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January 31, 2025

Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (Under Japanese GAAP)

Company name: ValueCommerce Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2491
URL: https://www.valuecommerce.co.jp/en/
Representative: Jin Kagawa, Representative Director, President and CEO
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Scheduled date to commence dividend payments: March 6, 2025
Scheduled date of annual general meeting of shareholders: March 24, 2025
Scheduled date to file annual securities report: March 25, 2025
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 fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Fiscal year ended	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
December 31, 2024	30,410	3.4	4,160	(20.5)	4,121	(21.0)	2,855	(16.0)
December 31, 2023	29,396	(17.7)	5,229	(36.6)	5,217	(37.3)	3,400	(41.4)

Note: Comprehensive income For the fiscal year ended December 31, 2024:¥2,827 million [(16.6)%]
For the fiscal year ended December 31, 2023:¥3,390 million [(42.7)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	¥	¥	%	%	%
December 31, 2024	113.24	–	16.2	17.2	13.7
December 31, 2023	105.16	105.15	15.7	18.5	17.8

Reference: Share of income (loss) of entities accounted for using equity method
For the fiscal year ended December 31, 2024:¥– million
For the fiscal year ended December 31, 2023:¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
December 31, 2024	19,636	12,860	65.5	593.73
December 31, 2023	28,351	22,463	79.2	694.67

Reference: Equity As of December 31, 2024:¥12,860 million
As of December 31, 2023:¥22,463 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	¥ millions	¥ millions	¥ millions	¥ millions
December 31, 2024	3,461	(708)	(12,511)	11,775
December 31, 2023	3,499	(404)	(1,745)	21,534

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	Q1	Q2	Q3	Q4	Total			
	¥	¥	¥	¥	¥	¥ millions	%	%
FY2023	–	25.00	–	28.00	53.00	1,713	50.4	7.9
FY2024	–	25.00	–	32.00	57.00	1,234	50.3	8.8
FY2025 (Forecast)	–	25.00	–	24.00	49.00		50.5	

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2025 (from January 1, 2025 to December 31, 2025)

(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	%	¥
Six months ending June 30, 2025	15,100	1.0	2,300	4.6	2,300	3.5	2,000	32.2	92.33
Fiscal year ending December 31, 2025	23,900	(21.4)	2,500	(39.9)	2,500	(39.3)	2,100	(26.5)	96.95

*** Notes**

(1) Significant changes in scope of consolidation during the period: None

(2) 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

(3) 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 December 31, 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 December 31, 2024	12,810,219	As of December 31, 2023	2,133,238
3.	Average number of shares outstanding during the period	Fiscal year ended December 31, 2024	25,219,949	Fiscal year ended December 31, 2023	32,337,760

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
December 31, 2024	29,152	3.7	4,133	(19.6)	4,194	(18.9)	2,929	(16.8)
December 31, 2023	28,123	(18.4)	5,140	(36.9)	5,174	(37.4)	3,519	(38.3)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	¥	¥
December 31, 2024	116.16	–
December 31, 2023	108.84	108.83

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	¥ millions	¥ millions	%	¥
December 31, 2024	19,518	13,086	67.0	604.14
December 31, 2023	28,201	22,615	80.2	699.37

Reference: Equity As of December 31, 2024:¥13,086 million
As of December 31, 2023:¥22,615 million

2. Non-consolidated earnings forecasts for the fiscal year ending December 31, 2025 (from January 1, 2025 to December 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending June 30, 2025	14,900	4.0	2,300	6.2	2,300	3.1	2,000	31.5	92.33
Fiscal year ending December 31, 2025	23,700	(18.7)	2,500	(39.5)	2,500	(40.4)	2,100	(28.3)	96.95

* Financial results reports are exempt from audit 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, (1) Overview of operating results for the fiscal year" on page 2 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 fiscal year

During the fiscal year under review, a moderate recovery was observed in the Japanese economy, although some areas remained sluggish. On the other hand, some downside risk for the Japanese economy emerged in the form of downturns in overseas economies, and there was a need to carefully monitor effects of factors that include rising prices and volatility in financial and capital markets.

