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November 14, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)



Company name: MINKABU THE INFONOID INC.
Listing: Growth Market, Tokyo
Securities code: 4436
URL: https://minkabu.co.jp/
Representative: Ken Uryu, Chairman and President
Inquiries: Junko Yaguchi, Director, in charge of business administration and management
Telephone: +81-3-6274-6490

Scheduled date to commence dividend payments: -
Preparation of supplementary material on annual financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for six months ended September 30, 2024 (from April 1 to September 30, 2024)

(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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Sep 30, 2024	4,729	5.1	325	(4.6)	(251)	－	(289)	－	(292)	－
Sep 30, 2023	4,499	58.4	340	(35.7)	(240)	－	(275)	－	(231)	－

Note: Comprehensive income Interim Period for the Fiscal Year Ending March 2025: (254)million yen [(－)%]
Interim Period for the Fiscal Year Ending March 2024: (231)million yen [(－)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
Sep 30, 2024	(19.55)	-
Sep 30, 2023	(15.44)	-

Notes:
1. As for diluted net income per share for the interim period, although there are potential shares, it has not been disclosed due to the net loss per share for the interim period.
2. EBITDA (Operating Income + Depreciation + Amortization of Goodwill)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Million yen	Million yen	%	Yen
Sep 30, 2024	14,192	5,541	38.9	386.93
March 31, 2024	14,838	6,184	41.6	411.81

Reference: Equity
Interim Period for the Fiscal Year Ending March 2025: 5,527million yen
Interim Period for the Fiscal Year Ending March 2024: 6,170 million yen

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	26.00	26.00
Fiscal year ending March 31, 2025	-	0.00			
Fiscal year ending March 31, 2025 (Forecast)			-	26.00	26.00

Notes: Revisions to the forecast of cash dividends most recently announced: None

3. Earnings Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Full year	15,000	51.2	2,300	366.7	1,200	-	1,100	-	700	-	46.72

Notes:

1. Revisions to the forecast of consolidated financial results for the fiscal year ending March 31,2025 most recently announced: None
2. EBITDA is calculated as ‘Operating profit + Depreciation + Amortization of goodwill’

Notes

(1) Significant Changes in the Scope of Consolidation during the Current Interim Period: Yes

Newly established: Contents Monster, Inc.

(Note) For details, please refer to the attached document on p.10, "2. Interim Consolidated Financial Statements and Main Notes (4) Notes to Interim Consolidated Financial Statements (Significant Changes in Subsidiaries during the Current Interim Consolidated Accounting Period).

(2) Application of Specific Accounting Treatments for Preparing Interim Consolidated Financial Statements: Yes

(Note) For details, please refer to the attached document on p.10, "2. Interim Consolidated Financial Statements and Main Notes (4) Notes to Interim Consolidated Financial Statements (Application of Specific Accounting Treatments for Preparing Interim Consolidated Financial Statements).

(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 Sep 30, 2024	14,983,300 shares
As of March 31, 2024	14,983,000 shares

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

As of Sep 30, 2024	23 shares
As of March 31, 2024	23 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended Sep 30, 2024	14,983,010 shares
Three months ended Sep 30, 2023	14,977,160 shares

*The quarterly financial results for the second quarter (interim period) are not subject to review by a certified public accountant or an auditing firm.

*Proper use of earnings forecasts, and other special matters:

1. The forward-looking statements, such as performance forecasts, presented in this document are based on information currently available to the Company and on certain assumptions deemed reasonable. However, actual results may differ significantly due to various factors. For conditions underlying these forecasts and important considerations for their use, please refer to the attached document on p.4, “1. Qualitative Information on the Current Interim Financial Results (3) Explanation of Forward-Looking Information such as Consolidated Earnings Forecasts.

2. On November 14, 2024, we held a financial result briefing for institutional investors and securities analysts. The recorded briefing and presentation material will be available promptly after the meeting on our website.

