

For the sake of improved understanding of the Company's financial performance for non-Japanese investors, this earnings release is prepared in a different format from the Japanese original TSE filing document released on November 11, 2020. In the event of any discrepancy between this English document and the Japanese original, the original shall always prevail.

November 11, 2020

DIGITAL HOLDINGS, INC. (TSE 2389)

Consolidated Financial Results for the 9 Months Ended March 31, 2020 (J-GAAP, Unaudited)

Tokyo, November 11, 2020, DIGITAL HOLDINGS, INC. ("the Company") announced today its consolidated financial results for the nine months ended on September 30, 2020. (From January 1 to September 30, 2020, "2020 Q3")

(Amount are rounded down to the nearest million yen)

Consolidated Operating Results for 2020 Q3

(in million yen, unless otherwise stated)

	Nine months ended on September 30		
	2020	2019	YoY(%)
Net sales	64,630	62,573	3.3%
Operating profit (loss)	2,718	(542)	—
Ordinary profit (loss)	3,776	(372)	—
EBIT*1	5,449	(325)	—
EBITDA*2, *3	6,200	1,231	403.5%
Profit (loss) attributable to owners of parent	3,467	(370)	—
Earnings per share- diluted (yen)	154.78	—	—
Earnings per share- basic (yen)	154.80	(16.18)	—

Notes:

1. EBIT= Profit (loss) before income taxes + Interest expenses – Interest income
2. EBITDA = EBIT + Other financial gains (losses) + Depreciation + Amortization + Share-based remuneration expense + Impairment loss
3. The definition of EBITDA has been changed since fiscal 2020 to improve the usefulness of the indicators. EBITDA as defined before the change is JPY 1,057 million for the third quarter of the fiscal year ending December 2019 (YoY 78.1% decrease).

Consolidated Balance Sheet Data

(in million yen, unless otherwise stated)

	As of September 30, 2020	As of December 31, 2019
Total assets	66,272	61,132
Assets under management (AUM) *4	25,382	22,961
Net assets	38,036	32,601
Ratio of equity attributable to owners of parent (%)	47.0%	44.5%

Notes:

4. AUM: Total of book value of shares of subsidiaries and affiliates, and fair values*5 of operational investment securities and investment securities
5. Fair Value: The amount at which a party with knowledge of the transaction exchanges its assets or settles its liabilities at an arm's length price.

Dividends

	2020	2019
End of Q1 (yen)	—	—
End of Q2 (yen)	0.00	0.00
End of Q3 (yen)	—	—
End of Q4 (yen)		17.00
Total		17.00

Note:

The Company sets a consolidated payout ratio target of 20% of profit attributable to owners of parent before amortization of goodwill from the year ended December 31, 2017. The dividend forecast for the fiscal year ending December 2020 is not disclosed.

Forecast for the year ending December 31, 2020

(in million yen, unless otherwise stated)	2020	YoY(%)
Marketing Business		
Net sales	80,000 ~ 82,000	-4.0% ~ -1.6%
EBIT	2,050 ~ 2,200	-21.6% ~ -15.9%
EBITDA	2,500 ~ 2,650	-27.2% ~ -22.9%
DIGITAL HOLDINGS, INC. management costs		
Selling, general and administrative expenses *6	2,400	—

Note:

6. This is the amount before the DIGITAL HOLDINGS, INC. management cost allocation.

Appropriate use of earnings forecast and forward-looking statement

Although forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements. The information contained in this material is carefully scrutinized before presentation as it is intended to facilitate your understanding of the Company's business, management policies and plans, financial position, etc. However, we do not guarantee its accuracy, completeness, effectiveness, or security. None of the information herein is prepared to solicit investment. The final decision on investing should be made by you, under your own responsibility. The Company will not be responsible or liable for any consequences resulting from investments made by you in reference to, or by use of, the information. Any information herein other than past or present facts represents our future outlook developed based on the input currently available, and includes various risks and uncertainties. Thus, please note that actual business results released at a later date may differ due to such factors

Changes in material subsidiaries for the reporting period: None.