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 fiscal year under review, net sales were ¥30,410 million (up 3.4% 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, also for "StoreMatch" pay-per-click advertising for stores in the online shopping mall, sales increased year on year mainly due to an increase in the use of the "StoreMatch Pro" advertising function for manufacturers.

Selling, general and administrative expenses were ¥5,823 million (up 18.4% year on year) mainly due to strategic investments based on the Medium-Term Management Plan.

Operating income was ¥4,160 million (down 20.5% year on year) mainly due to an increase in selling, general and administrative expenses.

Ordinary income was ¥4,121 million (down 21.0% year on year) mainly due to an increase in selling, general and administrative expenses and the recording of expenses related to a tender offer for treasury shares despite recognizing gain on investments in investment partnerships of ¥13 million.

Net income attributable to owners of parent was ¥2,855 million (down 16.0% year on year) mainly due to the recording of income taxes of ¥1,258 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 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.

During the fiscal year under review, regarding "Affiliate Marketing," 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 ¥12,201 million (up 3.5% year on year) and segment operating income of ¥1,401 million (down 24.4% year on year).

As a major effort in product planning and development, we launched the Link in bio service "VLINK" (Note) for influencers in March 2024, with the number of registered users exceeding 10,000 in November. Furthermore, we worked to expand our influencer marketing solutions. In May, we started offering "monicam," a monitoring campaign and word-of-mouth generation service specializing in social media, and "Castbook," an influencer matching service, which we acquired from 018inc.

In addition, we have started offering a “personalized recommendation function” by which AI selects the most suitable advertisers for each media operator, utilizing the data we have accumulated so far in “Affiliate Marketing.”

(Note) This is a service capable of setting up a page that lists URL links to other websites, mainly from social media profile pages.

(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 fiscal year under review, “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 ¥16,948 million (up 3.8% year on year) and segment operating income of ¥4,635 million (down 3.6% year on year).

As a major effort in product planning and development, we launched a retail media network service in November 2024.

(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 fiscal year under review, although there was a recovery in the willingness of accommodation facilities to invest, 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 ¥1,268 million (down 0.4% year on year) and segment operating loss of ¥193 million (compared to segment operating income of ¥5 million during the previous fiscal year).

As a major effort in product planning and development, in September 2024, we launched a dynamic package function that allows users to simultaneously book accommodation and air tickets in “Direct In,” and in November, it became possible to link this with a multilingual AI chatbot function. Furthermore, in the same month we began offering a CRM function in “Dynalution.”

Regarding the outlook for the next fiscal year, we are poised to encounter an environment lacking in prospects for significant growth in our existing businesses due to factors such as the market maturing while consumer spending habits are changing at the same time. We will therefore continue to implement strategic investments based on the Medium-Term Management Plan and focus on creating new services that will newly become pillars of revenue.

In addition, we will carry out an absorption-type merger of our consolidated subsidiary Dynatech inc. with an effective date of April 1, 2025 (planned) in order to accelerate decision-making, flexibly allocate management resources and promote business investment, aiming for the further expansion of the Travel Tech Business in the future.

Regarding the outlook for the next fiscal year, we are poised to encounter an environment with limited growth prospects for our existing businesses, due in part to the simultaneous trend of market maturation and changes in consumer spending behavior. As such, the Company will continue to focus on creating new services that will serve as key revenue drivers.

Further, the Company will conduct an absorption-type merger with a merger date of April 1, 2025 (planned) of Dynatech inc., the Company's consolidated subsidiary, in order to accelerate decision-making, flexibly allocate management resources and promote business investment, aiming for further expansion of the Travel Tech Business in the future.

