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October 28, 2024

Consolidated Financial Results for Q3 of FY2024 (Under Japanese GAAP)

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

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

1. Consolidated financial results for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended September 30, 2024	22,267	2.4	3,121	(19.3)	3,147	(18.8)	2,137	(20.2)
September 30, 2023	21,751	(18.6)	3,867	(39.8)	3,876	(40.3)	2,678	(40.7)

Note: Comprehensive income For the nine months ended September 30, 2024: ¥2,150 million [(19.2)%]
For the nine months ended September 30, 2023: ¥2,659 million [(42.2)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	¥	¥
September 30, 2024	80.92	–
September 30, 2023	82.82	82.81

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
September 30, 2024	18,003	12,183	67.7	562.49
December 31, 2023	28,351	22,463	79.2	694.67

Reference: Equity As of September 30, 2024: ¥12,183 million
As of December 31, 2023: ¥22,463 million

2. Dividends

	Annual dividends per share				
	Q1	Q2	Q3	Q4	Total
	¥	¥	¥	¥	¥
FY2023	–	25.00	–	28.00	53.00
FY2024	–	25.00	–		
FY2024 (Forecast)				29.00	54.00

Note: Revisions to the forecast of dividends most recently announced: None

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	%	
Fiscal year ending December 31, 2024	28,300	(3.7)	4,000	(23.5)	4,000	(23.3)	2,700	(20.6)	¥ 107.06

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Significant changes in scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
1. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 2. Changes in accounting policies due to other reasons: None
 3. Changes in accounting estimates: None
 4. Restatement: None

(4) Number of issued shares (common shares)

		shares		shares
1. Total number of issued shares at the end of the period (including treasury shares)	As of September 30, 2024	34,471,000	As of December 31, 2023	34,471,000
2. Number of treasury shares at the end of the period	As of September 30, 2024	12,810,219	As of December 31, 2023	2,133,238
3. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Nine months ended September 30, 2024	26,414,998	Nine months ended September 30, 2023	32,337,760

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

*** 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, (3) Information about consolidated earnings forecasts" on page 4 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

(Means of access to supplementary material on financial results)

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

○ **Attached Material**

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1. Overview of operating results and others

(1) Overview of operating results for the period

During the third quarter of the fiscal year (cumulative), the Japanese economy was expected to recover moderately under improving corporate earnings and conditions in the employment/income environment, partly due to the effects of various government policies despite personal consumption remaining sluggish in some areas.

In this environment, the Group focused on deriving correct information from a large amount of information and efficiently delivering that information to those who need it, based on its mission “Efficiently Connecting Accurate Information,” resulting in the following consolidated operating results.

For the third quarter of the fiscal year (cumulative), net sales were ¥22,267 million (up 2.4% year on year).

For “Affiliate Marketing,” a pay-per-performance advertising service, sales increased year on year due to a moderate recovery in the motivation of some advertisers to place advertisements in the Finance category. In addition, “StoreMatch” pay-per-click advertising for stores in the online shopping mall operated by Yahoo Japan Corporation, also posted positive year-on-year growth mainly due to increased use of the “StoreMatch Pro” advertising function for manufacturers.

Selling, general and administrative expenses were ¥4,281 million (up 18.2% year on year) due to strategic investments associated with the Medium-Term Management Plan and the recording of expenses related to a tender offer for treasury shares.

Operating income was ¥3,121 million (down 19.3% year on year) mainly due to an increase in selling, general and administrative expenses.

Ordinary income was ¥3,147 million (down 18.8% year on year) despite recognizing gain on investments in investment partnerships of ¥14 million under non-operating income.

Net income attributable to owners of parent was ¥2,137 million (down 20.2% year on year) mainly due to the recording of income taxes of ¥1,002 million.

Segment performance was as follows:

The classifications of reportable segments have been changed effective from the first quarter of the fiscal year, and the following year-on-year comparisons are comparative analyses based on figures for the same quarter of the previous fiscal year that have been restated into figures for the segment classifications after the change.

(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.

