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July 26, 2024

Consolidated Financial Results for Q2 of FY2024 (Interim Period) (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 interim securities report: August 6, 2024
Scheduled date to commence dividend payments: August 30, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 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	
Six months ended	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
June 30, 2024	14,957	1.2	2,198	(19.1)	2,222	(18.4)	1,512	(18.3)
June 30, 2023	14,787	(19.1)	2,718	(38.9)	2,723	(39.7)	1,850	(40.9)

Note: Comprehensive income For the six months ended June 30, 2024: ¥1,523 million [(16.2)%]
For the six months ended June 30, 2023: ¥1,817 million [(42.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	¥	¥
June 30, 2024	52.48	–
June 30, 2023	57.23	57.22

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
June 30, 2024	18,574	12,098	65.1	558.56
December 31, 2023	28,351	22,463	79.2	694.67

Reference: Equity As of June 30, 2024: ¥12,098 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 semi-annual 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 June 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 June 30, 2024	12,810,157	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)	Six months ended June 30, 2024	28,818,219	Six months ended June 30, 2023	32,337,759

* Interim financial results reports are exempt from 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. 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 interim period

During the second 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. In addition, inbound demand was strong and is expected to continue expanding in the medium to long term. On the other hand, the recovery in personal consumption remained sluggish.

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 second quarter of the fiscal year (cumulative), net sales were ¥14,957 million (up 1.2% 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 ¥2,844 million (up 21.0% 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 2,198 million yen (down 19.1% year on year) mainly due to an increase in selling, general and administrative expenses.

Ordinary income was ¥2,222 million (down 18.4% year on year) despite recognizing gain on investments in investment partnerships of ¥15 million under non-operating income.

Net income attributable to owners of parent was ¥1,512 million (down 18.3% year on year) mainly due to the recording of income taxes of ¥702 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 second 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 ¥6,313 million (up 2.1% year on year) and segment operating income of ¥924 million (down 8.5% 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 second 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, while "STORE's R∞" sales slightly decreased year on year due to a decrease in the use of some stores.

As a result, this segment attained net sales of ¥8,015 million (up 0.3% year on year) and segment operating income of ¥2,249 million (down 5.8% 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 “Dynalution,” an accommodation management system.

During the second 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 ¥631 million (up 3.1% year on year) and segment operating loss of ¥64 million (compared to segment operating loss of ¥4 million during the second quarter of the previous fiscal year).

(2) Overview of financial positions for the interim period

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

Assets

At the end of the second quarter of the fiscal year, total assets amounted to ¥18,574 million, a decrease of ¥9,776 million from the end of the previous fiscal year.

Current assets amounted to ¥16,670 million, a decrease of ¥9,995 million from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of ¥9,768 million.

Non-current assets amounted to ¥1,904 million, an increase of ¥218 million from the end of the previous fiscal year. This was mainly due to increases in software of ¥100 million and investment securities of ¥103 million.

Liabilities

At the end of the second quarter of the fiscal year, total liabilities amounted to ¥6,475 million, an increase of ¥588 million from the end of the previous fiscal year.

Current liabilities amounted to ¥6,415 million, an increase of ¥612 million from the end of the previous fiscal year. This was mainly due to an increase in income taxes payable of ¥518 million.

Non-current liabilities amounted to ¥60 million, a decrease of ¥24 million from the end of the previous fiscal year.

Net assets

At the end of the second quarter of the fiscal year, total net assets amounted to ¥12,098 million, a decrease of ¥10,364 million from the end of the previous fiscal year. This was due to an increase in treasury shares of ¥10,996 million, despite a decrease in retained earnings of ¥905 million as a result of a dividend of surplus and an increase in retained earnings of ¥1,512 million due to the recording of net income attributable to owners of parent.

(ii) Cash flows

At the end of the second quarter of the fiscal year, the balance of cash and cash equivalents amounted to ¥11,765 million, a decrease of ¥9,768 million from the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥2,557 million (compared to net cash provided of ¥2,140 million during the second quarter of the previous fiscal year), mainly due to income before income taxes of ¥2,215 million. Positive factors include depreciation and amortization of ¥181 million, a decrease in accounts receivable - trade of ¥237 million. Negative factors include income taxes paid of ¥221 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥420 million (compared to net cash used of ¥180 million during the second quarter of the previous fiscal year), mainly due to purchase of intangible assets of ¥154 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 ¥11,906 million (compared to net cash used of ¥936 million during the second 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. Semi-annual consolidated financial statements and significant notes

(1) Semi-annual consolidated balance sheet

(¥ millions)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	21,534	11,765
Notes and accounts receivable - trade	3,750	3,513
Accounts receivable - other	1,267	1,205
Other	118	188
Allowance for doubtful accounts	(4)	(1)
Total current assets	26,665	16,670
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	103	106
Tools, furniture and fixtures, net	64	97
Leased assets, net	7	4
Total property, plant and equipment	175	208
Intangible assets		
Software	607	707
Software in progress	140	69
Goodwill	52	112
Customer-related assets	67	33
Other	5	4
Total intangible assets	872	928
Investments and other assets		
Investment securities	619	722
Deferred tax assets	–	30
Other	17	14
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	637	767
Total non-current assets	1,685	1,904
Total assets	28,351	18,574