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1.Qualitative Information on Interim Financial Results

(1) Consolidated business performance for the first half of the fiscal year ending March 31, 2025

Financial results for the first half ended September 30, 2024 was as follows: sales amounted to 4,729,050 thousand yen (an increase of 5.1% year-on-year), operating loss was 251,884 thousand yen (compared to an operating loss of 240,747 thousand yen in the same period of the previous year), ordinary loss was 289,860 thousand yen (compared to an ordinary loss of 275,231 thousand yen in the same period of the previous year), and net loss attributable to owners of the parent was 292,893 thousand yen (compared to a net loss of 231,294 thousand yen in the same period of the previous year). Additionally, EBITDA (operating profit + depreciation + amortization of goodwill), which is a key indicator of continuous growth for our group, was 325,063 thousand yen (a decrease of 4.6% year-on-year).

At the end of the previous consolidated fiscal year, the provisional accounting treatment related to the business combination was finalized, and for comparative analysis with the previous interim consolidated period, figures after finalizing the provisional accounting treatment are used. For details, please refer to '2. Interim Consolidated Financial Statements and Key Notes, (4) Notes to Interim Consolidated Financial Statements (Business Combinations and Related Matters)

During the first half of the consolidated accounting period, whilst the recovery in the advertising market remained slow, and sales, particularly from performance-based advertising, continued to be sluggish in the media business, efforts of diversifying advertising revenue, and the consolidation of FromOne Co., Ltd., which became a wholly owned subsidiary on September 1, 2023 (following the absorption merger with CWS Brains Co., Ltd., which was fully acquired on March 31, 2023, and rebranded as SEESAW GAME, Inc. (hereinafter 'SSG') on November 1, 2023), have contributed to the consolidated performance. Additionally, in the solutions business, revenue surpassed the previous year's level due to the sustained growth of recurring income and the increase in spot income, particularly from SI and package solutions. In terms of profits, the growth investments made in the previous consolidated fiscal year, aimed at securing growth opportunities, had an impact due to increased expenses intended to contribute to profits in the second half of the year, though the loss amount was approximately on par with the previous year. Notably, for the second quarter from July to September 2024, we achieved our first profitable quarter post-acquisition of livedoor Co., Ltd. (hereinafter 'Livedoor'), with an operating profit of 31,977 thousand yen. Moving into the second half, we will continue efforts to diversify revenue through further progress in the Post-Merger Integration (PMI) of the Livedoor business, promote cost savings through operational efficiency and rationalization, and ensure that new businesses contribute to profits steadily.

To transition to the next growth stage, we acquired Livedoor as a consolidated subsidiary in December 2022, CWS Brains Co., Ltd. (the predecessor of SSG) in March 2023, and FromOne Co., Ltd. in September 2023, implementing phased management integration. On October 1, 2024, we merged SSG into Livedoor as the surviving company with the aim of maximizing integration benefits, including cost reduction and increased revenue through added value for their combined user base of approximately 100 million monthly users, effectively utilizing management resources, and pursuing new business areas.

The business performance by reportable segment is as follows:

(Media Business)

The media business, with the livedoor business at its core, operates a comprehensive internet media business with a monthly average of 100 million unique users. This includes UGC (User Generated Content) media centered around “livedoor Blog,” PGC (Professional Generated Content) media centered around “livedoor News,” sports information media such as “Ultra WORLD Soccer!,” “SOCCERKING,” “BASEBALLKING,” “BASKETBALLKING,” “totoONE,” asset formation information media “MINKABU,” women-targeted information media “Peachy,” Korean wave information media “Kstyle,” and lifestyle information sites “MINKABU Choice” and “livedoor Choice”, as well as lifestyle services such as livedoor MOBILE, livedoor Shopping, and livedoor Bank. Revenues are generated from advertising sales through these media operations, subscription sales from paid services, and fee income from lifestyle services, also business sales such as content planning and production, facility management, and event management.

During the current interim consolidated period, although ad unit prices in network advertising showed a sluggish recovery, revenue contributions began from new initiatives in the creator economy, which were promoted since the previous fiscal year as part of our revenue diversification strategy, along with contributions from the consolidation of SSG. Additionally, we launched new sports-focused media, including 'Asumichi,' a platform that explores and supports the next career paths for athletes, and 'VOLLEYBALLKING,' a specialized volleyball media outlet. Furthermore, our company was selected as the naming rights partner for the 'Ariake Urban Sports Park' (hereinafter referred to as 'the facility'), renaming it 'livedoor URBAN SPORTS PARK.' The facility fully opened on October 12, 2024, coinciding with the launch of 'ULTREX,' a dedicated urban sports media platform.