In “Affiliate Marketing” during the third quarter of the fiscal year (cumulative), although there was a moderate recovery in the motivation of some advertisers to place advertisements in the Finance category, which boosted sales, there was a year-on-year decrease in segment operating income due to strategic investments and other factors.

As a result, this segment attained net sales of ¥9,209 million (up 3.8% year on year) and segment operating income of ¥1,212 million (down 15.0% year on year).

(ii) EC Solutions Business

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

During the third quarter of the fiscal year (cumulative), “StoreMatch” sales increased year on year mainly due to an increase in the use of the “StoreMatch Pro” advertising function for manufacturers. “STORE’s R∞” sales remained at the same level year on year. On the other hand, mainly due to the partial withdrawal from commissioned business offered with “B-Space” in the second quarter of the fiscal year, segment operating income declined year on year.

As a result, this segment attained net sales of ¥12,113 million (up 1.3% year on year) and segment operating income of ¥3,344 million (down 5.2% year on year).

(iii) Travel Tech Business

Travel Tech Business mainly provides solutions for accommodation facilities centered on the consolidated subsidiary Dynatech inc. Its main services are “Direct In,” an accommodation reservation system, and “Dynamation,” an accommodation management system.

During the third quarter of the fiscal year (cumulative), net sales increased year on year due in part to a recovery in the willingness of accommodation facilities to invest, but the Company posted a segment operating loss due to investments in new business areas and up-front investments for the transition to an accommodation management system.

As a result, this segment attained net sales of ¥950 million (up 3.7% year on year) and segment operating loss of ¥124 million (compared to segment operating income of ¥2 million during the third quarter of the previous fiscal year).

(2) Overview of financial positions for the period

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

Assets

At the end of the third quarter of the fiscal year, total assets amounted to ¥18,003 million, a decrease of ¥10,347 million from the end of the previous fiscal year.

Current assets amounted to ¥16,100 million, a decrease of ¥10,565 million from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of ¥10,496 million.

Non-current assets amounted to ¥1,903 million, an increase of ¥218 million from the end of the previous fiscal year. This was mainly due to increases in software of ¥102 million and investment securities of ¥103 million.

Liabilities

At the end of the third quarter of the fiscal year, total liabilities amounted to ¥5,819 million, a decrease of ¥67 million from the end of the previous fiscal year.

Current liabilities amounted to ¥5,759 million, a decrease of ¥42 million from the end of the previous fiscal year. This was mainly due to a decrease in accounts payable - other of ¥287 million, despite increases in accounts payable - trade of ¥92 million and provision for bonuses of ¥126 million.

Non-current liabilities amounted to ¥59 million, a decrease of ¥25 million from the end of the previous fiscal year.

Net assets

At the end of the third quarter of the fiscal year, total net assets amounted to ¥12,183 million, a decrease of ¥10,279 million from the end of the previous fiscal year. This was mainly due to an increase in treasury shares of ¥10,996 million, despite a decrease in retained earnings of ¥1,446 million as a result of a dividend of surplus and an increase in retained earnings of ¥2,137 million due to the recording of net income attributable to owners of parent.

(ii) Cash flows

At the end of the third quarter of the fiscal year, the balance of cash and cash equivalents amounted to ¥11,037 million, a decrease of ¥10,496 million from the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥2,477 million (compared to net cash provided of ¥2,026 million during the third quarter of the previous fiscal year), mainly due to income before income taxes of ¥3,139 million. Positive factors include depreciation and amortization of ¥275 million. Negative factors include a decrease in accounts payable - other of ¥288 million and income taxes paid of ¥977 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥527 million (compared to net cash used of ¥281 million during the third quarter of the previous fiscal year), mainly due to purchase of intangible assets of ¥251 million, purchase of investment securities of ¥102 million and payments for acquisition of businesses of ¥130 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥12,445 million (compared to net cash used of ¥1,742 million during the third quarter of the previous fiscal year), mainly due to purchase of treasury shares of ¥11,000 million.

