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October 28, 2022

Consolidated Financial Results for Q3(Cumulative) of FY2022 (Under Japanese GAAP)

Company name: ValueCommerce Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2491
 URL: <https://www.valuecommerce.co.jp/en/>
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 Scheduled date to file quarterly securities report: November 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(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, 2022	26,712	10.1	6,420	12.7	6,493	13.1	4,518	139.0
September 30, 2021	24,257	14.6	5,698	28.5	5,739	27.8	1,891	(38.4)

Note: Comprehensive income For the nine months ended September 30, 2022:¥4,603 million [144.5%]

For the nine months ended September 30, 2021:¥1,883 million [(38.9)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	¥	¥
September 30, 2022	139.78	139.71
September 30, 2021	58.53	58.48

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
September 30, 2022	25,890	19,501	75.3	603.03
December 31, 2021	23,936	16,566	69.2	512.53

Reference: Equity As of September 30, 2022:¥19,498 million

As of December 31, 2021:¥16,562 million

2. Dividends

	Annual dividends per share				
	Q1	Q2	Q3	Q4	Total
FY2021	¥ —	¥ 17.00	¥ —	¥ 26.00	¥ 43.00
FY2022	—	27.00	—		
FY2022 (Forecast)				29.00	56.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	37,000	10.2	8,700	10.0	8,700	9.5	6,000	84.0	185.59

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

* Notes

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

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

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

1. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2. Changes in accounting policies due to other reasons: None

3. Changes in accounting estimates: None

4. Restatement: None

Note: For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 9 of the attached materials.

(4) Number of issued shares (common shares)

		shares		shares
1. Total number of issued shares at the end of the period (including treasury shares)	As of September 30, 2022	34,471,000	As of December 31, 2021	34,471,000
2. Number of treasury shares at the end of the period	As of September 30, 2022	2,136,453	As of December 31, 2021	2,155,503
3. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Nine months ended September 30, 2022	32,326,859	Nine months ended September 30, 2021	32,309,439

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

* Proper use of earnings forecasts, and other special matters (Caution regarding forward-looking statements and others)

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

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

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

○ **Attached Material**

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1. Qualitative information regarding financial results

(1) Analysis of operating results

During the third quarter of the fiscal year (cumulative), the Japanese economy had some downside risk due to factors that include rising prices and volatility in financial and capital markets, as economic policies are tightening all around the world. On the other hand, as transition towards a new stage of the age of living with COVID-19 is now underway, the economy is expected to pick up due to the effect of policies relaxing restrictions on activities, etc.

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 third quarter of the fiscal year (cumulative), net sales were ¥26,712 million (up 10.1% year on year). In “Affiliate Marketing” pay-per-performance advertising, net sales increased year-on-year due to modest recovery in Travel, and growth in the Finance category in the first half.

In addition, in “StoreMatch” pay-per-click advertising for stores in the online shopping mall, net sales increased year-on-year due to a continuous increase in the number of business operators (stores) using the service amid growing business operator focus toward e-commerce. On the other hand, for the “STORE’s R∞” CRM tool for stores in the online shopping mall, net sales decreased year-on-year because of the impact from diversifying advertising materials for online shopping malls.

Selling, general and administrative expenses were ¥3,406 million (down 9.7% year on year) due to (i) the absence of temporary increase in expenses relating to the relocation of the head office, which took place in the first quarter of the previous fiscal year, and decrease in rent and other office-related expenses, and (ii) a decrease in amortization of goodwill and depreciation due to the recording of impairment loss on assets related to Dynatech inc., whose customers are accommodation facilities, in the first quarter of the previous fiscal year.

Operating income was ¥6,420 million (up 12.7% year on year) due to the increase in net sales and decrease in selling, general and administrative expenses.

Ordinary income was ¥6,493 million (up 13.1% year on year) due to recognizing gain on investments in investment partnerships of ¥67 million under non-operating income.

Net income attributable to owners of parent was ¥4,518 million (up 139.0% year on year) due to the absence of recording of impairment loss on assets related to Dynatech inc. under extraordinary loss in the first quarter of the previous fiscal year, despite the recording of income taxes of ¥1,974 million.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year. Please refer to “(Application of Accounting Standard for Revenue Recognition, etc.)” in “(Changes in accounting policies)” in “(4) Notes to Consolidated Financial Statement” in “2. Earnings Results and Notes.” The impact of this change in accounting policy is immaterial.

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 third quarter of the fiscal year (cumulative), net sales increased year-on-year in “Affiliate Marketing” due to modest recovery in Travel, and growth in the Finance category in the first half. As a result, this segment attained net sales of ¥12,161 million (up 4.9% year on year) and segment operating income of ¥2,209 million (up 4.8% 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 “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 third quarter of the fiscal year (cumulative), net sales increased year-on-year in “StoreMatch” pay-per-click advertising for stores in the online shopping mall due to a continuous increase in the number of business operators (stores) using the service amid growing business operator focus toward e-commerce. On the other hand, for the “STORE’s R ∞” CRM tool for stores in the online shopping mall, net sales decreased year-on-year because of the impact from diversifying advertising materials for online shopping malls.

