

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.

February 13, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 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: February 13, 2024
 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended										
December 31, 2023	7,126	66.3	559	(24.5)	(319)	-	(367)	-	(204)	-
December 31, 2022	4,285	18.6	740	(17.4)	167	(59.2)	(113)	-	(234)	-

Note: Comprehensive income For the nine months ended December 31, 2023: \203 million [(-)%]
 For the nine months ended December 31, 2022: \204 million [(-)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	(13.63)	-
December 31, 2022	(15.73)	-

Notes:

- For the third 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
- For the third quarter of the fiscal year ending in March 2023, 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
December 31, 2023	15,925	7,265	45.1	478.94
March 31, 2023	16,534	7,855	47.0	518.45

Reference: Equity

As of December 31, 2023: ¥7,174 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	10,000	46.3	600	(41.1)	(600)	-	(700)	-	(800)	-	(53.41)

Notes:

1. Revisions to the forecast of financial results most recently announced: None
2. EBITDA is calculated as 'Operating profit + Depreciation + Amortization of goodwill'
3. For details on the consolidated performance forecast for the fiscal year ending March 2024, please refer to the "Notice of Revision to Consolidated Performance Forecast" and the "Supplementary Explanation Material for the Third Quarter Financial Results of the Fiscal Year Ending March 2024" disclosed on February 13, 2024

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 “(3) 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 12.

(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 December 31, 2023	14,981,000 shares
As of March 31, 2023	14,976,200 shares

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

As of December 31, 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)

Nine months ended December 31, 2023	14,978,084 shares
Six months ended December 31, 2023	14,938,012 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 4.

We plan to hold a financial result briefing for institutional investors and analysts on February 13, 2024. Supplementary materials for financial results will be published on our website on the day of the event.

Table of Contents of Attached Material

1. Qualitative Information on Quarterly Financial Results -----2
 (1) Results of Operations-----2
 (2) Financial Position -----4
 (3) Forecast of Consolidated Financial Results and Other Forward-Looking Information -----4

2. Quarterly Consolidated Financial Statements and Principal Notes -----8
 (1) Quarterly Consolidated Balance Sheets-----8
 (2) Quarterly Consolidated Statements of Income and Comprehensive Income ----- 10
 (Quarterly Consolidated Statements of Income)----- 10
 (Quarterly Consolidated Statements of Comprehensive Income) ----- 11
 (3) Notes to Quarterly Consolidated Financial Statements----- 12
 (Notes to Going Concern Assumption) ----- 12
 (Notes to Significant Changes in the Amount of Shareholders' Equity) ----- 12
 (Changes in major subsidiaries during the period) ----- 12
 (Adoption of Accounting Treatment Specific to Quarterly Consolidated Financial Statements) --- 12
 (Changes in Accounting Policies)----- 12
 (Segment Information) ----- 13
 (Business Combination)----- 15
 (Significant Subsequent Event) ----- 16

1. Qualitative Information on Quarterly Financial Results

(1) Description of Business Performance

The business performance for the cumulative consolidated period of the third quarter shows sales of 7,126,263 thousand yen (a 66.3% increase year-on-year), an operating loss of 319,747 thousand yen (compared to an operating profit of 167,190 thousand yen in the same period of the previous fiscal year), an ordinary loss of 367,342 thousand yen (compared to an ordinary loss of 113,763 thousand yen in the same period of the previous fiscal year), and a quarterly net loss attributable to the parent company shareholders of 204,207 thousand yen (compared to a net loss of 234,928 thousand yen in the same period of the previous fiscal year). EBITDA (operating income + depreciation and amortization + goodwill amortization) was 559,271 thousand yen (a 24.5% decrease year-on-year).

During this cumulative consolidated period for the third quarter, significant revenue growth was achieved from the same period of the previous fiscal year. In addition to synergies between our existing business assets and livedoor Co., Ltd., acquired on December 28, 2022 (with the deemed acquisition date of December 31, 2022), steady growth of charge business to individuals in both media and solution businesses and solving the cannibalization problem between affiliate sites we operate also contributed to the performance. In terms of profit, we are in the recovery process from a short-term pressure on profits, mainly due to the fact that we incurred upfront investment costs in the implementation of the revenue diversification measures ahead of schedule, prioritizing the early acquisition of growth opportunities over short-term performance. We see cost reductions through Post Merger Integration (PMI) following the acquisition of the livedoor business are progressing better than initially planned, and although the bottoming out of the advertising market has been confirmed, the slow recovery of network advertising unit prices is slower than expected.

The current fiscal year is the first year of the medium-term plan announced on May 11, 2023, which runs through March 2026. As mentioned above, we are making progress ahead of schedule in implementing measures to expand the business scope and diversify revenue sources to evolve into a robust business entity that is not dependent on financial and advertising market conditions, as stated in the medium-term plan. In the short term, the upfront investment associated with the implementation of these growth measures is putting pressure on profits, but we have already moved from the planning stage to the execution stage for measures to diversify earnings, and we recognize that we are in a position to reap the benefits of these measures at an even earlier stage. As part of organizational restructuring aimed at efficient group management, on April 1, 2023, the company transitioned the media business to livedoor Co., Ltd., and on July 1, 2023, the solutions business to MINKABU SOLUTION SERVICES, Inc, through company splits. These businesses are now primarily operated by the respective operating companies, enhancing our strategic business execution agility.