As a result, sales for the first half of the consolidated accounting period were 2,351,163 thousand yen (a 7.5% decrease year-on-year). However, this includes 453,000 thousand yen in management fees and other payments under the holding company structure introduced in the previous interim consolidated period. Adjusting for these, net sales amounted to 2,804,163 thousand yen, reflecting a year-on-year increase of 125,024 thousand yen (up 4.7% on the same basis). Likewise, the segment loss was 514,581 thousand yen (compared to a segment loss of 172,796 thousand yen in the previous interim consolidated period), but excluding management fees and other adjustments, the segment loss was 61,581 thousand yen (a deterioration of 25,724 thousand yen year-on-year).

(Solution Business)

The solutions business provides information solutions for B2B and B2B2C use by converting information content and applications originally created for the media business into solutions for various financial institutions. These solutions are further customized to meet the differentiated needs of these institutions. Additionally, to expand our customer base and acquire solution expertise in the financial sector, we utilize applications and APIs (Application Programming Interfaces) developed uniquely by our group. We provide SI (System Integration) and package-based solutions aimed at enhancing and streamlining internal systems for financial institutions. The solution business also operates the stock information media “Kabutan.”

The information solution services generate revenue primarily from initial installation and monthly usage fees or usage-based fees per ID for our cloud-based ASP services, while the SI and package-based solution services generate revenue from consulting, initial installation, and subsequent maintenance fees. The solution business also includes the stock information media “Kabutan,” earning subscription revenue mainly from the paid service “Kabutan Premium.”

During this first half of the consolidated accounting period, the subscription-based service 'Kabutan Premium' continued to perform solidly. In addition, in the information-based solutions segment, monthly subscription fees increased due to both price hikes for some services introduced in the previous consolidated fiscal year and the growth in the number of service implementations. Additionally, in the SI and package solutions segment, the acquisition of projects responding to ongoing DX (digital transformation) needs from large existing clients contributed to revenue.

As a result, sales for the first half of the consolidated accounting period amounted to 1,786,411 thousand yen (a 0.6% decrease compared to the same period of the previous year). However, similar to the media business, when considering the payment of management fees and other expenses of 275,537 thousand yen, which have been applied since the previous interim consolidated accounting period, the sales before these expenses amounted to 2,061,948 thousand yen. The increase in sales compared to the same period of the previous year, using the same basis, was 166,226 thousand yen (an 8.8% increase). Similarly, segment profit was 13,612 thousand yen, which represents a deterioration of 105,771 thousand yen (an 88.6% decrease) compared to the segment profit of 119,383 thousand yen in the same period of the previous year. However, the segment profit before considering management fees and other expenses was 289,149 thousand yen, which is an increase of 72,062 thousand yen (a 33.2% increase) compared to the same period of the previous year. Therefore, when considering the figures before management fees, there was an increase in both sales and profit compared to the same period of the previous year.

(2) Overview of Financial Position as of September 30, 2024

(i) Assets, Liabilities, and Net Assets

(Assets)

At the end of this interim consolidated accounting period, current assets amounted to 3,303,711 thousand yen, a decrease of 828,322 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 1,550,779 thousand yen in cash and deposits, and a decrease of 346,866 thousand yen in accounts receivable, while advances made for event-related contract fees, venue costs, production expenses, etc., resulted in an increase of 1,020,310 thousand yen in prepaid expenses.

We recognize that we are in the phase of acquiring growth opportunities by utilizing the business assets of the group that have been built thus far. In this regard, we are actively making upfront investments to diversify our revenue streams and expand the scale of our income. Specifically, in the media business, we aim to expand non-advertising revenue, and as part of this effort, we are promoting the membership-based service "Oshi Pass" as a subscription business tied to large-scale K-POP events.

In the current fiscal year, as in the previous fiscal year, we plan to hold multiple large-scale K-POP events (three times in total: October 2024, January 2025, and March 2025). Regarding these events, some of the payments for contract fees, etc., have been made in advance, and the business model involves collecting ticket sales revenue, sponsorship income, broadcasting rights revenue, etc., after the events are held. The balance of prepaid expenses at the end of the current interim period represents the peak period, which has temporarily reduced our cash and deposits. However, we expect to begin collecting funds in the latter half of the third quarter as the events take place.