Changes in accounting policies and changes in accounting estimates

- (1) Changes in accounting policies required by amendments to accounting standards, etc.: None
- (2) Other accounting policies except for item (1): None
- (3) Accounting estimates: None
- (4) Retrospective restatements: None

Number of shares issued –Common stock

	2020 Q3	2019
Number of shares issued including treasury shares	23,817,700	23,817,700
Number of treasury shares	1,623,646	917,705

	2020 Q3	2019 Q3
Average number of shares during the period	22,397,293	22,899,995

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1. Management Discussion and Analysis

(1) Results of operations

DIGITAL HOLDINGS, INC. and its consolidated subsidiaries (hereinafter “the Group”) set the management policy to maximize corporate value and cash flows by leading any and all corporate “digital shift” in response to the rapidly advancing digital industrial revolution, based on the mission of “support, innovate, and create digital industrial revolution.” Therefore, the company changed its name from “Opt Holding, Inc.” to “DIGITAL HOLDINGS, INC.” on July 1, 2020. Furthermore, under the currently-engaged business structure reform, the Group expanded its business domain by shifting its main business from the marketing business centering on clients’ promotion support to the digital shift related businesses, thereby making a shift from the previous goal “net sales of JPY 1 trillion by 2030,” which is centering on the existing business growth, to “corporate value of JPY 1 trillion by 2030.”

Due to the global expansion of COVID-19, the growth rate of the domestic economy has rapidly worsened and has had a significant impact on the performance of many companies. However, the Group is working to improve the profitability of its existing internet advertising marketing business, focusing on curbing selling, general and administrative expenses. At the same time, it is aiming to return to a high level of growth orbit from FY 2021 onward by diverting capital gains generated by financial investments to investments in digital shift businesses, focusing on SaaS products.

As a result of business promotion based on the above management policy, in the Q3 consolidated accounting period, net sales were JPY 23,303 million (YoY 11.6% increase), gross profit was JPY 6,654 million (YoY 111.1% increase), operating profit was JPY 3,014 million (operating loss JPY 420 million for the same period last year), EBIT was JPY 4,870 million (-JPY 44 million for the same period last year), EBITDA was JPY 5,124 million (YoY 710.3% increase).

Moreover, in the consolidated results for the first nine months of the fiscal year, net sales were JPY 64,630 million (YoY 3.3% increase), gross profit was JPY 13,529 million (YoY 25.1% increase), operating profit was JPY 2,718 million (operating loss of JPY 542 million for the same period last year), EBIT was JPY 5,449 million (-JPY 325 million for the same period last year), EBITDA was JPY 6,200 million (YoY 403.5% increase).

Results by segment are as follows.

< Marketing Business >

The Marketing Business consists of two sub-segments: (1) OPT, Inc. and other consolidated subsidiaries make the major sub-segment, which provide internet advertising, digital marketing and related services, etc. for major enterprises, and (2) SoldOut, Inc. and its consolidated subsidiaries make the regional small and medium-sized sub-segment, which provide various digital marketing solutions for regional small and medium-sized enterprises.

In the Marketing Business, net sales decreased to JPY 18,878 million (YoY 8.3% decrease), gross profit decreased to JPY 2,959 million (YoY 13.9% decrease), due to the impact of a decrease in advertising budgets and stagnation in new business acquisition for some customers, due to the spread of COVID-19 since previous quarter.

Nonetheless to efforts to reduce sales of administrative expenses mainly in the major sub-segment, operating profit decreased to JPY 206 million (YoY 69.2% decrease), EBIT decreased to JPY 255 million (YoY 56.9% decrease), and EBITDA decreased to JPY 374 million (YoY 51.0% decrease).

As a result of the above, in the first nine months of the fiscal year, the performance of Marketing Business was JPY 59,745 million in net sales (YoY 0.7% decrease), JPY 9,722 million in gross profit (YoY 4.2% decrease), JPY 1,411 million in operating profit (YoY 22.8% decrease), JPY 1,409 million in EBIT (YoY 16.6% decrease), and JPY 1,751 million in EBITDA (YoY 17.9% decrease).

< Synergy Investment Business >

The Synergy Investment Business consists of the business development investment and the financial investment. The business development investment, mainly, consists of AI related business by SIGNATE Inc., and general trade business in China. The financial investment business consists of BIG1 Investment Limited Partnership (the trade name changed from OPT Ventures No.1 Fund), BIG2 Investment Limited Partnership (the trade name changed from OPT Ventures No.2 Fund), and the investment business by OPT America, Inc.

