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 August 6, 2020. In the event of any discrepancy between this English document and the Japanese original, the original shall always prevail.

August 6, 2020

DIGITAL HOLDINGS, INC. (TSE 2389)

Consolidated Financial Results for the 6 Months Ended March 31, 2020 (J-GAAP, Unaudited)

Tokyo, August 6, 2020, DIGITAL HOLDINGS, INC. ("the Company") announced today its consolidated financial results for the six months ended on June 30, 2020. (From January 1 to June 30, 2020, "2020 Q2")

(Amount are rounded down to the nearest million yen)

Consolidated Operating Results for 2020 Q2
(in million yen, unless otherwise stated)

	Six months ended on June 30		
	2020	2019	YoY(%)
Net sales	41,327	41,696	-0.9%
Operating loss	(295)	(121)	—
Ordinary loss	(294)	(14)	—
EBIT*1	579	(281)	—
EBITDA*2, *3	1,076	598	79.7%
Profit (loss) attributable to owners of parent	595	(353)	—
Earnings per share- diluted (yen)	26.44	—	—
Earnings per share- basic (yen)	26.45	(15.46)	—

Notes:
1. EBIT= Proft (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 438 million for the second quarter of the fiscal year ending December 2019 (YoY 83.5% decrease).

Consolidated Balance Sheet Data
(in million yen, unless otherwise stated)

	As of June 30, 2020	As of December 31, 2019
Total assets	59,198	61,132
Assets under management (AUM) *4	23,108	22,961
Net assets	32,271	32,601
Ratio of equity attributable to owners of parent (%)	44.6%	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	76,500 ～ 78,500	-8.2% ～ -5.8%
EBIT	1,170 ～ 1,370	-55.3% ～ -47.6%
EBITDA	1,600 ～ 1,800	-53.4% ～ -47.6%
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 solicitate 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 Q2	2019
Number of shares issued including treasury shares	23,817,700	23,817,700
Number of treasury shares	1,623,646	917,705

	2020 Q2	2019 Q2
Average number of shares during the period	22,500,028	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. Furthermore, it is aiming to generate profit origins with the following plans as well; (1) establishment of an expert organization making promotion proposals to midsize and growing venture clients in the Tokyo metropolitan area, (2) establishment of a joint venture engaging in product development and provision in the Marketing Business through joint investment with SoldOut group, (3) entry into the temporary staffing and consulting business to deliver digital shift people, and (4) expansion of further open innovation utilizing the existing assets.

As a result of business promotion based on the above management policy, in the Q2 consolidated accounting period, net sales were JPY 17,922 million (YoY 11.0% decrease), gross profit was JPY 2,852 million (YoY 18.1% decrease), operating loss was JPY 769 million (operating loss JPY 528 million for the same period last year), EBIT was -JPY 508 million (-JPY 724 million for the same period last year), EBITDA was -JPY 235 million (-JPY 45 million for the same period last year).

Moreover, in the consolidated results for the first six months of the fiscal year, net sales were JPY 41,327 million (YoY 0.9% decrease), gross profit was JPY 6,874 million (YoY 10.3% decrease), operating loss was JPY 295 million (operating loss of JPY 121 million for the same period last year), EBIT was JPY 579 million (-JPY 281 million for the same period last year), EBITDA was JPY 1,076 million (YoY 79.7% 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 17,788 million (YoY 7.7% decrease), gross profit decreased to JPY 2,801 million (YoY 10.8% 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. Nonetheless to efforts to reduce sales of administrative expenses mainly in the major sub-segment, operating profit decreased to JPY 23 million (YoY 92.2% decrease), EBIT decreased to -JPY 59 million (JPY 238 million for the same period last year), EBITDA decreased to JPY 56 million (YoY 86.1% decrease).

As a result of the above, in the first six months of the fiscal year, the performance of Marketing Business was JPY 40,866 million in net sales (YoY 3.3% increase), JPY 6,763 million in gross profit (YoY 0.8% increase), JPY 1,204 million in operating profit (YoY 3.9% increase), JPY 1,154 million in EBIT (YoY 5.2% increase), and JPY 1,377 million in EBITDA (YoY 0.7% increase).