Furthermore, to expand our vertical (specialized) media in the sports field and strengthen the revenue base of the media business, we fully acquired FromOne Co., Ltd., which operates web, publishing, and video businesses in sports field, on September 1, 2023. Including this acquisition, the monthly user base of the group's media business has reached approximately 100 million. To accelerate business growth through consolidation and mutual synergies in the sports information media business, we merged FromOne Co., Ltd. with CWS Brains Co., Ltd., which was also fully acquired on March 31, 2023, on November 1, 2023, and changed its trade name to SEESAW GAME, Inc

From this consolidated fiscal year, the "Kabutan" business assets and revenue related to the "Kabutan Premium" paid service have been transferred from the media business segment to the solutions business segment to strengthen collaboration. The comparison and analysis for this cumulative consolidated period of the third quarter are based on the revised segments.

The business performance by reportable segment is as follows:

(Media Business)

The media business, centered around the livedoor business newly grouped in the previous consolidated fiscal year, operates a comprehensive internet media business with a monthly average of 100 million unique users, comprising UGC (User Generated Content) media centered on "livedoor Blog," PGC (Professionally Generated Content) media centered on "livedoor News," sports information media such as "Ultra WORLD Soccer!," "SOCCER KING," "BASEBALL KING," "BASKETBALL KING," "totoONE," asset formation information media "MINKABU," women's information media "Peachy," K-pop media "Kstyle," and lifestyle information sites "MINKABU Choice" and "livedoor Choice." Revenues are generated from advertising sales obtained through the operation of these media, as well as from sales from paid services and business sales from content production contracts.

During this cumulative consolidated period of the third quarter, significant revenue growth was achieved due to the consolidated contribution of the livedoor business and the o SEESAW GAME business, among others. Although there was a confirmed improvement trend in the unit price of network advertisements, the recovery pace has been below our expectations, resulting in an unstable situation. The impact of cannibalization among our operated affiliate sites related to performance-based advertising has been addressed by transferring some affiliate sites to "livedoor Choice" and utilizing other group media including "Kabutan," showing certain effects. Additionally, the traffic of "MINKABU" has been favorable towards the end of the year, underpinned by the increasing interest in asset formation among the population and the start of the new NISA, indicating that our performance is on a recovery trend.

In the media business, we operate comprehensive internet media with 100 million users, having livedoor business acquired in the previous fiscal year as a core, which includes “livedoor blog” a UGC (User Generated Content) media, “livedoor news” a PGC (Professionally Generated Content) media.

As a result, the sales for this cumulative consolidated period of the third quarter were 4,090,065 thousand yen (a 232.3% increase year-on-year), and the segment loss was 327,727 thousand yen (compared to a segment profit of 199,890 thousand yen in the same period of the previous year). We have transitioned to a business promotion system mainly overseeing these operations to enhance strategic business execution agility for promoting group business strategy since July 1, 2023. The aforementioned sales of 4,090,065 thousand yen and the segment loss of 327,727 thousand yen include management fees paid to our company amounting to 308,905 thousand yen. Thus, the sales before deducting management fees were 4,398,970 thousand yen (a 257.4% increase year-on-year), and the segment loss was 18,822 thousand yen, showing an improvement trend from the segment loss of 35,857 thousand yen in the second quarter cumulative consolidated period.

(Solution Business)

The solutions business provides a wide range of software that automatically generates information using AI, utilizing the know-how cultivated through the operation of financial information media, as well as information solutions that process cloud input data collected on the site for financial institutions. It also provides SI solutions services utilizing our know-how and business assets mainly to our clients, including financial institutions. The business is primarily operated based on revenues from initial installation and monthly usage fees for information solutions services as ASP services, and consulting, initial installation, and subsequent maintenance monthly usage fees for SI solutions services. Additionally, it operates the specialized stock information media "Kabutan" and primarily generates revenue from charging fees for the paid service "Kabutan Premium."

During this cumulative consolidated period of the third quarter, the information solutions services contributed to revenue increase through monthly usage fees due to the progression of becoming the main vendor from the previous consolidated fiscal year and the effects of price increases. However, as part of the response to the new competitive environment due to the abolition of stock transaction fees, customer securities companies prioritized efforts for new NISA, resulting in some delays in acquiring new information solutions service projects. For SI solutions services, immediate response to customer needs required maintaining a certain level of human resources, leading to issues in resource management and temporarily pressuring profits. Therefore, a model change to in-house-led package-type solution services is being promoted. In addition, we have already realized an improvement in profitability by raising the unit price of contracts for existing development projects in response to the re-setting of hurdle rates so that we can smoothly determine the priority level of contracted development projects in comparison with in-house package development, which has been accepted by our existing clients.