The performance of the Synergy Investment Business achieved significant improvements as JPY 4,438 million in net sales (JPY 320 million for the same period last year), JPY 3,721 million in gross profit (gross loss of JPY 278

million for the same period last year), and JPY 3,423 million in operating profit (operating loss of JPY 545 million for the same period last year) due to the sale of a portion of shares of RAKSUL INC and Jimoty, Inc. held by the Group as operational investment securities and the sale of a portion of rakumo Inc. held by BIG1 Investment Limited Partnership. In addition, further significant improvements were achieved in JPY 5,275 million in EBIT (-JPY 96 million for the same period last year), JPY 5,286 million in EBITDA (JPY 326 million for the same period last year), due to recognition of extraordinary gains from the sale of a portion of the shares of CommerceOneHoldings, Inc. held as investment securities from the previous quarter.

As a result of the above, in the first nine months of the fiscal year, the performance of Synergy Investment Business was JPY 4,913 million in net sales (YoY 99.8% increase), JPY 3,847 million in gross profit (YoY 443.6% increase), JPY 3,060 million in operating profit (operating loss of JPY 736 million for the same period last year), JPY 5,879 million in EBIT (-JPY 363 million for the same period last year), and JPY 6,000 million in EBITDA (JPY 505 million for the same period last year).

Here, the Company discloses its assets under management (AUM) and internal rate of return (IRR) for the purpose of enhancing the transparency of investment results. Details of the calculation method are disclosed in the footnotes below. AUM at the end of the third quarter of the fiscal year was 25,382 million, up 9.8% from the end of the second quarter, due to a rise in the price of listed shares held as same above, despite the sale of a portion of some securities. In addition, the after-tax IRR at the end of September 2020 was 11.8%, down 0.3% from the end of the second quarter, mainly due to a decline in the stock price of SoldOut, Inc., our listed subsidiary.

Notes:

1. Precondition for AUM calculation

- Stocks of subsidiaries and affiliates represent the total of Carrying amount. Operational investment securities and Investment securities represent the total fair value after consideration for impairment. However, the fair values of Operational investment securities and Investment securities are categorized by brand and calculated as follows.
 - 1) Securities whose investment amount is small: Acquisition price
 - 2) Listed securities: closing market price as of the end of September 2020
 - 3) Securities with the most recent financing experience (equity financing): Value based on the financing value
 - 4) Securities other than those listed above are classified into multiple method, DCF method and net assets method according to the business situation.

2. Precondition for IRR calculation

- Securities held are deemed to have been sold.
- Subject: Investments made between 2003 and the end of September 2020 (including business investments)
- Base date for calculation: End of September 2020
- Calculation Method:
 - 1) Impaired stock: Calculated assuming sale at net assets value at impairment
 - 2) Stocks that have been financed most recently: Calculated on the assumption that the securities were sold at the fair value of the shares at the time of the financing
 - 3) IPO: Calculated as if sold at market value on the calculation reference date
 - 4) Fund: IRR is calculated using the amount collected before the end of September 2020 and the book value as of the end of September 2020.
 - 5) Other than the above: If there is no change in basis due to sale, impairment, financing (equity financing), IPO, etc., the calculation is based on the assumption that it was sold at book value on measure.
- Treatment of corporation tax when calculating IRR: Consider corporation tax

< DIGITAL HOLDINGS, INC. (Hereinafter referred to as "HD".) management costs >

In HD management division, selling, general and administrative expenses were JPY 593 million (JPY 535 million for the same period last year) for the third quarter of the fiscal year, mainly due to increases of temporary costs. As a result of the above, in the first nine months of the fiscal year, selling, general and administrative expenses in HD management division were JPY 1,733 million (JPY 1,613 million for the same period last year).

(2) Overview of financial position

< Assets >

Total assets at the end of the third quarter increased by JPY 5,140 million from the end of the previous fiscal year to JPY 66,272 million. Current assets amounted to JPY 59,293 million, an increase of JPY 4,011 million from the end of the previous fiscal year. This was mainly due to increases of JPY 4,943 million in cash and deposits and

JPY 1,838 million in operational investment securities, despite a decrease of JPY 2,042 million in notes and accounts receivable – trade. Non-current assets amounted to JPY 6,979 million, an increase of JPY 1,128 million from the end of the previous fiscal year. This was mainly due to an increase of JPY 1,598 million in investment securities, despite decreases of JPY 246 million in shares of affiliate companies and JPY 159 million in intangible assets.