Additionally, the Company resolved at the board of directors meeting on January 31, 2025 that (i) the transaction agreement between the Company and the Company's major business partner LY Corporation ("LY") with respect to "StoreMatch" and "STORE's R∞" (collectively, "Both Services") will terminate on July 31, 2025, and (ii) the conclusion of the basic agreement regarding the provision of consulting services and other services for the transition to the services replacing Both Services to be developed by LY ("New Services"). The decline in revenue from Both Services for the fiscal year ended December 2025 is estimated to be approximately 7.3 billion yen, based on the performance from August to December of the fiscal year ending December 2024. Further, during the period of parallel operation of Both Services and LY's New Services before the termination of the transaction agreements related to Both Services on July 31, 2025, some customers may transition to LY's New Services, resulting in a decline of net sales through Both Services. However, under the basic agreement, it has been agreed between the Company and LY that any reduction in the Company's revenue through Both Services due to the transition will be settled between the two companies. The specific details will be discussed between the two companies in the future.

Regarding transactions with LY through the performance-based advertising "Affiliate Marketing" in the Company's "Marketing Solutions Business", it has been confirmed with LY that this is independent of the Both Services and is not affected by this matter. Additionally, the Company will leverage the online marketing expertise and technology it has accumulated to strengthen its presence in the social commerce and retail media sectors, as well as expand its travel tech business, in order to recover the Company's performance. In addition, the Company is scheduled to receive 1 billion yen from LY as compensation for consulting services and other services to support the smooth transition to the New Services. For details on this matter, please refer to the Significant Events After Reporting Period.

Accordingly, the consolidated earnings forecast for the next fiscal year is planned as follows: net sales of 23,900 million yen, a 21.4% decrease compared to the previous fiscal year; operating income of 2,500 million yen, a 39.9% decrease compared to the previous fiscal year; ordinary income of 2,500 million yen, a 39.3% decrease compared to the previous fiscal year; and net income attributable to owners of parent of 2,100 million yen, a 26.5% decrease compared to the previous fiscal year.

(Note 1) The consolidated net sales includes the 1 billion yen that is expected to be received from LY as compensation for consulting services and other services related to the transition to the New Services. However, as the specific details will be discussed between the two companies in the future, the actual accounting treatment may differ.

(Note 2) It is expected that a period of parallel operation of Both Services and LY's New Services will occur before the termination of the transaction agreements related to Both Services on July 31, 2025. However, in the consolidated earnings forecast for the fiscal year under review of "consolidated net sales," it is assumed that stores will continue using Both Services during the parallel operation period and estimate the revenue through Both Services accordingly. Additionally, under the basic agreement, it has been agreed between the Company and LY that any reduction in the Company's revenue through Both Services, due to some stores transitioning to LY's New Services during the parallel operation period, will be settled between the two companies. As the details will be further discussed between the two companies, such settlement is not taken into account in the consolidated earnings forecast for the fiscal year under review.

(Note3) The forward-looking statements, including earnings forecasts, contained in this financial results are based on information currently available to management, and various factors may cause actual results to differ materially from these estimates.

(2) Overview of financial positions for the fiscal year

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

Assets

At the end of the fiscal year under review, total assets amounted to ¥19,636 million, a decrease of ¥8,715 million from the end of the previous fiscal year.

Current assets amounted to ¥17,686 million, a decrease of ¥8,978 million from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of ¥9,758 million.

Non-current assets amounted to ¥1,949 million, an increase of ¥263 million from the end of the previous fiscal year. This was mainly due to increases in software of ¥160 million and investment securities of ¥108 million.

Liabilities

At the end of the fiscal year under review, total liabilities amounted to ¥6,775 million, an increase of ¥888 million from the end of the previous fiscal year.

Current liabilities amounted to ¥6,715 million, an increase of ¥913 million from the end of the previous fiscal year. This was mainly due to increases in accounts payable - trade of ¥350 million, accounts payable - other of ¥315 million and income taxes payable of ¥322 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 fiscal year under review, total net assets amounted to ¥12,860 million, a decrease of ¥9,603 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 ¥2,855 million due to the recording of net income attributable to owners of parent.

(ii) Cash flows

At the end of the fiscal year under review, the balance of cash and cash equivalents amounted to ¥11,775 million, a decrease of ¥9,758 million from the end of the previous fiscal year.