Although there have been delays in acquiring some projects in the solutions business, the need for solutions such as value-added services, cost reduction, and operational efficiency improvement provided by customer financial institutions against the backdrop of the abolition of stock transaction fees is expected to remain high. Accordingly, for information solutions services, we will continue to expand our share by responding to customer financial institutions' cost reduction needs with competitive pricing and flexible service differentiation strategies. For SI solutions services, we will promote a model change to package solution services, advance BaaS and the use of blockchain technology for high security among various DX needs, and aim to improve profitability through optimization of resources and the expansion of developed packages.

Furthermore, our group company, MINKABU ASSET PARTNERS, Inc. completed its registration as an investment advisory and agency business on December 26, 2023 (Kanto Finance Bureau Director (Kinsho) No. 3402), and plans to start providing services as an online-only investment advisor to individual investors, offering unique trading programs for stocks, investment trusts, financial derivatives (stock futures, FX, cryptocurrencies, etc.), through securities companies and other institutions in March 2024. In addition to advertising revenue from operating financial information sites, we have aimed to diversify revenue and transform the business model by providing information solutions to financial institutions, enhancing the added value of information. We will further expand our business scope by entering new financial service businesses that meet the diverse revenue needs of securities companies and other financial institutions, with online advisory services as the core, utilizing technology.

As a result, the sales for this cumulative consolidated period of the third quarter were 2,674,567 thousand yen (a 13.4% decrease year-on-year), and the segment profit was 149,262 thousand yen (a 73.1% decrease year-on-year). The Company sold its consolidated subsidiary, Prop Tech plus Co., Ltd., on March 30, 2023. Since July 1, 2023, we have transitioned to a business promotion system mainly overseeing the media and solutions businesses to enhance strategic business execution agility for promoting group business strategy. The aforementioned sales of 2,674,567 thousand yen and segment profit of 149,262 thousand yen include management fees paid to our company amounting to 197,778 thousand yen. Thus, the sales before deducting management fees were 2,872,345 thousand yen (a 7.0% decrease year-on-year), and the segment profit was 347,041 thousand yen (a 37.3% decrease year-on-year).

(2) Explanation of Financial Position

(i) Assets, Liabilities, and Net Assets

(Assets)

The current assets at the end of this cumulative consolidated accounting period were 4,680,837 thousand yen, a decrease of 1,886,834 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 1,801,301 thousand yen in cash and deposits and a decrease of 491,998 thousand yen in advance payments for office relocation purposes, among other factors.

Fixed assets amounted to 11,244,651 thousand yen, an increase of 1,277,437 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 743,386 thousand yen in tangible fixed assets related to office relocation, an increase of 503,760 thousand yen in investments and other assets due to related security deposits and increases in deferred tax assets, and an increase of 30,289 thousand yen in intangible fixed assets due to the progress of system development, among other factors.

As a result, total assets amounted to 15,925,488 thousand yen, a decrease of 609,397 thousand yen from 16,534,886 thousand yen at the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of this cumulative consolidated accounting period were 2,544,563 thousand yen, an increase of 618,088 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 408,000 thousand yen in short-term loans and an increase of 190,072 thousand yen in long-term loans scheduled for repayment within one year, among other factors.

Fixed liabilities amounted to 6,115,668 thousand yen, a decrease of 636,831 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 751,250 thousand yen in long-term loans due to scheduled repayments, among other factors.

As a result, total liabilities amounted to 8,660,231 thousand yen, a decrease of 18,742 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 this cumulative consolidated accounting period were 7,265,256 thousand yen, a decrease of 590,654 thousand yen from 7,855,911 thousand yen at the end of the previous consolidated fiscal year. This was mainly due to a decrease of 388,025 thousand yen in capital surplus due to ordinary dividend payments and a decrease of 204,207 thousand yen in retained earnings, among other factors.

As a result, the equity ratio was 45.1% (compared to 47.0% at the end of the previous consolidated fiscal year).

(3) Explanation of Future Forecast Information Including Consolidated Performance Forecast

For the fiscal year ending March 2024, amidst the challenging situation for existing business sales due to external factors such as the internet advertising recession, the expansion of business scope and diversification of revenue sources as outlined in our medium-term plan are expected to partially cover the downturn in existing business through growth in non-advertising income from the livedoor business and the o SEESAW GAME business, among others, aiming to achieve the company's long-term goal of 10 billion yen in sales since its listing in March 2019. This would mark the fifth consecutive year of growth with an average annual growth rate of approximately 40%. Additionally, in the process of PMI of livedoor and SEASAW GAME businesses, various rationalization measures, cost reductions, and optimization of resources within the group have been promoted, and we have confirmed effects of these measures to be greater than planned. However, the significant drop in the unit price of internet advertising, which became apparent from the beginning of the year, started to affect us from the outset, and although we confirmed a bottoming out trend in the unit price drop in the second quarter, the recovery pace has been below our expectations. In the solutions business, in addition to the deterioration in earnings due to resource management issues primarily with subcontractors in SI solutions services identified in the second quarter consolidated cumulative period, the shift of financial companies prioritizing new NISA has led to a delay in acquiring projects expected for information solutions services in the third quarter, and this trend is expected to continue into the fourth quarter.