Fixed assets amounted to 10,888,496 thousand yen, an increase of 181,666 thousand yen compared to the end of the previous consolidated fiscal year. This was primarily due to an increase of 38,572 thousand yen in tangible fixed assets, and an increase of 399,493 thousand yen in software and software in progress due to software development investments. At the same time, goodwill and customer-related assets decreased by a total of 257,239 thousand yen due to depreciation.

As a result, total assets amounted to 14,192,208 thousand yen, a decrease of 646,656 thousand yen compared to the 14,838,864 thousand yen at the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the current interim consolidated accounting period, current liabilities amounted to 3,137,750 thousand yen, an increase of 403,585 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of 692,000 thousand yen in short-term borrowings, while long-term borrowings scheduled for repayment within one year decreased by 200,000 thousand yen.

Fixed liabilities amounted to 5,513,142 thousand yen, a decrease of 406,704 thousand yen compared to the end of the previous consolidated fiscal year. This was primarily due to a reduction of 367,500 thousand yen in long-term borrowings resulting from scheduled repayments.

As a result, total liabilities amounted to 8,650,892 thousand yen, a decrease of 3,118 thousand yen compared to the 8,654,011 thousand yen at the end of the previous consolidated fiscal year

(Net Assets)

At the end of the current interim consolidated accounting period, total net assets amounted to 5,541,315 thousand yen, a decrease of 643,537 thousand yen compared to the 6,184,853 thousand yen at the end of the previous consolidated fiscal year. This was primarily due to a decrease of 389,377 thousand yen in capital and capital surplus after transferring the amount of capital reduction to capital surplus, and using capital surplus for ordinary dividend payments, as well as a decrease of 292,892 thousand yen in retained earnings.

As a result, the equity ratio was 38.9% (compared to 41.6% at the end of the previous consolidated fiscal year).

(ii) Cash Flow

At the end of the current interim consolidated accounting period, the balance of cash and cash equivalents decreased by 1,550,779 thousand yen compared to the end of the previous consolidated fiscal year, amounting to 496,965 thousand yen. The cash flow situation for each category during the current interim consolidated accounting period and their contributing factors are as follows:

(Cash Flows from Operating Activities)

Cash flows from operating activities resulted in an outflow of 618,211 thousand yen. This was mainly due to factors such as a tax-adjusted interim net loss of 270,987 thousand yen, an increase of 1,146,167 thousand yen in other current assets due to prepaid contract fees related to event operations, a decrease of 75,044 thousand yen in other current liabilities, and a total depreciation expense of 441,505 thousand yen mainly due to software investments for medium-term growth. Additionally, due to mergers and acquisitions aimed at expanding the growth base, amortization of goodwill amounted to 135,442 thousand yen, while accounts receivable decreased by 346,866 thousand yen.

As a result of upfront payments for contract fees, venue costs, and production expenses related to event operations, which were made in preparation for revenue contributions from new businesses expected in the second half, cash and deposits temporarily decreased during the current interim period. However, collections for these advances are expected to begin in the latter half of the third quarter. With the recovery of revenue from existing businesses, EBITDA is on an upward trend, and therefore, cash flows from operating activities are expected to improve moving forward

(Cash Flows from Investing Activities)

Cash flows from investing activities resulted in an outflow of 668,312 thousand yen. This was primarily due to expenditures of 102,834 thousand yen for the purchase of tangible fixed assets and 650,510 thousand yen for acquiring intangible fixed assets, mainly related to software development. On the other hand, income from the sale of investment securities amounted to 120,000 thousand yen, which was due to the sale of shares in minority investees.

(Cash Flows from Financing Activities)

Cash flows from financing activities resulted in an outflow of 264,255 thousand yen. This was mainly due to repayments of long-term borrowings amounting to 567,500 thousand yen and dividend payments of 388,935 thousand yen, while short-term borrowings increased by 692,000 thousand yen.