(3) Information about consolidated earnings forecasts

The Company has not revised its consolidated earnings forecasts for the fiscal year ending December 31, 2024, as released in its “Financial Results for Fiscal Year 2023” of January 30, 2024.

2. Quarterly consolidated financial statements and significant notes**(1) Quarterly consolidated balance sheet**

(¥ millions)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	21,534	11,037
Notes and accounts receivable - trade	3,750	3,556
Accounts receivable - other	1,267	1,321
Other	118	186
Allowance for doubtful accounts	(4)	(1)
Total current assets	26,665	16,100
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	103	103
Tools, furniture and fixtures, net	64	100
Leased assets, net	7	3
Total property, plant and equipment	175	206
Intangible assets		
Software	607	709
Software in progress	140	101
Goodwill	52	95
Customer-related assets	67	16
Other	5	4
Total intangible assets	872	927
Investments and other assets		
Investment securities	619	723
Deferred tax assets	-	31
Other	17	14
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	637	769
Total non-current assets	1,685	1,903
Total assets	28,351	18,003

(¥ millions)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,385	2,477
Accounts payable - other	2,378	2,091
Income taxes payable	249	287
Provision for bonuses	0	126
Other	787	776
Total current liabilities	5,802	5,759
Non-current liabilities		
Deferred tax liabilities	22	–
Other	62	59
Total non-current liabilities	85	59
Total liabilities	5,887	5,819
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,211	1,224
Retained earnings	19,765	20,455
Treasury shares	(520)	(11,517)
Total shareholders' equity	22,184	11,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	279	292
Total accumulated other comprehensive income	279	292
Total net assets	22,463	12,183
Total liabilities and net assets	28,351	18,003

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

(¥ millions)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	21,751	22,267
Cost of sales	14,262	14,864
Gross income	7,488	7,403
Selling, general and administrative expenses	3,621	4,281
Operating income	3,867	3,121
Non-operating income		
Gain on non-refundable commissions for publishers	4	0
Gain on investments in investment partnerships	–	14
Reversal of allowance for doubtful accounts	1	2
Other	7	9
Total non-operating income	13	25
Non-operating expenses		
Loss on investments in investment partnerships	4	–
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	4	0
Ordinary income	3,876	3,147
Extraordinary losses		
Impairment losses	7	–
Loss on sale of investment securities	–	7
Loss on valuation of investment securities	31	–
Other	0	–
Total extraordinary losses	39	7
Income before income taxes	3,836	3,139
Income taxes - current	1,070	1,021
Income taxes - deferred	87	(19)
Total income taxes	1,157	1,002
Net income	2,678	2,137
(Break Down)		
Net income attributable to		
Net income attributable to owners of parent	2,678	2,137
Net income attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	12
Total other comprehensive income	(18)	12
Comprehensive income	2,659	2,150
(Break Down)		
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,659	2,150
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly consolidated statement of cash flows

(¥ millions)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Cash flows from operating activities		
Income before income taxes	3,836	3,139
Depreciation and amortization	315	275
Amortization of goodwill	39	46
Share-based payment expenses	8	18
Increase (decrease) in allowance for doubtful accounts	0	(2)
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	4	(14)
Impairment losses	7	-
Loss (gain) on sale of investment securities	-	7
Loss (gain) on valuation of investment securities	31	-
Decrease (increase) in accounts receivable - trade	889	194
Increase (decrease) in accounts payable - trade	(460)	92
Decrease (increase) in accounts receivable - other	319	(54)
Increase (decrease) in accounts payable - other	(419)	(288)
Other, net	146	39
Subtotal	4,719	3,454
Interest received	0	0
Income taxes paid	(2,695)	(977)
Income taxes refund	3	0
Net cash provided by (used in) operating activities	2,026	2,477
Cash flows from investing activities		
Purchase of property, plant and equipment	(25)	(66)
Purchase of intangible assets	(277)	(251)
Purchase of investment securities	(8)	(102)
Proceeds from sale of investment securities	-	15
Proceeds from distributions from investment partnerships	30	8
Payments for acquisition of businesses	-	(130)
Net cash provided by (used in) investing activities	(281)	(527)
Cash flows from financing activities		
Purchase of treasury shares	-	(11,000)
Proceeds from disposal of treasury shares	1	-
Dividends paid	(1,738)	(1,440)
Repayments of finance lease liabilities	(5)	(5)
Net cash provided by (used in) financing activities	(1,742)	(12,445)
Net increase (decrease) in cash and cash equivalents	3	(10,496)
Cash and cash equivalents at beginning of period	20,184	21,534
Cash and cash equivalents at end of period	20,187	11,037