As indicated in the medium-term plan published in May 2023, we sees significant growth opportunities for the Next Step by utilizing its own business assets, and in the year under review, even though sales in existing businesses weakened due to external factors, we have taken steps to expand the scale of earnings and diversify its earnings in the future. In the current fiscal year, even though sales in existing businesses weakened due to external factors, we are working to expand the scale of earnings and diversify earnings in the future by entering the mobile, e-commerce and banking sectors, which are earnings diversification measures that have been implemented ahead of schedule, entering the financial services sector, including investment advice and financial product brokerage, which is a new business contact point with client financial institutions in the solutions business, and packaging its own solutions business assets, in order to acquire growth opportunities in the future. We have accelerated its aggressive investment in order to capture future growth opportunities, including entering the financial services field of investment advice and financial product intermediation, which is a new business interface with client financial institutions, as well as packaging its own solutions business assets. However, this has enabled us to achieve the revenue diversification set out in the medium-term plan more than a year ahead of schedule, and together with the effects of the aforementioned

cost reductions, which are more advanced than planned at the beginning of the period, we are now in a position to achieve results in excess of the medium-term plan, depending on how the advertising market recovers in the future. In combination with the effects of the aforementioned cost reductions, which are more advanced than planned at the beginning of the year, it is now possible to exceed the medium-term plan depending on the future recovery of the advertising market.

Considering the situation up to the cumulative third quarter and intensification of the preliminary investments planned in new business areas for the expansion of business scope in the fourth quarter, the consolidated sales for this accounting period (April 1, 2023, to March 31, 2024) are forecasted to be 10 billion yen, with a consolidated operating loss of 600 million yen, a consolidated ordinary loss of 700 million yen, a net loss attributable to parent company shareholders of 800 million yen, and EBITDA of 600 million yen. Furthermore, with the existing business bottoming out and the measures outlined in the medium-term plan showing early results, in addition to the period of aggressive early investments in new business areas expected to come full circle by the fourth quarter, the outlook for catching up in the next fiscal year and beyond is feasible. Therefore, shareholder return measures will continue, and there will be no change to the forecast for the fiscal year ending March 2024 dividend per share, which is 26 yen.

Please refer to the "Notice of Revision to Consolidated Performance Forecast" announced today for revisions to the consolidated performance forecast.

Furthermore, the future business strategy towards achieving the medium-term plan announced in May 2023 is as follows:

(i) Basic Policy for Seizing Growth Opportunities

The consolidated sales have reached the scale of 10 billion yen, and with the customer touchpoints of 100 million people in the media business and the customer base centered around financial companies in the solutions business, as well as the expansion of business scope and diversification of revenue sources utilizing group assets, we recognize that we are in a business environment conducive to further corporate growth. In our medium-term plan, we aim to change our revenue model to a more robust one less affected by advertising market conditions by utilizing the strong user connections of each vertical media in the media business to acquire various business incomes and increase the non-advertising income ratio to over 20% by the fiscal year ending March 2026. However, as mentioned above, by promoting aggressive investments for opportunity acquisition in this consolidated fiscal year, we expect to achieve a non-advertising income ratio 17% in the fiscal year ending March 2024, more than one year ahead of schedule. Even in a situation where the advertising market is deteriorating and the recovery is delayed, as a company belonging to the growth market, the current profit situation is more difficult than it actually is due to the execution of such prior investment outside the plan from this third quarter based on the basic policy of prioritizing the acquisition of growth opportunities, but actions aimed at acquiring growth opportunities are progressing ahead of schedule and the results of such actions are being confirmed ahead of schedule. However, the actions to acquire growth opportunities are progressing ahead of schedule and their results are being confirmed ahead of schedule, so depending on the recovery of the advertising market, sales growth in excess of the medium-term plan can be expected.

(ii) Specific Growth Opportunities and Promotion of New Businesses

We aim to expand the business scope and diversify profitability by maximizing the dual effects of the media and solutions businesses by combining the technical and development capabilities and know-how acquired through the financial solutions business with the numerous media user and financial industry customer touchpoints. The medium-term plan's cornerstone is to improve profitability through PMI and organizational restructuring, among other measures. Until now, the company has been diversifying revenue sources and expanding the business scope by applying various information and stock forecast data accumulated in financial information media to the B2B2C field as information solutions in a SaaS model. Essentially, based on such successful experiences, we aim to expand our growth base by diversifying revenue sources from information obtained in each media operation.