(¥ millions)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,385	2,452
Accounts payable - other	2,378	2,372
Income taxes payable	249	768
Provision for bonuses	0	0
Other	787	820
Total current liabilities	5,802	6,415
Non-current liabilities		
Deferred tax liabilities	22	–
Other	62	60
Total non-current liabilities	85	60
Total liabilities	5,887	6,475
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,211	1,224
Retained earnings	19,765	20,372
Treasury shares	(520)	(11,517)
Total shareholders' equity	22,184	11,807
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	279	291
Total accumulated other comprehensive income	279	291
Total net assets	22,463	12,098
Total liabilities and net assets	28,351	18,574

(2) Semi-annual consolidated statement of comprehensive income (cumulative)

(¥ millions)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	14,787	14,957
Cost of sales	9,718	9,914
Gross income	5,069	5,043
Selling, general and administrative expenses	2,350	2,844
Operating income	2,718	2,198
Non-operating income		
Gain on non-refundable commissions for publishers	1	0
Gain on investments in investment partnerships	–	15
Reversal of allowance for doubtful accounts	1	2
Other	5	6
Total non-operating income	7	24
Non-operating expenses		
Loss on investments in investment partnerships	2	–
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	2	0
Ordinary income	2,723	2,222
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	2,683	2,215
Income taxes - current	736	721
Income taxes - deferred	96	(18)
Total income taxes	832	702
Net income	1,850	1,512
(Break Down) Net income attributable to		
Net income attributable to owners of parent	1,850	1,512
Net income attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	(33)	11
Total other comprehensive income	(33)	11
Comprehensive income	1,817	1,523
(Break Down) Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,817	1,523
Comprehensive income attributable to non-controlling interests	–	–

(3) Semi-annual consolidated statement of cash flows

(¥ millions)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Income before income taxes	2,683	2,215
Depreciation and amortization	209	181
Amortization of goodwill	26	28
Share-based payment expenses	6	11
Increase (decrease) in allowance for doubtful accounts	(1)	(2)
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	2	(15)
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	938	237
Increase (decrease) in accounts payable - trade	(496)	67
Decrease (increase) in accounts receivable - other	363	61
Increase (decrease) in accounts payable - other	(323)	(3)
Other, net	97	(9)
Subtotal	3,543	2,779
Interest received	0	0
Income taxes paid	(1,406)	(221)
Income taxes refund	3	0
Net cash provided by (used in) operating activities	2,140	2,557
Cash flows from investing activities		
Purchase of property, plant and equipment	(20)	(56)
Purchase of intangible assets	(181)	(154)
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	(180)	(420)
Cash flows from financing activities		
Purchase of treasury shares	–	(11,000)
Proceeds from disposal of treasury shares	1	–
Dividends paid	(934)	(902)
Repayments of finance lease liabilities	(3)	(3)
Net cash provided by (used in) financing activities	(936)	(11,906)
Net increase (decrease) in cash and cash equivalents	1,022	(9,768)
Cash and cash equivalents at beginning of period	20,184	21,534
Cash and cash equivalents at end of period	21,207	11,765

(4) Notes to semi-annual consolidated financial statements

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

Not applicable.

(Notes - Segment information)

[Segment information]

I. The second quarter of the previous year (cumulative) (Jan. 1 to Jun. 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 semi-annual consolidated statement of comprehen-sive income (Note 2)
	Marketing Solutions Business	EC Solutions Business	Travel Tech Business	Total		
Net sales						
"Affiliate Marketing" pay-per-performance advertising						
ASP	1,222	–	–	1,222	–	1,222
Consulting	3,947	–	–	3,947	–	3,947
Options	1,007	–	–	1,007	–	1,007
"StoreMatch" pay-per-click advertising	–	6,373	–	6,373	–	6,373
"STORE's R∞" CRM tool	–	1,248	–	1,248	–	1,248
Travel Tech	–	–	612	612	–	612
Others	5	369	–	375	–	375
Net sales from contracts with customers	6,183	7,991	612	14,787	–	14,787
Net sales from external customers	6,183	7,991	612	14,787	–	14,787
Transactions with other segments	–	–	–	–	–	–
Total	6,183	7,991	612	14,787	–	14,787
Segment operating income (loss)	1,010	2,388	(4)	3,394	(676)	2,718

(Notes) 1. The adjustment to segment operating income (loss) of ¥(676) million constitutes corporate expense not allocated to any of the reportable segments.

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

II. The second quarter of the fiscal year (cumulative) (Jan. 1 to Jun. 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 semi-annual 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	1,158	–	–	1,158	–	1,158
Consulting	3,946	–	–	3,946	–	3,946
Options	1,198	–	–	1,198	–	1,198
"StoreMatch" pay-per-click advertising	–	6,549	–	6,549	–	6,549
"STORE's R∞" CRM tool	–	1,207	–	1,207	–	1,207
Travel Tech	–	–	628	628	–	628
Others	10	257	–	268	–	268
Net sales from contracts with customers	6,313	8,015	628	14,957	–	14,957
Net sales from external customers	6,313	8,015	628	14,957	–	14,957
Transactions with other segments	–	–	2	2	(2)	–
Total	6,313	8,015	631	14,960	(2)	14,957
Segment operating income (loss)	924	2,249	(64)	3,109	(911)	2,198

(Notes) 1. The adjustment to segment operating income (loss) of ¥(911) million constitutes corporate expense not allocated to any of the reportable segments.

2. Segment operating income (loss) is adjusted to operating income on the semi-annual 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 second 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 second quarter of the fiscal year (cumulative), resulting in treasury shares of ¥11,517 million at the end of the second quarter of the fiscal year.

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