framework of two reportable segment classifications consisting of the “Marketing Solutions Business” and “EC Solutions Business.” However, in accordance with the change to its business management classification effective from January 1, 2024, the Group decided to transition to a framework of three reportable segment classifications consisting of the “Marketing Solutions Business,” “EC Solutions Business,” and “Travel Tech Business” effective from the fiscal year ending December 31, 2024.

Information about amounts of sales, income (loss), assets, liabilities and other items for each reportable segment and information on disaggregation of net sales are currently being calculated for the fiscal year under review based on the classification of reportable segments after the change in the management structure.