In this consolidated fiscal period, under this basic policy, we have aimed to enter three new businesses in the media business to create an early revenue recovery engine utilizing our existing assets:

◆livedoor MOBILE (started in November 2023):

A mobile service utilizing the MVNO scheme, offering competitive pricing plans for regular SIM-type mobile phone services and Wi-Fi services, and the premium service "Oshi Pass" (Favorite Pass) supporting various "Oshi activities," starting with users of Korea's No.1 media "Kstyle." As part of its benefits, a members-only presale for the large-scale K-POP music event "Kstyle PARTY," scheduled for February 2024, was conducted under the name of "Kstyle."

In the future, in addition to extending the benefits of "Oshi Pass" to company-operated vertical media other than "Kstyle", we will also make use of livedoor news and vertical (specialized) media to gain exposure and diffusion in accordance with the respective usage scenarios, thereby efficiently expanding sales of SIM-type mobile phone

services and mobile Wi-Fi services. We also plan to start full-scale sales expansion of efficient SIM-type mobile phone services and mobile Wi-Fi services by utilizing Livedoor News and vertical (specialized) media, and to develop them into new subscription services for the group.

◆livedoor Shopping (scheduled to start in March 2024):

An EC service using the OEM services of partner companies, appealing through product lineups that match the customer characteristics of each vertical media.

In collaboration with a major e-commerce company, test marketing using the livedoor news X (formerly Twitter) account and each group media was conducted several times to confirm results.

◆livedoor Bank (scheduled to start in March 2024)*Starting the service requires approval from the authorities:

A digital financial service through banking agency using BaaS (Banking as a Service), creating new revenue opportunities from user experiences occurring in each vertical media.

Our operated vertical media not only provide content viewing but also various transactions such as purchasing goods, experiencing events, and related payments already exist around the media, and we aim to diversify revenue through non-advertising income by offering unique services as follows:

◆Utilizing various OEM schemes in collaboration with external partners to ensure high reliability and service quality while avoiding large initial investments, achieving low risk and low cost.

◆Utilizing our media with a monthly user base of 100 million people to acquire customers, pursuing high profitability by reducing customer acquisition costs.

◆Offering cross-service user reward programs such as "livedoor Points" and "livedoor Coins."

Furthermore, as mentioned above, one of our subsidiaries, MINKABU ASSET PARTNERS(MAP), has completed its registration as an investment advisory and agency business and plans to start providing services as an online-only investment advisor in March 2024. Under the national asset formation expansion policy, with the start of new NISA, user interest in asset formation information has rapidly increased. This service advises investors on efficient fund management from various services provided by financial institutions, creating new business touchpoints with customer financial institutions in the financial services field for the group. The service allows users to trade stocks, investment trusts, FX, cryptocurrencies, etc., through API connections provided by MAP to financial institutions such as securities companies, and users can make transactions on the MAP service platform while using online advisory services by entering into an investment advisory contract with MAP, providing a new user experience in the investment world. As mentioned earlier, the company has been diversifying revenues and transforming the business model by providing information solutions to financial institutions in addition to advertising revenue from operating financial information sites. We will enter new financial services that meet the diverse revenue needs of securities companies and other financial institutions with online advisory services as the core, utilizing technology.

These new business groups are positioned as new pillars of revenue in the medium-term plan and are considered engines for rapid expansion of the company's business scope. Therefore, the company will continue to make aggressive investments to expand growth opportunities.

(iii) Business Scope Expansion in the Following Periods

In addition to the above-mentioned earnings growth due to the start of contribution to earnings from new business fields that have materialized ahead of schedule, we should achieve growth that exceeds the medium-term plan, including various cost reductions and synergies that have exceeded the initial plan through the progress of PMI and organizational restructuring promoted during the financial year under review. In addition, we are committed to achieving growth in excess of the medium-term plan, depending on the advertising market conditions. In the next financial year, we will focus on the following initiatives.

◆Full-year revenue contribution from non-advertising new businesses

• Media business: Full-year contribution from non-advertising new businesses entered this period, such as mobile, EC, and banking services

◆Revenue contribution from preliminary investment projects

• Media business: Full-year revenue contribution from o SEESAW GAME, Inc newly grouped in this period

• Solutions business: Start of revenue contribution from financial services and subscription-type investment education-related businesses that were in the preliminary investment phase

◆Sustainable growth of existing businesses

• Media business: Increased sales from network and performance-based advertisements if the advertising market continues at the level of the second half of this period, synergy between PGC and UGC media, full-scale use of generative AI (including deployment to the solutions business), and further spread of the high-priced livedoor app

- Solutions business: Recovery of delayed projects in information solutions and increased income related to Kabutan due to favorable stock price trends and increased interest in investment information

◆Improvement in business profitability

- Media business: Full-year contribution from cost reductions implemented in this period
- Solutions business: Profit margin improvement in information solutions due to price increases in monthly usage fees and new project acquisitions, and optimization of resource management due to model change to package solutions in SI solutions, as well as price increases in man-hour rates during contract development