< Liabilities >

Total liabilities at the end of the third quarter decreased by JPY 295 million from the end of the previous fiscal year to JPY 28,235 million. Current liabilities amounted to JPY 16,510 million, a decrease of JPY 2,629 million from the end of the previous fiscal year. This was due to decreases of JPY 2,966 million in accounts payable – trade and JPY 822 million in current portion of long-term borrowings, despite an increase of JPY 1,500 million in short-term borrowings. Non-current liabilities amounted to JPY 11,725 million, an increase of JPY 2,334 million from the end of the previous fiscal year. This was due to increases of JPY 1,698 million in long-term borrowings and JPY 659 million in deferred tax liabilities.

< Net assets >

Total net assets at the end of the third quarter increased by JPY 5,435 million from the end of the previous fiscal year to JPY 38,036 million. This was mainly due to increases of JPY 3,336 million in retained earnings due to recognition of profit attributable to owners of parent and JPY 1,585 million in valuation difference on available-for-sale securities.

(3) Consolidated cash flows

Cash and cash equivalents (Hereinafter referred to as "Funds") at the end of the third quarter increased by JPY 4,943 million from the end of the previous fiscal year to JPY 25,342 million. This is because there were Funds obtained from operating, investing, and financing activities. The status of each cash flow during the first nine months of the fiscal year and the major factors behind it are as follows.

< Cash flows from operating activities >

Funds increased by operating activities were JPY 1,429 million (same period last year was a decrease of JPY 2,545 million). This was mainly due to recognition of JPY 5,431 million in profit before income taxes and a decrease of JPY 2,000 million in trade receivables, despite a decrease of JPY 2,951 million in trade payables, recognition of JPY 1,673 million in gain on sales of investment securities, and recognition of JPY 1,067 million in gain on investments in investment partnerships.

< Cash flows from investing activities >

Funds increased by investing activities were JPY 1,567 million (same period last year was a decrease of JPY 31 million). This was mainly due to proceeds from sales of investment securities of JPY 1,881 million and proceeds from withdrawal of investment securities of JPY 1,115 million, despite recognition of JPY 708 million in purchase of investment securities and JPY 502 million in purchase of intangible assets.

< Cash flows from financing activities >

Funds increased by financing activities were JPY 1,979 million (same period last year was a decrease of JPY 279 million). This was mainly due to recognition of JPY 3,015 million in proceeds from long-term borrowings, JPY 1,500 million in net increase in short-term borrowings, and JPY 1,262 million in proceeds from share issuance to non-controlling shareholders, despite recognition of JPY 2,138 million in repayments of long-term borrowings, and JPY 1,045 million in purchase of treasury shares.

(4) Earnings Forecast for Year ending December 31, 2020

In light of the uncertainties surrounding the economic situation caused by COVID-19 and the decrease in advertising demand caused by the self-restraint from going out and the consequent restraint in consumption following the declaration of a state of emergency in early April, it became difficult to make a reasonable estimate of the Company's operating results. Therefore the Company changed its marketing business performance forecast announced on February 12, 2020 to unpredictable, on May 13, 2020. The Company again announced its earnings forecasts for the Marketing Business on August 6, 2020 with a conservative outlook, and with consideration of the declining advertising demand in certain client industries, because it was being difficult to predict when COVID-19

would converge.

Herein, in detail, net sales, despite the impact of COVID-19, has been recovering, albeit at a moderate pace, since May, when the state of emergency was lifted. In fact, advertising demand from some existing customers is also returning from the current fourth quarter. On the other hand, particularly, in the major sub-segment of the Marketing Business, the Company has reviewed its investment plans, which is originally planned and is working to improve cost efficiency and to reduce costs. In addition, office and sales related expenses are being reduced because the Group is working on a new work style that flexibly responds to changes in the social environment even after the declaration of a state of emergency is lifted, work from home utilizing IT is being implemented. As a result, the Company decides to made an upward revision because it expects to exceed the previously announced earnings forecast. However, there is no change the forecast for HD management costs.