< Synegy 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 was JPY 145 million in net sales (YoY 83.4% decrease), JPY 63 million in gross profit (YoY 82.7% decrease), and JPY 226 million in operating profit (operating loss of JPY 276 million for the same period last year), mainly due to the sale on July 31, 2019 of all the shares of eMFORCE, Inc., a subsidiary in Korea, which was consolidated in the same period of the previous year, and the stagnation of the trade business in China accompanying the spread of COVID-19. However, about CommerceOneHoldings, Inc., when, on and after, it was listed on the Tokyo Stock Exchange Mothers market on June 26, 2020, the Group sold a portion of the shares of it. Therefore, the gains on the sales were recognized as extraordinary income. Hence, EBIT improved to JPY 158 million (-JPY 382 million for the same period last year), and EBITDA improved to JPY 225 million (YoY 312.5% increase).

As a result of the above, in the first six months of the fiscal year, the performance of Synergy Investment Business was JPY 475 million in net sales (YoY 77.8% derease), JPY 125 million in gross profit (YoY 87.3% derease), JPY 362 million in operating loss (operating loss of JPY 190 million for the same period last year), JPY 604 million in EBIT (-JPY 267 million for the same period last year), and JPY 714 million in EBITDA (YoY 298.7% increase).

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 second quarter of the fiscal year was JPY 23,108 million, up 30.6% from the end of the first quarter, due to a rise in the price of shares of RAKSUL, Inc. and CommerceOneHoldings, Inc., which were listed companies. In addition, the after-tax IRR at the end of June 2020 was 12.1%, an improvement of 1.7% from the end of the first quarter for the same reason as AUM.

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 June 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 June 2020 (including business investments)

・Base date for calculation: End of June 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 June 2020 and the book value as of the end of June 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 565 million (JPY 538 million for the same period last year) for the second quarter of the fiscal year, mainly due to increase in outsourcing expenses to improve business productivity. As a result of the above, in the first six months of the fiscal year, selling, general and administrative expenses in HD management division were JPY 1,140 million (JPY 1,077 million for the same period last year).

(2) Overview of financial position

< Assets >

Total assets at the end of the second quarter decreased by JPY 1,934 million from the end of the previous fiscal year to JPY 59,198 million. Current assets amounted to JPY 51,743 million, a decrease of JPY 3,538 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 3,314 million in notes and accounts receivable – trade, and JPY 1,319 million in operational investment securities, despite an increase of JPY 1,392 million in cash and deposits. Non-current assets amounted to JPY 7,454 million, an increase of JPY 1,604 million from the end of the previous fiscal year. This was mainly due to an increase of JPY 2,189 million in investment securities, despite decreases of JPY 199 million in intangible assets and JPY 248 million in shares of affiliate companies.

< Liabilities >

Total liabilities at the end of the second quarter decreased by JPY 1,604 million from the end of the previous fiscal year to JPY 26,926 million. Current liabilities amounted to JPY 16,864 million, a decrease of JPY 2,276 million from the end of the previous fiscal year. This was due to a decrease of JPY 3,377 million in accounts payable – trade, despite increases of JPY1,500 million in short-term borrowings and JPY 329 million in current portion of long-term borrowings. Non-current liabilities amounted to JPY 10,062 million, an increase of JPY 671 million from the end of the previous fiscal year. This was due to an increase of JPY 1,016 million in long-term borrowings, despite a decrease of JPY 326 million in deferred tax liabilities.

< Net assets >

Total net assets at the end of the second quarter decreased by JPY 329 million from the end of the previous fiscal year to JPY 32,271 million. This was mainly due to a decrease of JPY 350 million in valuation difference on available-for-sale securities and an increase of JPY 999 million in treasury shares, despite increases of JPY 464 million in retained earnings due to recognition of profit attributable to owners of parent and JPY 463 million in non-controlling interests.

(3) Consolidated cash flows

Cash and cash equivalents (Hereinafter referred to as "Funds") at the end of the second quarter increased by JPY 1,392 million from the end of the previous fiscal year to JPY 21,791 million. This was because Funds obtained from financing activities exceeded Funds used for operating and investing activities. The status of each cash flow during the first six months of the fiscal year and the major factors behind it are as follows.