The company is proceeding with transformations to a business structure less dependent on the advertising market impact and the financial industry while recognizing environmental changes such as social environment and financial economic conditions as growth opportunities and preparing systems and making various aggressive investments to seize those opportunities. The promotion of PMI and various service developments, as well as the four new business developments mentioned, are considered sustainable revenue sources contributing to profits as the business scales up. We will continue to implement aggressive measures to increase long-term growth certainty.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
ASSETS		
Current Assets:		
Cash and deposit	4,463,954	2,662,652
Account receivables	1,247,809	1,419,436
Merchandise	-	576
Work in process	10,928	48,256
Supplies	6,154	3,146
Others	845,064	554,977
Allowance for doubtful accounts	(6,238)	(8,208)
Total current assets	6,567,652	4,680,837
Non-current Assets:		
Property, plant and equipment	97,680	841,067
Intangible assets:		
Goodwill	3,564,368	3,643,266
Clients asset	3,382,999	3,199,590
Technology assets	56,461	48,072
Software	1,581,490	1,519,607
Software in progress	209,350	401,544
Others	29,901	42,779
Total intangible assets	8,824,570	8,854,860
Investments and other assets:		
Investments securities	773,591	773,613
Guarantee deposits	129,949	413,997
Deferred tax assets	136,743	328,152
Others	9,299	37,581
Allowance for doubtful accounts	(4,621)	(4,621)
Total investment and other assets	1,044,962	1,548,723
Total fixed assets	9,967,214	11,244,651
Total assets	16,534,886	15,925,488

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

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
LIABILITIES		
Current liabilities:		
Accounts payables	290,163	209,875
Short-term borrowings	200,000	608,000
Current portion of long-term borrowings	567,428	757,500
Income tax payable	186,088	53,637
Other allowances	27,891	10,057
Others	654,904	905,492
Total current liabilities	1,926,474	2,544,563
Non-current liabilities:		
Long-term borrowings	6,752,500	6,001,250
Asset Retirement Obligation	-	114,409
Others	-	9
Total non-current liabilities	6,752,500	6,115,668
Total liabilities	8,678,974	8,660,231
NET ASSETS		
Shareholders' equity		
Share capital	3,533,120	3,534,475
Capital surplus	4,194,160	3,806,135
Retained earnings	(18,653)	(222,861)
Treasury share	(93)	(93)
Total shareholders' equity	7,708,533	7,117,655
Accumulated other comprehensive income (loss):		
Valuation difference on available-for-sale securities	55,860	57,329
Total accumulated other comprehensive income (loss)	55,860	57,329
Non-controlling interests	91,518	90,271
Total net assets	7,855,911	7,265,256
Total liabilities and net assets	16,534,886	15,925,488

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 December 31, 2022	From April 1, 2023 to December 31, 2023
Net Sales	4,285,495	7,126,263
Cost of Sales	2,680,943	3,868,425
Gross Profit	1,604,552	3,257,838
Selling, general and administrative expenses	1,437,361	3,577,585
Operating profit	167,190	(319,747)
Non-operating income		
Interest income	38	633
Dividend income	3,480	1,330
Reversal of allowance for doubtful accounts	1,824	3,549
Others	129	2,809
Total non-operating income	5,472	8,322
Non-operating expenses		
Interest expense	8,523	45,674
Guarantee Commission	-	1,600
Financing expenses	207,417	301
Acquisition-related Cost	62,290	-
Foreign exchange losses	145	1,016
Others	8,050	7,324
Total non-operating expenses	286,426	55,917
Ordinary profit	(113,763)	(367,342)
Extraordinary Profit		
Gain on Sale of Fixed Assets	10,187	-
Gain on Sale of Investment Securities	2,746	1,038
Gain on Negative Goodwill	-	16,197
Total extraordinary profit	12,933	17,236
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	(140,428)	(353,066)
Income taxes (Corporate, residential, enterprise taxes)	86,181	(147,613)
Quarterly Losses	(226,610)	(205,453)
Quarterly losses attributable to non-controlling interests	8,318	(1,246)
Quarterly losses attributable to owners of parent	(234,928)	(204,207)

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	(226,610)	(205,453)
Other comprehensive income		
Valuation difference on available-for-sale securities	21,843	1,469
Total other comprehensive income	21,843	1,469
Quarterly comprehensive income	(204,766)	(203,984)
Quarterly comprehensive income attributable to;		
Owners of parent	(213,085)	(202,737)
Non-controlling interests	8,318	(1,246)

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

(3) 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 nine-months period ended December 31, 2022 (From April 1, 2022 to December 31, 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 nine-months period ended December 31, 2023 (From April 1, 2023 to December 31, 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