< FY 2020/12 Consolidated earnings forecast for the Marketing Business *1>

(Unit: 1 million yen, unless otherwise sateted)

	Net sales	EBIT	EBITDA
Previous forecast (A)	76,500 ~ 78,500	1,170 ~ 1,370	1,600 ~ 1,800
Revised forecast (B)	80,000 ~ 82,000	2,050 ~ 2,200	2,500 ~ 2,650
Difference (B-A)	3,500	880 ~ 830	900 ~ 850
Percentage change	4.6% ~ 4.5%	75.2% ~ 60.6%	56.3% ~ 47.2%
(Reference) Results for FY 2019	83,347	2,615	3,435 ^{*2}
Percentage change from previous year	-4.0% ~ -1.6%	-21.6% ~ -15.9%	-27.2% ~ -22.9%

Notes:

1. The Group's business consists of two businesses: the Marketing Business and Synergy Investment Business. The Marketing Business provides digital marketing business and its related services centered on the Internet advertising business. The Synergy Investment Business consists of the financial investment business and new business development, etc., and it is difficult to disclose the consolidated performance forecast with high accuracy due to large fluctuations in the business performance caused by trends in the IPO market, fluctuations in the stock price of listed stocks, timing of sales, etc.
Therefore, the Company limits the disclosure of earnings forecasts to the Marketing Business and HD management costs.
2. The definition of EBITDA has been changed since fiscal year 2020 to improve the usefulness of the indicators. EBITDA, which was before the definition change was JPY 3,446 million yen for the full year ending December 2019.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly consolidated balance sheets

(Unit: 1 million yen)

	Previous fiscal year (As of December 31, 2019)	2020 Q3 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	20,398	25,342
Notes and accounts receivable - trade	13,681	11,656
Operational investment securities	19,524	21,362
Inventories	27	9
Other	1,678	939
Allowance for doubtful accounts	(28)	(17)
Total current assets	55,281	59,293
Non-current assets		
Property, plant and equipment	272	363
Intangible assets		
Goodwill	219	196
Other	1,395	1,259
Total Intangible assets	1,614	1,455
Investments and other assets		
Shares of affiliate companies	625	379
Investment securities	2,038	3,637
Leasehold and guarantee deposits	875	876
Other	471	296
Allowance for doubtful accounts	(47)	(28)
Total Investments and other assets	3,963	5,161
Total non-current assets	5,850	6,979
Total assets	61,132	66,272
Liabilities		
Current liabilities		
Accounts payable - trade	13,154	10,188
Short-term borrowings	—	1,500
Current portion of long-term borrowings	2,307	1,485
Income taxes payable	408	726
Provision for bonuses	547	166
Other	2,722	2,443
Total current liabilities	19,140	16,510
Non-current liabilities		
Long-term borrowings	6,431	8,130
Deferred tax liabilities	2,834	3,494
Asset retirement obligations	115	97
Other	9	3
Total non-current liabilities	9,390	11,725
Total liabilities	28,531	28,235

(Unit: 1 million yen)

	Previous fiscal year (As of December 31, 2019)	2020 Q3 (As of September 30, 2020)
Net assets		
Shareholders' equity		
Share capital	8,212	8,212
Capital surplus	3,924	4,045
Retained earnings	6,936	10,273
Treasury shares	(698)	(1,698)
Total Shareholders' equity	18,375	20,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,593	10,179
Foreign currency translation adjustment	225	114
Total accumulated other comprehensive income	8,819	10,294
Share acquisition rights	0	0
Non-controlling interests	5,405	6,909
Total net assets	32,601	38,036
Total liabilities and net assets	61,132	66,272

(2) Quarterly consolidated statements of income and comprehensive income

① Quarterly consolidated statements of income

(Unit: 1 million yen)