The cash flows and their causes during the fiscal year under review, are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥3,461 million (compared to net cash provided of ¥3,499 million in the previous fiscal year), mainly due to income before income taxes of ¥4,114 million. Positive factors include depreciation and amortization of ¥370 million. Negative factors include an increase in accounts receivable - trade of ¥477 million, income taxes paid of ¥977 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥708 million (compared to net cash used of ¥404 million in the previous fiscal year), mainly due to purchase of intangible assets of ¥347 million, purchase of investment securities of ¥163 million and payments for acquisition of businesses of ¥130 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥12,511 million (compared to net cash used of ¥1,745 million in the previous fiscal year), mainly due to purchase of treasury shares of ¥11,063 million.

2. Basic policy to select the accounting principle

The Group's policy is to prepare the consolidated financial statements with JGAAP for the moment considering consolidated financial statements' period comparability and inter-company comparability.

Regarding adaption of international accounting standards (IFRS), the Company is going to correspond appropriately considering several situations inside and outside Japan.

3. Consolidated financial statements and significant notes

(1) Consolidated balance sheet

(¥ millions)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	21,534	11,775
Notes and accounts receivable - trade	3,750	4,228
Accounts receivable - other	1,267	1,508
Other	118	176
Allowance for doubtful accounts	(4)	(2)
Total current assets	26,665	17,686
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	138	148
Accumulated depreciation	(35)	(48)
Facilities attached to buildings, net	103	99
Tools, furniture and fixtures	426	500
Accumulated depreciation	(362)	(386)
Tools, furniture and fixtures, net	64	114
Leased assets	32	32
Accumulated depreciation	(24)	(30)
Leased assets, net	7	2
Total property, plant and equipment	175	216
Intangible assets		
Software	607	768
Software in progress	140	73
Goodwill	52	77
Customer-related assets	67	–
Other	5	4
Total intangible assets	872	923
Investments and other assets		
Investment securities	619	727
Deferred tax assets	–	53
Other	17	27
Allowance for doubtful accounts	(0)	–
Total investments and other assets	637	809
Total non-current assets	1,685	1,949
Total assets	28,351	19,636

(¥ millions)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,385	2,736
Accounts payable - other	2,378	2,693
Income taxes payable	249	572
Provision for bonuses	0	0
Other	787	712
Total current liabilities	5,802	6,715
Non-current liabilities		
Deferred tax liabilities	22	–
Other	62	59
Total non-current liabilities	85	59
Total liabilities	5,887	6,775
Net assets		
Shareholders' equity		
Share capital	1,728	1,728
Capital surplus	1,211	1,224
Retained earnings	19,765	21,174
Treasury shares	(520)	(11,517)
Total shareholders' equity	22,184	12,609
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	279	250
Total accumulated other comprehensive income	279	250
Total net assets	22,463	12,860
Total liabilities and net assets	28,351	19,636

(2) Consolidated statement of comprehensive income

(¥ millions)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net sales	29,396	30,410
Cost of sales	19,247	20,427
Gross income	10,149	9,983
Selling, general and administrative expenses	4,919	5,823
Operating income	5,229	4,160
Non-operating income		
Gain on non-refundable commissions for publishers	4	0
Gain on investments in investment partnerships	–	13
Reversal of allowance for doubtful accounts	1	2
Other	7	10
Total non-operating income	13	26
Non-operating expenses		
Loss on investments in investment partnerships	22	–
Stock repurchase costs	–	63
Other	2	0
Total non-operating expenses	25	64
Ordinary income	5,217	4,121
Extraordinary losses		
Impairment losses	144	–
Loss on sale of investment securities	–	7
Loss on valuation of investment securities	31	–
Other	0	–
Total extraordinary losses	176	7
Income before income taxes	5,041	4,114
Income taxes - current	1,508	1,286
Income taxes - deferred	132	(28)
Total income taxes	1,640	1,258
Net income	3,400	2,855
(Break Down) Net income attributable to		
Net income attributable to owners of parent	3,400	2,855
Net income attributable to non-controlling interests	–	–
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	(28)
Total other comprehensive income	(10)	(28)
Comprehensive income	3,390	2,827
(Break Down) Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,390	2,827
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2023