(3) Future Outlook

Currently, our group perceives significant growth opportunities for the Next Step, utilizing group business assets. For the fiscal year ending March 2025, we anticipate that both the media and solutions businesses will not only achieve sustainable growth in existing businesses, but also see the full-scale contribution of revenues from forward investment projects made in the previous period aimed at acquiring growth opportunities. As a result, we expect consolidated sales to reach 15,000 million yen, a 51% increase compared to the fiscal year ending March 2024, marking the largest revenue increase since our listing, amounting to nearly 5 billion yen. Consolidated operating profit is expected to be 1,200 million yen, consolidated ordinary profit 1,100 million yen, net profit attributable to parent company shareholders 700 million yen, and EBITDA 2,300 million yen. These figures represent a significant increase in profits compared to the fiscal year ending March 2024.

The large new revenue-generating opportunities from the forward investments made in the previous period for revenue diversification are concentrated in the second half of the fiscal year, and as fixed costs for preparations related to these opportunities were incurred in the first half, we anticipated a second-half heavy profit-and-loss structure, and to turn profitable starting in the second quarter. While the advertising market remains tough in the media business, the progress of PMI (Post-Merger Integration), the contribution of revenue diversification efforts, and sustainable growth in the solutions business with continued large orders, led to the achievement of consolidated profitability in the second quarter, and the progress for the interim period was generally on track with our initial plan.

Looking ahead to the second half of the fiscal year, we aim to steadily achieve revenue from new large-scale projects related to forward investments, while also ensuring a stable profit structure. In particular, for Livedoor, we will focus on a "new Livedoor," initiating a model change. This includes further driving cost reductions through comprehensive efficiency and rationalization utilizing AI to its fullest, and reinforcing our revenue base through the creator economy, which is already showing results as part of our revenue diversification strategy. This will involve segmenting creators and implementing model changes, including the monetization of 'Livedoor Blog,' to strengthen our revenue foundation and catch up with the mid-term plan.

1. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of Sep 30, 2024
ASSETS		
Current Assets:		
Cash and deposit	2,047,745	496,965
Account receivables	1,596,775	1,249,909
Merchandise	517	1,012
Work in process	34,226	60,220
Supplies	13,818	12,129
Others	448,809	1,491,254
Allowance for doubtful accounts	(9,858)	(7,778)
Total current assets	4,132,034	3,303,711
Non-current Assets:		
Property, plant and equipment	824,868	863,440
Intangible assets:		
Goodwill	3,497,481	3,362,039
Clients asset	3,138,453	3,016,656
Technology assets	45,275	40,163
Software	1,389,456	1,446,474
Software in progress	476,008	818,484
Others	42,491	42,600
Total intangible assets	8,589,166	8,726,419
Investments and other assets:		
Investments securities	560,518	524,521
Guarantee deposits	410,879	424,974
Deferred tax assets	289,647	273,947
Others	36,370	79,813
Allowance for doubtful accounts	(4,621)	(4,621)
Total investment and other assets	1,292,794	1,298,636
Total fixed assets	10,706,829	10,888,496
Total assets	14,838,864	14,192,208

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

(Thousands of yen)

	As of March 31, 2024	As of Sep 30, 2024
LIABILITIES		
Current liabilities:		
Accounts payables	298,504	303,627
Short-term borrowings	608,000	1,300,000
Current portion of long-term borrowings	935,000	735,000
Income tax payable	64,331	83,724
Other allowances	51,134	8,668
Others	777,194	706,729
Total current liabilities	2,734,164	3,137,750
Non-current liabilities:		
Long-term borrowings	5,640,000	5,272,500
Asset retirement obligations	114,409	114,409
Others	165,437	126,233
Total non-current liabilities	5,919,846	5,513,142
Total liabilities	8,654,011	8,650,892
NET ASSETS		
Shareholders' equity		
Share capital	3,534,975	320,090
Capital surplus	3,806,635	6,632,142
Retained earnings	(1,199,528)	(1,492,420)
Treasury share	(93)	(93)
Total shareholders' equity	6,141,988	5,459,718
Accumulated other comprehensive income (loss):		
Valuation difference on available-for-sale securities	28,202	67,994
Total accumulated other comprehensive income (loss)	28,202	67,994
Non-controlling interests	14,662	13,602
Total net assets	6,184,853	5,541,315
Total liabilities and net assets	14,838,864	14,192,208