There have been no transfers among specified subsidiaries. However, in the third quarter consolidated accounting period, Robot Trust Co., Ltd., which was a wholly owned subsidiary of MINKABU SOLUTION SERVICES, Inc., has been dissolved due to a merger with MINKABU SOLUTION SERVICES, Inc. as the surviving company, and FromOne Co., Ltd. has been dissolved due to a merger with o SEESAW GAME, Inc. (formerly CWS Brains Co., Ltd.), which is a wholly owned subsidiary of our company, and therefore both have 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 nine- months period ended December 31, 2022 (From April 1, 2022 to December 31 ,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	1,162,283	—	1,162,283	—	1,162,283
Subscription	43,280	—	43,280	—	43,280
Media and Others	25,345	—	25,345	—	25,345
Recurring Revenue	—	2,251,370	2,251,370	—	2,251,370
Initial/one-time revenue	—	803,215	803,215	—	803,215
Revenue from contracts with customers	1,230,909	3,054,586	4,285,495	—	4,285,495
Other revenue	—	—	—	—	—
Net sales to external customers	1,230,909	3,054,586	4,285,495	—	4,285,495
Intersegment net sales and transfer	—	32,913	32,913	(32,913)	—
Total	1,230,909	3,087,499	4,318,409	(32,913)	4,285,495
Segment profit	199,890	554,190	754,081	(586,890)	167,190

Notes:

1. Segment profit adjustment of (586,890) 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 "Solutions Business" segment, the goodwill amount related to the business combination with MINKABU web3 wallet Co.,Ltd. conducted during the first quarter consolidated accounting period was calculated on a provisional basis. However, the allocation of the acquisition cost was completed during the second quarter consolidated accounting period, and the provisional accounting treatment has been finalized. As a result, goodwill of 93,065 thousand yen has been recorded. There has been no adjustment to the amount of goodwill as a result of this finalization.

Furthermore, in the "Media Business" segment, during the third quarter consolidated accounting period, we acquired shares of ALIS Corp. and livedoor Co., Ltd., and they have been newly included in the scope of consolidation. The increase in goodwill due to these events amounts to 86,620 thousand yen and 4,323,830 thousand yen, respectively.

Note that the goodwill amounts are calculated on a provisional basis as the allocation of the acquisition cost has not been completed by the end of the third quarter consolidated accounting period.

(Significant gain on negative goodwill)

None

II. For the nine- months period ended December 31, 2023 (From April 1, 2023 to December 31, 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	3,940,002	—	3,940,002	—	3,940,002
Subscription	98,897	—	98,897	—	98,897
Media and Others	319,721	—	319,721	—	319,721
Recurring Revenue	—	1,836,193	1,836,193	—	1,836,193
Initial/one-time revenue	—	931,448	931,448	—	931,448
Revenue from contracts with customers	4,358,621	2,767,642	7,126,263	—	7,126,263
Other revenue	—	—	—	—	—
Net sales to external customers	4,358,621	2,767,642	7,126,263	—	7,126,263
Intersegment net sales and transfer	(268,556)	(93,074)	(361,631)	361,631	—
Total	4,090,065	2,674,567	6,764,632	361,631	7,126,263
Segment profit	(327,727)	149,262	(178,465)	(141,282)	(319,747)

Notes:

1. The adjustment amount of segment profit or loss of (141,282) thousand yen represents corporate revenues and expenses not allocated to any reporting segment, with corporate revenues primarily consisting of management fees from each business segment, and corporate expenses mainly comprising general and administrative expenses not attributable to any reporting segment. Starting from the second quarter consolidated accounting period, the company has been collecting management fees from each group company, and the segment profit or loss for each business segment is calculated after deducting these management fees. The management fee included in the segment loss of 327,727 thousand yen for the Media Business is 308,905 thousand yen, making the segment loss before this expense deduction 18,822 thousand yen. The management fee included in the segment profit of 149,262 thousand yen for the Solutions Business segment is 197,778 thousand yen, making the segment profit before this expense deduction 347,041 thousand yen.
2. Segment profit or loss is adjusted against the operating loss in the quarterly consolidated statement of income.

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, the amount of goodwill from the business combination with CWS Brains Co., Ltd. (which changed its trade name to o SEESAW GAME, Inc on November 1, 2023) conducted in the previous consolidated fiscal year was calculated on a provisional basis. However, the allocation of the acquisition cost has been completed during the third quarter consolidated accounting period, and the provisional accounting treatment has been finalized. As a result, goodwill of 64,876 thousand yen has been recorded. There has been no adjustment to the amount of goodwill due to this finalization.

(Significant gain on negative goodwill)

In the "Media Business" segment, for the business combination with FromOne Co., Ltd. (which merged with CWS Brains Co., Ltd., changing its trade name to o SEESAW GAME, Inc on November 1, 2023, during the second quarter consolidated accounting period), a gain on negative goodwill was recognized. The amount of the gain on negative goodwill was calculated on a provisional basis, but significant revisions to the initial allocation of the acquisition cost have been reflected during the third quarter consolidated accounting period, and the provisional accounting treatment has been finalized.

As a result, the recorded amount of gain on negative goodwill is 16,197 thousand yen. Note that this amount is not included in the segment profit as it is recognized as an extraordinary gain.