Also, amortization of goodwill and depreciation decreased due to the recording of impairment loss on assets related to Dynatech inc., whose customers are accommodation facilities, in the first quarter of the previous fiscal year. As a result, this segment attained net sales of ¥14,550 million (up 14.9% year on year) and segment operating income of ¥5,180 million (up 10.2% year on year).

(2) Analysis of financial positions

1. The status of assets, liabilities and net assets

Assets

At the end of the third quarter of the fiscal year, total assets amounted to ¥25,890 million, an increase of ¥1,953 million from the end of the previous fiscal year.

Current assets amounted to ¥23,863 million, an increase of ¥1,843 million from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥2,767 million, despite a decrease in notes and accounts receivable - trade of ¥931 million.

Non-current assets amounted to ¥2,027 million, an increase of ¥109 million from the end of the previous fiscal year. This was mainly due to an increase in investment securities of ¥214 million, despite decreases in goodwill of ¥39 million and customer-related assets of ¥50 million.

Liabilities

At the end of the third quarter of the fiscal year, total liabilities amounted to ¥6,389 million, a decrease of ¥981 million from the end of the previous fiscal year.

Current liabilities amounted to ¥6,318 million, a decrease of ¥976 million from the end of the previous fiscal year. This was mainly due to decreases in accounts payable - trade of ¥318 million, accounts payable - other of ¥180 million and income taxes payable of ¥509 million.

Non-current liabilities amounted to ¥70 million, a decrease of ¥5 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 ¥19,501 million, an increase of ¥2,935 million from the end of the previous fiscal year, which was mainly due to an increase resulting from the recording of net income attributable to owners of parent of ¥4,518 million, despite a decrease in retained earnings of ¥1,713 million as a result of a dividend of surplus.

2. Cash flows

At the end of the third quarter of the fiscal year, the balance of cash and cash equivalents amounted to ¥18,266 million, an increase of ¥2,767 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 ¥4,765 million (compared to ¥3,280 million provided during the third quarter of the previous fiscal year (cumulative)), mainly due to income before income taxes of ¥6,493 million. Positive factors include depreciation of ¥309 million and a decrease in accounts receivable- trade of ¥931 million. Negative factors include a decrease in accounts payable- trade of ¥318 million and income taxes paid of ¥2,462 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥278 million (compared to ¥114 million provided during the third quarter of the previous fiscal year (cumulative)), mainly due to purchase of intangible assets of ¥224 million and purchase of investment securities of ¥66 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,718 million (compared to ¥1,353 million used during the third quarter of the previous fiscal year (cumulative)), mainly due to dividends paid of ¥1,716 million.

(3) Information about consolidated earnings forecasts

The Company has not revised its consolidated earnings forecasts for the fiscal year ending December 31, 2022, as released in its “Financial Results for Fiscal Year 2021” of January 31, 2022.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(¥ millions)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	15,498	18,266
Notes and accounts receivable - trade	5,025	4,094
Accounts receivable - other	1,420	1,358
Other	79	148
Allowance for doubtful accounts	(4)	(4)
Total current assets	22,019	23,863
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	129	119
Tools, furniture and fixtures, net	89	90
Leased assets, net	20	15
Total property, plant and equipment	239	225
Intangible assets		
Software	689	688
Software in progress	70	77
Goodwill	156	117
Customer-related assets	202	151
Other	8	7
Total intangible assets	1,126	1,041
Investments and other assets		
Investment securities	453	667
Deferred tax assets	84	67
Other	14	25
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	551	760
Total non-current assets	1,917	2,027
Total assets	23,936	25,890

(¥ millions)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,986	2,667
Accounts payable - other	2,256	2,076
Income taxes payable	1,364	854
Provision for bonuses	28	110
Other	657	608
Total current liabilities	7,294	6,318
Non-current liabilities		
Other	76	70
Total non-current liabilities	76	70
Total liabilities	7,370	6,389
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,168	1,209
Retained earnings	14,017	16,823
Treasury shares	(526)	(522)
Total shareholders' equity	16,387	19,239
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	174	259
Total accumulated other comprehensive income	174	259
Share acquisition rights	3	2
Total net assets	16,566	19,501
Total liabilities and net assets	23,936	25,890

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

(¥ millions)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	24,257	26,712
Cost of sales	14,787	16,885
Gross income	9,469	9,827
Selling, general and administrative expenses	3,771	3,406
Operating income	5,698	6,420
Non-operating income		
Gain on non-refundable commissions for publishers	1	0
Gain on investments in investment partnerships	31	67
Other	11	8
Total non-operating income	44	76
Non-operating expenses		
Foreign exchange losses	1	0
Other	2	4
Total non-operating expenses	3	4
Ordinary income	5,739	6,493
Extraordinary losses		
Impairment losses	2,406	-
Other	91	-
Total extraordinary losses	2,497	-
Income before income taxes	3,241	6,493
Income taxes - current	1,657	1,994
Income taxes - deferred	(307)	(20)
Total income taxes	1,350	1,974
Net income	1,891	4,518
(Break Down)		
Net income attributable to		
Net income attributable to owners of parent	1,891	4,518
Net income attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	85
Total other comprehensive income	(7)	85
Comprehensive income	1,883	4,603
(Break Down)		
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,883	4,603
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statement of cash flows