	2019 Q3 From January 1, 2019 to September 30, 2019	2020 Q3 From January 1, 2020 to September 30, 2020
Net sales	62,573	64,630
Cost of sales	51,758	51,101
Gross profit	10,815	13,529
Selling, general and administrative expenses	11,357	10,811
Operating profit (loss)	(542)	2,718
Non-operating income		
Share of profit of entities accounted for using equity method	88	30
Gain on investments in investment partnerships	120	1,067
Other	24	43
Total non-operating income	233	1,141
Non-operating expenses		
Interest expenses	18	19
Commission expenses	0	46
Foreign exchange losses	28	—
Other	16	17
Total non-operating expenses	63	83
Ordinary profit (loss)	(372)	3,776
Extraordinary income		
Gain on sales of non-current assets	—	18
Gain on change in equity	116	41
Gain on sales of investment securities	450	1,761
Other	2	0
Total extraordinary income	569	1,820
Extraordinary losses		
Loss on retirement of non-current assets	36	7
Impairment loss	44	1
Loss on valuation of investment securities	421	60
Loss on sales of investment securities	22	87
Other	10	9
Total extraordinary losses	536	166
Profit (loss) before income taxes	(338)	5,431
Income taxes	492	1,060
Profit (loss)	(831)	4,370
Profit (loss) attributable to non-controlling interests	(460)	903
Profit (loss) attributable to owners of parent	(370)	3,467

② Quarterly consolidated statements of comprehensive income

(Unit: 1 million yen)

	2019 Q3 From January 1, 2019 to September 30, 2019	2020 Q3 From January 1, 2020 to September 30, 2020
Profit (loss)	(831)	4,370
Other comprehensive income		
Valuation difference on available-for-sale securities	3,773	1,154
Foreign currency translation adjustment	(105)	(111)
Share of other comprehensive income of entities accounted for using equity method	(95)	—
Total other comprehensive income	3,573	1,043
Comprehensive income	2,742	5,414
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,207	4,941
Comprehensive income attributable to non-controlling interests	(464)	472

(3) Quarterly consolidated statements of cash flows

(Unit: 1 million yen)

	2019 Q3 From January 1, 2019 to September 30, 2019	2020 Q3 From January 1, 2020 to September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	(338)	5,431
Depreciation	399	406
Increase (decrease) in allowance for doubtful accounts	(13)	7
Increase (decrease) in provision for bonuses	(461)	(375)
Interest and dividend income	(4)	(1)
Interest expenses	18	19
Commission expenses	—	45
Share of loss (profit) of entities accounted for using equity method	(88)	(30)
Loss (gain) on investments in investment partnerships	(120)	(1,067)
Loss (gain) on sales of investment securities	(428)	(1,673)
Loss (gain) on valuation of investment securities	421	60
Impairment loss	44	1
Loss on retirement of non-current assets	36	7
Loss (gain) on sales of non-current assets	—	(18)
Increase (decrease) in retirement benefit liability	22	—
Decrease (increase) in trade receivables	1,430	2,000
Decrease (increase) in investment securities for sale	(279)	(430)
Decrease (increase) in inventories	221	18
Increase (decrease) in trade payables	(913)	(2,951)
Increase (decrease) in accrued consumption taxes	(1,349)	570
Other	464	(96)
Subtotal	(937)	1,924
Interest and dividends received	4	1
Interest paid	(18)	(19)
Income taxes paid	(1,616)	(788)
Income taxes refund	21	310
Cash flows from operating activities	(2,545)	1,429
Cash flows from investing activities		
Purchase of property, plant and equipment	(55)	(103)
Purchase of Intangible assets	(571)	(502)
Purchase of investment securities	(140)	(708)
Proceeds from sales of Investment securities	595	1,881
Proceeds from withdrawal of investment securities	258	1,115
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(112)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	292	—
Payments for sale of businesses	(177)	—
Payments of leasehold and guarantee deposits	(257)	(8)
Proceeds from refund of leasehold and guarantee deposits	13	1
Loan advances	(0)	—
Collection of loans receivable	18	4
Other	(6)	—
Cash flows from investing activities	(31)	1,567

(Unit: 1 million yen)

	2019 Q3 From January 1, 2019 to September 30, 2019	2020 Q3 From January 1, 2020 to September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	1,500
Proceeds from long-term borrowings	—	3,015
Repayments of long-term borrowings	(1,050)	(2,138)
Proceeds from share issuance to non-controlling shareholders	1,310	1,262
Repayments to non-controlling shareholders	—	(133)
Repayments of finance lease obligations	(0)	—
Purchase of treasury shares	—	(1,045)
Purchase of treasury shares of subsidiaries	(12)	(0)
Dividends paid	(434)	(389)
Dividends paid to non-controlling interests	(44)	(90)
Other	(48)	(0)
Cash flows from financing activities	(279)	1,979
Effect of exchange rate change on cash and cash equivalents	(74)	(32)
Net increase (decrease) in cash and cash equivalents	(2,930)	4,943
Cash and cash equivalents at beginning of period	19,598	20,398
Cash and cash equivalents at end of period	16,668	25,342

(4) Notes on quarterly consolidated financial statements

① Notes on the premise of a going concern

Not applicable.