3. Matters Concerning Changes in Reporting Segments

To enhance agility in promoting group business strategies, during the first quarter consolidated accounting period, the company transferred the media business to livedoor Co., Ltd., and during the second quarter consolidated accounting period, the solutions business to MINKABU SOLUTION

SERVICES, Inc. through company splits. In this context, the company reviewed its management approach from the perspectives of business development, allocation of management resources, and management control system, and implemented changes in reporting segments. As a result, a portion of selling, general, and administrative expenses, previously apportioned based on segment headcount, etc., has been changed to be adjusted as corporate expenses. The segment information for the previous third quarter cumulative period has been prepared based on the revised segmentation method. Moreover, following the completion of the transition to operating companies for the media and solutions businesses during the second quarter consolidated accounting period, and the transition of our company to primarily oversee these businesses, the collection of management fees from each group company has begun, and these are adjusted as corporate revenues not allocated to any reporting segments from each segment profit.

(Business Combination)

(Common Control Transactions)

(Mergers Among Consolidated Subsidiaries)

1. On August 14, 2023, at a meeting of the Board of Directors, the company resolved to merge MINKABU SOLUTION SERVICES, Inc. (hereinafter "MINKABU SOLUTION SERVICES") and its subsidiary Robot Trust Co., Ltd. (hereinafter "Robot Trust") as an integration of wholly owned subsidiaries, with the merger taking effect on October 1, 2023, making MINKABU SOLUTION SERVICES the surviving company and Robot Trust the dissolved company.

(1) Overview of the Transaction

(a) Name and Business Content of the Combining Companies

i) Name of the Combining Company: MINKABU SOLUTION SERVICES, Inc

ii) Business Content: Mainly information solutions business and system solutions services in the financial sector.

iii) Name of the Company Being Merged: Robot Trust Co., Ltd.

iv) Business Content:

- Providing solutions for investment trust business efficiency and digitalization for asset management companies

- Providing solutions for marketing and sales efficiency for securities companies and banks

- Providing investment trust and market data.

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

(c) Legal Form of the Business Combination: Absorption merger with MINKABU SOLUTION SERVICES as the surviving company and Robot Trust as the dissolved company.

(d) Name of the Company after the Merger: MINKABU SOLUTION SERVICES, Inc.

(e) Other Details of the Transaction: This merger is part of an organizational restructure centered on MINKABU SOLUTION SERVICES as a part of the solution business within the group, aiming to further consolidate functions of the solutions business.

(2) Summary of Accounting Treatment Implemented

The accounting for this business combination has been treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Application Guidance on Accounting Standards No. 10, January 16, 2019).

On August 14, 2023, at a Board of Directors meeting, our company resolved to merge CWS Brains Co., Ltd. (hereinafter "CWS Brains") with FromOne Co., Ltd. (hereinafter "FromOne") as an integration of wholly owned subsidiaries. The merger took effect on November 1, 2023, with CWS Brains (which changed its trade name to SEESAW GAME, Inc (hereinafter "SEESAW GAME") on the same date) as the surviving company and FromOne as the dissolved company.

2. (1) Overview of the Transaction

(a) Names and Business Content of the Combining Companies

i) Name of the Combining Company: SEESAW GAME, Inc

ii) Business Content: Operation of sports information media sites, etc.

iii) Name of the Company Being Merged: FromOne Co., Ltd.

iv) Business Content: Operation of sports information media sites, etc.

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

(c) Legal Form of the Business Combination: Absorption merger, with SEESAW GAME as the surviving

company and FromOne as the dissolved company.

(d) Name of the Company after the Merger: SEESAW GAME, Inc.

(e) Other Details of the Transaction: The objective of consolidating FromOne's web, publishing, and video businesses related to the sports field into SEESAW GAME, our group's sports media business, is to expand the vertical media in the sports sector and to increase the revenue base of the media business. This consolidation aims to enhance the overall synergy effect of our group's media business and strengthen our revenue foundation.

(2) Summary of Accounting Treatment Implemented

The accounting for this business combination has been treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Application Guidance on Accounting Standards No. 10, January 16, 2019).

(Finalization of Provisional Accounting Treatment Related to the Business Combination)

(1).Provisional accounting treatment was applied for the business combination with CWS Brains Co., Ltd. in the previous consolidated fiscal year as of March 31, 2023, but has been finalized during the third quarter consolidated accounting period. There has been no change in the amount due to the finalization of this provisional accounting treatment.

Amount of Goodwill Generated, Reasons for Generation, Amortization Period, and Method

(a) Amount of Goodwill Generated: 64,876 thousand yen

(b) Reason for Generation: Expected future excess earnings from business development.

(c) Amortization Method and Period: Straight-line amortization over 10 years

(2).Provisional accounting treatment was applied for the business combination with FromOne Co., Ltd. during the second quarter consolidated accounting period, but has been finalized during the third quarter consolidated accounting period. As a result, the provisionally calculated amount of gain on negative goodwill of 23,678 thousand yen has been reduced by 7,480 thousand yen due to the finalization of the accounting treatment, resulting in 16,197 thousand yen.

(Significant Subsequent Event)

There are no applicable items.