(¥ millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,728	1,210	18,110	(521)	20,528
Changes during period					
Dividends of surplus			(1,746)		(1,746)
Net income attributable to owners of parent			3,400		3,400
Disposal of treasury shares		1		0	1
Net changes in items other than shareholders' equity					
Total changes during period	–	1	1,654	0	1,656
Balance at end of period	1,728	1,211	19,765	(520)	22,184

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	289	289	2	20,820
Changes during period				
Dividends of surplus				(1,746)
Net income attributable to owners of parent				3,400
Disposal of treasury shares			(0)	1
Net changes in items other than shareholders' equity	(10)	(10)	(1)	(11)
Total changes during period	(10)	(10)	(2)	1,643
Balance at end of period	279	279	–	22,463

Fiscal year ended December 31, 2024

(¥ millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,728	1,211	19,765	(520)	22,184
Changes during period					
Dividends of surplus			(1,446)		(1,446)
Net income attributable to owners of parent			2,855		2,855
Purchase of treasury shares				(11,000)	(11,000)
Restricted share-based remuneration		12		3	16
Net changes in items other than shareholders' equity					
Total changes during period	–	12	1,408	(10,996)	(9,574)
Balance at end of period	1,728	1,224	21,174	(11,517)	12,609

	Accumulated other comprehensive income		Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	279	279	22,463
Changes during period			
Dividends of surplus			(1,446)
Net income attributable to owners of parent			2,855
Purchase of treasury shares			(11,000)
Restricted share-based remuneration			16
Net changes in items other than shareholders' equity	(28)	(28)	(28)
Total changes during period	(28)	(28)	(9,603)
Balance at end of period	250	250	12,860

(4) Consolidated statement of cash flows

(¥ millions)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from operating activities		
Income before income taxes	5,041	4,114
Depreciation and amortization	421	370
Amortization of goodwill	52	63
Share-based payment expenses	11	24
Increase (decrease) in allowance for doubtful accounts	(0)	(2)
Interest income	(0)	(0)
Loss (gain) on investments in investment partnerships	22	(13)
Stock repurchase costs	–	63
Impairment losses	144	–
Loss (gain) on sale of investment securities	–	7
Loss (gain) on valuation of investment securities	31	–
Decrease (increase) in accounts receivable - trade	527	(477)
Increase (decrease) in accounts payable - trade	(337)	350
Decrease (increase) in accounts receivable - other	307	(241)
Increase (decrease) in accounts payable - other	(127)	316
Other, net	97	(138)
Subtotal	6,192	4,438
Interest received	0	0
Income taxes paid	(2,695)	(977)
Income taxes refund	3	0
Net cash provided by (used in) operating activities	3,499	3,461
Cash flows from investing activities		
Purchase of property, plant and equipment	(35)	(90)
Purchase of intangible assets	(390)	(347)
Purchase of investment securities	(8)	(163)
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	(404)	(708)
Cash flows from financing activities		
Purchase of treasury shares	–	(11,063)
Proceeds from disposal of treasury shares	1	–
Dividends paid	(1,740)	(1,441)
Repayments of finance lease liabilities	(7)	(6)
Net cash provided by (used in) financing activities	(1,745)	(12,511)
Net increase (decrease) in cash and cash equivalents	1,349	(9,758)
Cash and cash equivalents at beginning of period	20,184	21,534
Cash and cash equivalents at end of period	21,534	11,775

(5) Notes to consolidated financial statements

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

Not applicable.

(Notes - Segment information)

1. Overview of reportable segments

   The reportable segments of the Group are components of the Group for which separate financial information is available. These segments are periodically evaluated by the Board of Directors for the purpose of determining the allocation of the Group's managerial resources and evaluating its business performance.