(4) Notes to quarterly consolidated financial statements

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

Not applicable.

(Notes - Segment information)

I. The third quarter of the previous year (cumulative) (Jan. 1 to Sep. 30, 2023)

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

(¥ millions)

	Reportable segments				Adjustments (Note 1)	Amounts reported on the quarterly consolidated statement of comprehensive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Travel Tech Business	Total		
Net sales						
“Affiliate Marketing” pay-per-performance advertising						
ASP	1,806	–	–	1,806	–	1,806
Consulting	5,738	–	–	5,738	–	5,738
Options	1,322	–	–	1,322	–	1,322
“StoreMatch” pay-per- click advertising	–	9,593	–	9,593	–	9,593
“STORE’s R∞” CRM tool	–	1,813	–	1,813	–	1,813
Travel Tech	–	–	916	916	–	916
Others	7	552	–	560	–	560
Net sales from contracts with customers	8,875	11,959	916	21,751	–	21,751
Net sales from external customers	8,875	11,959	916	21,751	–	21,751
Transactions with other segments	–	–	–	–	–	–
Total	8,875	11,959	916	21,751	–	21,751
Segment operating income	1,425	3,527	2	4,955	(1,088)	3,867

(Notes) 1. The adjustment to segment operating income of ¥(1,088) million constitutes corporate expense not allocated to any of the reportable segments.

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

II. The third quarter of the fiscal year (cumulative) (Jan. 1 to Sep. 30, 2024)

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

(¥ millions)

	Reportable segments				Adjustments (Note 1)	Amounts reported on the quarterly consolidated statement of comprehensive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Travel Tech Business	Total		
Net sales						
“Affiliate Marketing” pay-per-performance advertising						
ASP	1,707	–	–	1,707	–	1,707
Consulting	5,782	–	–	5,782	–	5,782
Options	1,695	–	–	1,695	–	1,695
“StoreMatch” pay-per- click advertising	–	9,957	–	9,957	–	9,957
“STORE’s R∞” CRM tool	–	1,813	–	1,813	–	1,813
Travel Tech	–	–	944	944	–	944
Others	23	342	–	366	–	366
Net sales from contracts with customers	9,209	12,113	944	22,267	–	22,267
Net sales from external customers	9,209	12,113	944	22,267	–	22,267
Transactions with other segments	–	–	6	6	(6)	–
Total	9,209	12,113	950	22,273	(6)	22,267
Segment operating income (loss)	1,212	3,344	(124)	4,432	(1,310)	3,121

(Notes) 1. The adjustment to segment operating income (loss) of ¥(1,310) million constitutes corporate expense not allocated to any of the reportable segments.

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

2. Disclosure of changes, etc. 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 has transitioned to a framework of three reportable segment classifications consisting of the “Marketing Solutions Business,” “EC Solutions Business,” and “Travel Tech Business” effective from the first quarter of the fiscal year.

The segment information for the third quarter of the previous year (cumulative) is disclosed based on classifications after the change of the reportable segment and net sales from contracts with customers.

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

The Company repurchased 10,690,000 shares of treasury shares in accordance with a resolution of the Board of Directors meeting held on March 11, 2024. As a result, treasury shares increased by ¥11,000 million during the third quarter of the fiscal year (cumulative), resulting in treasury shares of ¥11,517 million at the end of the third quarter of the fiscal year.

(Notes - Uncertainties of entity's ability to continue as going concern)
Not applicable.