(¥ millions)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Cash flows from operating activities		
Income before income taxes	3,241	6,493
Depreciation and amortization	605	309
Amortization of goodwill	71	39
Share-based payment expenses	–	10
Increase (decrease) in allowance for doubtful accounts	0	0
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	(31)	(67)
Impairment losses	2,406	–
Decrease (increase) in accounts receivable- trade	147	931
Increase (decrease) in accounts payable- trade	(127)	(318)
Decrease (increase) in accounts receivable - other	165	52
Increase (decrease) in accounts payable - other	(571)	(169)
Other, net	(150)	(52)
Subtotal	5,756	7,227
Interest received	0	0
Income taxes paid	(2,475)	(2,462)
Net cash provided by (used in) operating activities	3,280	4,765
Cash flows from investing activities		
Purchase of property, plant and equipment	(129)	(29)
Purchase of intangible assets	(204)	(224)
Purchase of investment securities	–	(66)
Proceeds from distributions of investment partnerships	135	41
Proceeds from refund of guarantee deposits	313	–
Net cash provided by (used in) investing activities	114	(278)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	4	3
Purchase of treasury shares	(0)	–
Dividends paid	(1,351)	(1,716)
Repayments of finance lease obligations	(5)	(5)
Net cash provided by (used in) financing activities	(1,353)	(1,718)
Net increase (decrease) in cash and cash equivalents	2,042	2,767
Cash and cash equivalents at beginning of period	11,422	15,498
Cash and cash equivalents at end of period	13,464	18,266

(4) Notes to quarterly consolidated financial statements

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

Not applicable.

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

Not applicable.

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

Not applicable.

(Changes in accounting policies)

Application of accounting standard for revenue recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The Company has adjusted the balance of retained earnings at the beginning of the first quarter of the fiscal year by reflecting the cumulative effect of its retrospective application assuming application of the new accounting policy to the periods prior to the beginning of the first quarter of the fiscal year. Meanwhile, whereas the Company has accordingly applied the new accounting policy starting from such beginning balance, the beginning balance has not been affected. Moreover, the effect of such application on the quarterly consolidated financial statements for the third quarter of the fiscal year (cumulative), has been immaterial.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "advances received," which had been presented in "other" under "current liabilities" in the consolidated balance sheet of the previous fiscal year, is now to be presented in "other" under "current liabilities" as "contract liabilities" from the beginning of the first quarter of the fiscal year. Furthermore, the information on disaggregation of revenue from contracts with customers during the third quarter of the previous fiscal year (cumulative) has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Application of accounting standard for fair value measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the quarterly consolidated financial statements.

(Segment information)

I. The third quarter of the previous year (cumulative) (Jan. 1 to Sep. 30, 2021)

1. Information about sales and income (loss) for each reportable segment

(¥ millions)

	Reportable segments			Adjustments (Note 1)	Amounts reported on the quarterly consolidated statement of comprehensive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Total		
Net sales					
Net sales from external customers	11,590	12,667	24,257	–	24,257
Transactions with other segments	–	–	–	–	–
Total	11,590	12,667	24,257	–	24,257
Segment operating income	2,107	4,702	6,809	(1,111)	5,698

(Notes) 1. The adjustment to segment operating income of ¥(1,111) 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.

2. Information about assets for each reportable segment

In the first quarter of the fiscal year, the Company recognized impairment loss in the EC Solutions Business upon having reviewed earnings projections of Dynatech inc. As a result, the value of reportable segment assets in EC Solutions Business is ¥2,540 million less relative to the value at the end of the previous fiscal year.

3. Disclosure of impairment losses of non-current assets or goodwill, etc. for each reportable segment (Significant impairment loss on non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

II. The third quarter of the fiscal year (cumulative) (Jan. 1 to Sep. 30, 2022)

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	Total		
Net sales					
“Affiliate Marketing” pay-per-performance advertising					
ASP	2,081	–	2,081	–	2,081
Consulting	7,463	–	7,463	–	7,463
Options	2,607	–	2,607	–	2,607
“StoreMatch” pay-per-click advertising	–	9,659	9,659	–	9,659
“Store’s R∞” CRM tool	–	3,396	3,396	–	3,396
Others	10	1,494	1,504	–	1,504
Net sales from contracts with customers	12,161	14,550	26,712	–	26,712
Net sales from external customers	12,161	14,550	26,712	–	26,712
Transactions with other segments	–	–	–	–	–
Total	12,161	14,550	26,712	–	26,712
Segment operating income	2,209	5,180	7,390	(969)	6,420

(Notes) 1. The adjustment to segment operating income of ¥(969) 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.

2. Disclosure of changes, etc. in reportable segments

As described in “Application of accounting standard for revenue recognition, etc.,” “Notes - Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring income or loss of operating segments.

For the third quarter of the fiscal year (cumulative), the impact of this change by reportable segment was immaterial, and there was no impact on segment income.