   The Group plans comprehensive strategy and develops business activities based on service provided as the basis of business unit. Accordingly, the Group composes business segments with a service unit and regards Marketing Solutions Business, EC Solutions Business and Travel Tech Business as reportable segments.

   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.

   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.

   Travel Tech Business mainly provides solutions for accommodation facilities centered on the consolidated subsidiary Dynatech inc. Its main services are provision of accommodation reservation systems and accommodation management systems.

   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 previous fiscal year is disclosed based on classifications after the change of the reportable segment and net sales from contracts with customers.

2. Methods of calculating amounts of sales, income (loss), assets, liabilities and other items for each reportable segment

   The accounting methods applied to reportable segments are according to the accounting policies used to prepare the consolidated financial statements.

   The income of the reportable segments is based on operating income.

3. Information about amounts of sales, income (loss), assets, liabilities and other items for each reportable segment and information on disaggregation of net sales
The previous fiscal year (Jan. 1 to Dec. 31, 2023)

(¥ millions)

	Reportable segments				Adjustments (Note 1)	Amounts reported on consolidated financial statements (Note 2)
	Marketing Solutions Business	EC Solutions Business	Travel Tech Business	Total		
Net sales						
"Affiliate Marketing" pay-per-performance advertising						
ASP	2,380	–	–	2,380	–	2,380
Consulting	7,652	–	–	7,652	–	7,652
Options	1,746	–	–	1,746	–	1,746
"StoreMatch" pay-per-click advertising	–	13,120	–	13,120	–	13,120
"STORE's R∞" CRM tool	–	2,482	–	2,482	–	2,482
Travel Tech	–	–	1,272	1,272	–	1,272
Others	10	730	–	740	–	740
Net sales from contracts with customers	11,789	16,333	1,272	29,396	–	29,396
Net sales from external customers	11,789	16,333	1,272	29,396	–	29,396
Transactions with other segments	–	–	0	0	(0)	–
Total	11,789	16,333	1,273	29,396	(0)	29,396
Segment operating income	1,853	4,806	5	6,665	(1,435)	5,229
Segment assets	3,466	2,005	677	6,149	22,201	28,351
Other items						
Depreciation	111	138	133	382	38	421
Amortization of goodwill	–	52	–	52	–	52
Increase in property, plant and equipment and intangible assets	207	44	172	423	5	428

(Notes) 1. Adjustments are as follows.
(1) The adjustment to segment operating income of ¥(1,435) million constitutes corporate expense not allocated to any of the reportable segments.
(2) The adjustment to segment assets of ¥22,201 million constitutes corporate assets not allocated to any of the reportable segments.
(3) The adjustment to depreciation of ¥38 million constitutes corporate expense not allocated to any of the reportable segments.
(4) The adjustment to increase in property, plant and equipment and intangible assets of ¥5 million is increase in corporate assets not allocated to any of the reportable segments.
2. Segment operating income is adjusted to operating income on the consolidated statement of comprehensive income.

The fiscal year under review (Jan. 1 to Dec. 31, 2024)

(¥ millions)

	Reportable segments				Adjustments (Note 1)	Amounts reported on consolidated financial statements (Note 2)
	Marketing Solutions Business	EC Solutions Business	Travel Tech Business	Total		
Net sales						
"Affiliate Marketing" pay-per-performance advertising						
ASP	2,296	–	–	2,296	–	2,296
Consulting	7,595	–	–	7,595	–	7,595
Options	2,274	–	–	2,274	–	2,274
"StoreMatch" pay-per-click advertising	–	14,038	–	14,038	–	14,038
"STORE's R∞" CRM tool	–	2,484	–	2,484	–	2,484
Travel Tech	–	–	1,260	1,260	–	1,260
Others	36	425	–	461	–	461
Net sales from contracts with customers	12,201	16,948	1,260	30,410	–	30,410
Net sales from external customers	12,201	16,948	1,260	30,410	–	30,410
Transactions with other segments	–	–	8	8	(8)	–
Total	12,201	16,948	1,268	30,418	(8)	30,410
Segment operating income (loss)	1,401	4,635	(193)	5,842	(1,682)	4,160
Segment assets	3,895	2,234	867	6,996	12,639	19,636
Other items						
Depreciation	123	131	83	339	31	370
Amortization of goodwill	11	52	–	63	–	63
Increase in property, plant and equipment and intangible assets	239	67	164	471	55	526