② Notes on significant changes in the amount of shareholder's equity.

The Company acquired 705,900 shares of treasury shares pursuant to the resolutions of the board of directors held on February 12, 2020. As a result, treasury shares increased by JPY 999 million during the first nine months of the current fiscal year, and treasury shares at the end of the third quarter of the current fiscal year was JPY 1,698 million.

③ Information on reporting segments

I. Consolidated financial results for the previous Q3 (From January 1, 2019 to September 30, 2019)

< Information in respect of net sales and the amount of profit or loss for each reportable segment >

(Unit: 1 million yen)

	Reportable Segments			Adjustment *1	Consolidated
	Marketing Business	Synergy Investment Business	Total		
Net sales					
Net sales from third parties	60,138	2,434	62,573	—	62,573
Intersegment net sales or transfer	6	24	30	(30)	—
Total	60,144	2,458	62,603	(30)	62,573
Profit (loss) of segment *2	1,690	(363)	1,326	(1,651)	(325)
EBITDA *3	2,132	505	2,638	(1,406)	1,231
Interest expenses - Interest income					13
Loss before income taxes					(338)
Income taxes					492
Income taxes-current					292
Income taxes-deferred					200
Loss attributable to non-controlling interests					(460)
Loss attributable to owners of parent					(370)

Notes:

1. The -JPY 1,651 million adjustment to profit (loss) of segment includes -JPY 1,650 million of the elimination of intersegment transactions and HD management costs not allocated to each reportable segment.
2. Profit (loss) of segment is presented as EBIT (Profit (loss) before income taxes + Interest expenses - Interest income).
3. EBITDA = EBIT + Other financial gains (losses) + Depreciation + Amortization + Share-based remuneration expense + Impairment loss
However, EBITDA, which was before the definition change, was JPY 1,057 million.

< Information on impairment loss on non-current assets, goodwill, or etc. for each reportable segment > (Significant impairment loss pertaining to non-current assets)

Software and other impairment loss accounted for JPY 44 million in the Marketing Business during the first nine months of the previous fiscal year.

(Significant change in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

II. Consolidated financial results for the current Q3 (From January 1, 2020 to September 30, 2020)
< Information in respect of net sales and the amount of profit or loss for each reportable segment >

(Unit: 1 million yen)

	Reportable Segments			Adjustment *1	Consolidated
	Marketing Business	Synergy Investment Business	Total		
Net sales					
Net sales from third parties	59,730	4,900	64,630	—	64,630
Intersegment net sales or transfer	15	12	28	(28)	—
Total	59,745	4,913	64,659	(28)	64,630
Profit (loss) of segment *2	1,409	5,879	7,289	(1,839)	5,449
EBITDA *3	1,751	6,000	7,752	(1,552)	6,200
Interest expenses - Interest income					18
Profit before income taxes					5,431
Income taxes					1,060
Income taxes-current					1,195
Income taxes-deferred					(135)
Profit attributable to non-controlling interests					903
Profit attributable to owners of parent					3,467

Notes:

1. The -JPY 1,839 million adjustment to profit (loss) of segment includes -JPY 1,839 million of the elimination of intersegment transactions and HD management costs not allocated to each reportable segment.
2. Profit (loss) of segment is presented as EBIT (Profit (loss) before income taxes + Interest expenses - Interest income).
3. EBITDA = EBIT + Other financial gains (losses) + Depreciation + Amortization + Share-based remuneration expense + Impairment loss

< Information on impairment loss on non-current assets, goodwill, or etc. for each reportable segment >
(Significant impairment loss pertaining to non-current assets)

Not applicable.

(Significant change in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

End.