< Cash flows from operating activities >

Funds decreased by operating activities were 744 million (same period last year was a decrease of JPY 537 million). This was mainly due to decreases of JPY 3,362 million in trade payables, JPY 824 million decrease in investment securities for sale, and recognition of JPY 878 million in gain on sales of investment securities, despite a decrease of JPY 3,290 million in trade receivables and an increase of JPY 650 million in accrued consumption taxes.

< Cash flows from investing activities >

Funds decreased by investing activities were JPY 353 million (same period last year was a decrease of JPY 440 million). This was mainly due to recognition of JPY 697 million in purchase of investment securities and JPY 331 million in purchase of intangible assets, despite recognition of JPY 691 million in proceeds from sale of investment securities.

< Cash flows from financing activities >

Funds increased by financing activities were JPY 2,503 million (same period last year was a decrease of JPY 497 million). This was mainly due to recognition of JPY 2,000 million in proceeds from long-term borrowings, JPY 1,500 million in net increase in short-term borrowings, and JPY 1,260 million in proceeds from share issuance to non-controlling shareholders, despite recognition of JPY 1,045 million in purchase of treasury shares.

(4) Earnings forecast for year ending December 31, 2020

The Company made a decision its marketing business performance forecast unpredictable, as announced on on May 13, 2020, due to be difficult to make a reasonable estimate of the Company's operating results. Although there moderately recovered in advertising budget reductions in certain industries, the Company decided its marketing business performance forecast for the fiscal year ending December 2020 as follows, due to the impact of COVID-19 was expected to continue after July 2020.

< 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)	TBD	TBD	TBD
Revised forecast (B)	76,500 ～ 78,500	1,170 ～ 1,370	1,600 ～ 1,800
Difference (B-A)	―	―	―
Percentage change	―	―	―
(Reference) Results for FY 2019 (C)	83,347	2,615	3,435 *2
Decrease from previous year (B-C)	-6,847 ～ -4,847	-1,445 ～ -1,245	-1,835 ～ -1,635
Percentage change from previous year	-8.2% ～ -5.8%	-55.3% ～ -47.6%	-53.4% ～ -47.6%
(Reference) Forecast announced on February 12 (D)	91,000	3,100	3,600
Difference (B-D)	-14,500 ～ -12,500	-1,930 ～ -1,730	-2,000 ～ -1,800
Percentage change	-15.9% ～ -13.7%	-62.3% ～ -55.8%	-55.6% ～ -50.0%

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.

In addition, the Company decided the following revision of the forecast which was announced on February 12, 2020, as temporary expenses were expected to be incurred due to floor reduction by reviewing the office environment.

(Unit: 1 million yen, unless otherwise sateted)

	selling, general and administrative expenses
Previous forecast (A)	2,200
Revised forecast (B)	2,400
Difference (B-A)	200
Percentage change	9.1%
(Reference) Results for FY 2019 (C)	2,290
Increase from previous year (B-C)	110
Percentage change from previous year	4.8%

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 Q2 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	20,398	21,791
Notes and accounts receivable - trade	13,681	10, 366
Operational investment securities	19,524	18, 204
Inventories	27	3
Other	1,678	1,393
Allowance for doubtful accounts	(28)	(16)
Total current assets	55,281	51,743
Non-current assets		
Property, plant and equipment	272	273
Intangible assets		
Goodwill	219	224
Other	1,395	1,190
Total Intangible assets	1,614	1,414
Investments and other assets		
Shares of affiliate companies	625	377
Investment securities	2,038	4,228
Leasehold and guarantee deposits	875	882
Other	471	293
Allowance for doubtful accounts	(47)	(14)
Total Investments and other assets	3,963	5,766
Total non-current assets	5,850	7,454
Total assets	61,132	59,198
Liabilities		
Current liabilities		
Accounts payable - trade	13,154	9, 777
Short-term borrowings	—	1,500
Current portion of long-term borrowings	2,307	2, 637
Income taxes payable	408	191
Provision for bonuses	547	306
Other	2,722	2,451
Total current liabilities	19,140	16,864
Non-current liabilities		
Long-term borrowings	6,431	7,448
Deferred tax liabilities	2,834	2,508
Asset retirement obligations	115	97
Other	9	8
Total non-current liabilities	9,390	10,062
Total liabilities	28,531	26,926

(Unit: 1 million yen)