(Notes) 1. Adjustments are as follows.
(1) The adjustment to segment operating income (loss) of ¥(1,682) million constitutes corporate expense not allocated to any of the reportable segments.
(2) The adjustment to segment assets of ¥12,639 million constitutes corporate assets not allocated to any of the reportable segments.
(3) The adjustment to depreciation of ¥31 million constitutes corporate expense not allocated to any of the reportable segments.
(4) The adjustment to increase in property, plant and equipment and intangible assets of ¥55 million is increase in corporate assets not allocated to any of the reportable segments.
2. Segment operating income (loss) is adjusted to operating income on the consolidated statement of comprehensive income.

(Per share information)

(Yen)

Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
Net assets per share	694.67	Net assets per share	593.73
Basic earnings per share	105.16	Basic earnings per share	113.24
Diluted earnings per share	105.15	Diluted earnings per share	–

(Notes) 1. Diluted earnings per share for the fiscal year ended December 31, 2024, is not presented as there were no potential shares.

2. The calculation basis for basic earnings per share and diluted earnings per share is as follows.

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Basic earnings per share		
Net income attributable to owners of parent (¥ millions)	3,400	2,855
Amounts not attributed to common shareholders (¥ millions)	–	–
Net income attributable to owners of parent relating to common shares (¥ millions)	3,400	2,855
Average number of shares outstanding during the period	32,337,760	25,219,949
Diluted earnings per share		
Adjustments to net income attributable to owners of parent (¥ millions)	–	–
Increase in the number of common shares (Shares)	2,302	–
[of which, share acquisition rights, etc.] (Shares)	[2,302]	[–]
Description of the possible diluted shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	–	–

(Significant subsequent events)

(Absorption-type merger with a consolidated subsidiary)

At its meeting on January 31, 2025, the Company's Board of Directors passed a resolution to conduct an absorption-type merger ("the Merger") of the Company's consolidated subsidiary Dynatech inc. ("Dynatech"), and concluded a merger agreement on the same date.

1. Overview of transaction
   (1) Name and business description of entity involved in the business combination
   Name of entity involved in the business combination: Dynatech inc.
   Description of business: Development and provision of information systems for accommodation facilities

   (2) Date of the business combination
   April 1, 2025 (planned)
   The Merger constitutes a simplified merger for the Company as defined in Article 796, paragraph (2) of the Companies Act, and a short-form merger for Dynatech as defined in Article 784, paragraph (1) of the Companies Act. Accordingly, neither party will seek approval of the merger agreement at a general meeting of shareholders.

   (3) Legal form of the business combination
   An absorption-type merger, with the Company as the surviving company and Dynatech as the disappearing company.

   (4) Name of entity after the business combination
   ValueCommerce Co., Ltd.

   (5) Allotments related to the Merger
   As the Merger will be a merger of a wholly owned subsidiary of the Company, there will be no issuance of new shares, increase in capital, payment of merger subsidy or any other consideration, etc. in connection with the Merger.

   (6) Other items regarding overview of transaction
   The Group has promoted the Travel Tech Business centered on Dynatech, which provides solutions for accommodation facilities. After careful consideration, we have decided to carry out the Merger in order to accelerate decision-making, flexibly allocate management resources and promote business investment, aiming for further expansion of the Travel Tech Business in the future by providing total solutions for accommodation facilities.

2. Overview of accounting treatment to be applied
   In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company will account for the business combination as a transaction under common control.

(Termination of Transaction Agreement with LY Corporation With Respect to “StoreMatch” and “STORE’s R∞”, and Conclusion of Basic Agreement With Respect to the Provision of Transition Support Services in Connection with the Foregoing).