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, 2023 to Sep 30, 2023	From April 1, 2024 to Sep 30, 2024
Net Sales	4,499,956	4,729,050
Cost of Sales	2,507,315	2,650,796
Gross Profit	1,992,641	2,078,253
Selling, general and administrative expenses	2,233,389	2,330,137
Operating loss	(240,747)	(251,884)
Non-operating income		
Interest income	590	156
Dividends received	140	220
Reversal of allowance for doubtful accounts	2,474	1,389
Others	1,817	4,308
Total non-operating income	5,022	6.075
Non-operating expenses		
Interest expense	30,160	38,617
Guarantee Commision	1,100	496
Financing expenses	301	-
Investment partnership losses	-	4,884
Foreign exchange losses	1,410	36
Others	6,533	16
Total non-operating expenses	39,505	44,501
Ordinary loss	(275,231)	(289,860)
Extraordinary income		
Gain on sale of investment securities	1,038	20,000
Gain on negative goodwill	16,197	-
Total extraordinary income	17,236	20,000
Extraordinary losses		
Loss on retirement of non-current assets	2,960	1,126
Total extraordinary losses	2,960	1,126
Loss before income taxes	(260,955)	(270,987)
Income taxes (Corporate, residential, enterprise taxes)	(32,338)	22,966
Quarterly Loss	(228,617)	(293,953)
Quarterly profit attributable to non-controlling interests	2,676	(1,060)
Quarterly Loss attributable to owners of parent	(231,294)	(292,893)

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

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	From April 1, 2023 to Sep 30, 2023	From April 1, 2024 to Sep 30, 2024
Quarterly loss	(228,617)	(293,953)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,854)	39,792
Total other comprehensive income	(2,854)	39,792
Quarterly comprehensive income	(231,471)	(254,161)
Quarterly comprehensive income attributable to;		
Owners of parent	(234,148)	(253,101)
Non-controlling interests	2,676	(1,060)

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

(3) Notes to Interim Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Notes to Significant Changes in the Amount of Shareholders' Equity)

I. Previous Interim Consolidated Accounting Period (from April 1, 2023, to September 30, 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

II. Current Interim Consolidated Accounting Period (from April 1, 2024, to September 30, 2024)

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 28, 2024	common stock	389,557	26	31 March 2024	June 29, 2024	Capital surplus

2. Significant Changes in the Amount of Shareholders' Equity

Based on the resolution of the Annual General Meeting of Shareholders held on June 28, 2024, the effective date of the capital reduction was June 28, 2024, reducing the amount of capital by 3,214,975 thousand yen and the amount of capital reserve by 2,654,975 thousand yen, with the entire amount being transferred to other capital surplus.

As a result, at the end of the current interim consolidated accounting period, the capital stock amounts to 320,090 thousand yen, and the capital surplus stands at 6,632,142 thousand yen.

There are no significant changes in the total amount of shareholders' equity.

(Significant Changes in Subsidiaries during the Current Interim Consolidated Accounting Period)

During the current interim consolidated accounting period, Content Monster, Inc. was newly established and has been included in the scope of consolidation starting from this period.

(Interim Consolidated Financial Statements Specific Accounting Treatment)

(Tax Expense Calculation)

We reasonably estimate an effective tax rate by applying tax-effect accounting to the income before income taxes for the consolidated fiscal year, including the current interim period. Tax expenses are then calculated by applying this estimated effective tax rate to the interim income before income taxes.

(Segment Information)
[Segment Information]
I. Previous Interim Consolidated Accounting Period (from April 1, 2023, to September 30, 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	2,540,154	—	2,540,154	—	2,540,154
Subscription	67,746	—	67,746	—	67,746
Media and Others	42,368	—	42,368	—	42,368
Recurring Revenue	—	1,233,058	1,233,058	—	1,233,058
Initial/one-time revenue	—	616,629	616,629	—	616,629
Revenue from contracts with customers	2,650,269	1,849,687	4,499,956	—	4,499,956
Other revenue	—	—	—	—	—
Net sales to external customers	2,650,269	1,849,687	4,499,956	—	4,499,956
Intersegment net sales and transfer	(108,069)	(51,668)	(159,737)	159,737	—
Total	2,542,200	1,798,018	4,340,219	159,737	4,499,956
Segment profit	(172,796)	119,383	(53,412)	(187,335)	(240,747)