The transaction agreement between the Company and the Company’s major business partner LY Corporation (“LY”) with respect to “StoreMatch” and “STORE’s R∞” (collectively, “Both Services”) will terminate on July 31, 2025. In connection with the foregoing, the Company resolved at the board of directors meeting on January 31, 2025, the conclusion of the basic agreement with LY regarding the provision by the Company of consulting services and other services for the transition to the services replacing Both Services to be developed by LY (“New Services”).

LY falls under an associated company of the Company that indirectly owns 28.15% (Note) of the Company’s shares.
(Note) As of December 31, 2024. Excluding treasury shares owned by the Company.

(1) Background leading to the termination of the transaction and conclusion of the basic agreement with respect to the provision of transition support services

While the Company has provided Both Services to the stores of the online mall “Yahoo! Shopping” operated by LY, due to LY’s decision to in-house develop in order to centralize its platform pursuant to the change in its business strategy, LY made a request to discuss the gradual termination of the agreements related to Both Services after the end of March 2025. Considering the significant economic impact, etc. on the Company due to the termination of these agreements, the Company requested that LY continue the transactions related to Both Services as much as possible. After several rounds of discussions with LY, it was agreed that the termination date for the agreements related to Both Services would be set as July 31, 2025. In connection with this, LY will entrust the Company with consulting services and other services including providing the setup data for Both Services and offering personnel support, in order to support a smooth transition to the New Services from Both Services, and in return, the Company will receive 1 billion yen from LY as compensation for these services.

(2) Counterparty, Date and Content of Agreement

Counterparty to Agreement: LY Corporation
Date of Agreement: January 31, 2025
Content of Agreement: Basic agreement regarding the termination of agreement and service entrustment

(i)Termination of transaction agreement

The transaction agreement between the Company and LY with respect to the services for online mall stores will be terminated as of July 31, 2025.

Services to be terminated

・Pay-per-click advertisement “StoreMatch”

The Company receives advertising fees from stores calculated by multiplying the cost per click by number of clicks, and the Company pays the ad-publishing fee to LY.

・CRM tool “STORE’s R∞”

The Company provides tools to stores and receives from LY consignment fees based on successful performance generated through publishing of coupons.

(ii)Provision of transition support services

LY will entrust the Company with consulting services and other services including providing the setup data for Both Services and offering personnel support, in order to support a smooth transition to the New Services from Both Services, and the Company will receive 1 billion yen from LY as compensation for the provision of such services.

(3) Impact of termination of agreement to the Company’s business

Transactions through Both Services with LY are scheduled to terminate on July 31, 2025, and the decline in revenue from Both Services for the fiscal year ended December 2025 is estimated to be approximately 7.3 billion yen, based on the performance from August to December of the fiscal year ending December 2024. Further, during the period of parallel operation of Both Services and LY's New Services before the termination of the transaction agreements related to Both Services on July 31, 2025, some customers may transition to LY's New Services, resulting in a decline of net sales through Both Services. However, under the basic agreement, it has been agreed between the Company and LY that any reduction in the Company's revenue through Both Services due to the transition will be settled between the two companies. The specific details will be discussed between the two companies in the future.

Details of the Transaction (Consolidated fiscal year: From January 1, 2024, to December 31, 2024)

(Unit: million yen)

Service	Content of Transaction	Net Sales to or Amount of Goods Purchased from LY	Net Sales to the Stores	Total Net Sales of the Service	Proportion of Service Net Sales to Consolidated Net Sales
Pay-per-click advertisement "StoreMatch" (Note)	Revenue from services provided	-	13,968	13,968	45.9%
	Cost of services provided	11,134			
CRM tool "STORE's R∞"	Revenue from services provided	2,484	-	2,484	8.2%
Total				16,452	54.1%

(Note) Excluding "Display Advertisement".

In addition, the Company is scheduled to receive 1 billion yen from LY as compensation for consulting services and other services to support the smooth transition to the New Services from Both Services.