Notes:
1. The adjustment amount of 187,335 thousand yen for segment profit or loss (△) represents corporate revenues and expenses that have not been allocated to each reportable segment. Corporate revenue mainly consists of management fees from each business segment, and corporate expenses primarily comprise general administrative expenses that are not attributable to any reportable segment. Beginning in the current interim consolidated accounting period, we have collected 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 172,796 thousand yen for the Media Business is 136,938 thousand yen, resulting in a segment loss of 35,857 thousand yen before deducting this fee. Similarly, the management fee included in the segment profit of 119,383 thousand yen for the Solutions Business is 97,703 thousand yen, resulting in a segment profit of 217,087 thousand yen before deducting this fee.
2. Segment profit is adjusted with operating loss 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 "Media Business" segment, during the current interim consolidated accounting period, our wholly-owned subsidiary, livedoor Co., Ltd.acquired shares of Synchrolife Co., Ltd. and newly included it in the scope of consolidation, resulting in the recognition of goodwill amounting to 290,569 thousand yen.

(Significant gain on negative goodwill)
In the "Media Business" segment, during the current interim consolidated accounting period, we acquired shares of FromOne Co., Ltd. (which, as of November 1, 2023, was merged with CWS Brains, LTD. subsequently renamed to SEESAW GAME, Inc.) and included it in the scope of consolidation, resulting in the recognition of a negative goodwill gain of 16,197 thousand yen. This amount of negative goodwill reflects a significant revision in the initial allocation of the acquisition cost following the finalization of provisional accounting treatment related to the business combination. Furthermore, as the gain on negative goodwill is classified as an extraordinary gain, it is not included in the segment profit or loss (△) above.

II. Current Interim Consolidated Accounting Period (from April 1, 2024, to September 30, 2024)

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	2,125,354	—	2,125,354	—	2,125,354
Subscription	56,284	—	56,284	—	56,284
Media and Others	582,946	—	582,946	—	582,946
Recurring Revenue	—	1,333,959	1,333,959	—	1,333,959
Initial/one-time revenue	—	630,504	630,504	—	630,504
Revenue from contracts with customers	2,764,585	1,964,464	4,729,050	—	4,729,050
Other revenue	—	—	—	—	—
Net sales to external customers	2,764,585	1,964,464	4,729,050	—	4,729,050
Intersegment net sales and transfer	(413,422)	(178,053)	(591,475)	591,475	—
Total	2,351,163	1,786,411	4,137,574	591,475	4,729,050
Segment loss	(514,581)	13,612	(500,969)	249,085	(251,884)

Notes:

1. The adjustment amount of 249,085 thousand yen for segment profit or loss (△) represents corporate revenues and expenses that have not been allocated to each reportable segment. Corporate revenue mainly consists of management fees from each business segment, and corporate expenses primarily comprise general administrative expenses that are not attributable to any reportable segment. Starting from the previous interim consolidated accounting period, we have 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 514,581 thousand yen for the Media Business is 453,000 thousand yen, resulting in a segment loss of 61,581 thousand yen before deducting this fee. Similarly, the management fee included in the segment profit of 13,612 thousand yen for the Solutions Business is 275,537 thousand yen, resulting in a segment profit of 289,149 thousand yen before deducting this fee.
2. Segment profit is adjusted with operating loss 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)

None.

(Significant gain on negative goodwill)

None

(Business Combinations and Related Matters)

(Significant Revisions in the Initial Allocation of Acquisition Costs in Comparative Information)

We conducted provisional accounting treatment for the business combination with FromOne Co., Ltd. on September 1, 2023 (which, as of November 1, 2023, was merged with CWS Brains, LTD. subsequently renamed to SEESAW GAME, Inc.) during the previous interim consolidated accounting period. This provisional accounting was finalized by the end of the previous consolidated fiscal year. As a result, significant revisions in the initial allocation of acquisition costs have been reflected in the comparative information included in the interim consolidated financial statements for the current interim consolidated accounting period. The amount of negative goodwill, which was initially calculated at 23,678 thousand yen, has been reduced by 7,480 thousand yen, resulting in a final amount of 16,197 thousand yen. Consequently, in the interim consolidated statement of income for the previous interim consolidated accounting period, extraordinary gains decreased by 7,480 thousand yen, and the interim net loss before income taxes and other adjustments increased by 7,480 thousand yen.