	Previous fiscal year (As of December 31, 2019)	2020 Q2 (As of June 30, 2020)
Net assets		
Shareholders' equity		
Share capital	8,212	8,212
Capital surplus	3,924	4,059
Retained earnings	6,936	7,401
Treasury shares	(698)	(1,698)
Total Shareholders' equity	18,375	17,974
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,593	8,243
Foreign currency translation adjustment	225	182
Total accumulated other comprehensive income	8,819	8,426
Share acquisition rights	0	0
Non-controlling interests	5,405	5,869
Total net assets	32,601	32,271
Total liabilities and net assets	61,132	59,198

(2) Quarterly consolidated statements of income and comprehensive income

① Quarterly consolidated statements of income

(Unit: 1 million yen)

	2019 Q2 From January 1, 2019 to June 30, 2019	2020 Q2 From January 1, 2020 to June 30, 2020
Net sales	41,696	41,327
Cost of sales	34,033	34,453
Gross profit	7,662	6,874
Selling, general and administrative expenses	7,784	7,170
Operating loss	(121)	(295)
Non-operating income		
Share of profit of entities accounted for using equity method	37	28
Gain on investments in investment partnerships	103	10
Other	12	24
Total non-operating income	153	63
Non-operating expenses		
Interest expenses	12	11
Commission expenses	—	45
Foreign exchange losses	29	—
Other	4	5
Total non-operating expenses	46	62
Ordinary loss	(14)	(294)
Extraordinary income		
Gain on sales of non-current assets	—	18
Gain on change in equity	116	41
Gain on sales of investment securities	0	965
Other	18	0
Total extraordinary income	134	1,025
Extraordinary losses		
Loss on retirement of non-current assets	22	7
Impairment loss	43	1
Loss on valuation of investment securities	336	60
Loss on sales of investment securities	—	87
Other	8	5
Total extraordinary losses	410	162
Profit (loss) before income taxes	(289)	568
Income taxes	164	(11)
Profit (loss)	(453)	579
Loss attributable to non-controlling interests	(99)	(15)
Profit (loss) attributable to owners of parent	(353)	595

② Quarterly consolidated statements of comprehensive income

(Unit: 1 million yen)

	2019 Q2 From January 1, 2019 to June 30, 2019	2020 Q2 From January 1, 2020 to June 30, 2020
Profit (loss)	(453)	579
Other comprehensive income		
Valuation difference on available-for-sale securities	4,959	(962)
Foreign currency translation adjustment	(111)	(43)
Share of other comprehensive income of entities accounted for using equity method	(17)	–
Total other comprehensive income	4,831	(1,005)
Comprehensive income	4,377	(425)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,481	201
Comprehensive income attributable to non-controlling interests	(104)	(627)

(3) Quarterly consolidated statements of cash flows

(Unit: 1 million yen)

	2019 Q2 From January 1, 2019 to June 30, 2019	2020 Q2 From January 1, 2020 to June 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	(289)	568
Depreciation	265	243
Increase (decrease) in allowance for doubtful accounts	(35)	(7)
Increase (decrease) in provision for bonuses	(260)	(238)
Interest and dividend income	(3)	(1)
Interest expenses	12	11
Commission expenses	—	45
Share of loss (profit) of entities accounted for using equity method	(37)	(28)
Loss (gain) on investments in investment partnerships	(103)	(10)
Loss (gain) on change in equity	(116)	(41)
Loss (gain) on sales of investment securities	—	(878)
Loss (gain) on valuation of investment securities	336	60
Impairment loss	43	1
Loss on retirement of non-current assets	22	7
Loss (gain) on sales of non-current assets	—	(18)
Decrease (increase) in trade receivables	1,831	3,290
Decrease (increase) in investment securities for sale	(58)	(824)
Decrease (increase) in inventories	223	24
Increase (decrease) in trade payables	(1,028)	(3,362)
Increase (decrease) in accrued consumption taxes	(947)	650
Other	530	(124)
Subtotal	383	(632)
Interest and dividends received	3	1
Interest paid	(12)	(11)
Income taxes paid	(933)	(407)
Income taxes refund	21	305
Cash flows from operating activities	(537)	(744)
Cash flows from investing activities		
Purchase of property, plant and equipment	(45)	(39)
Purchase of Intangible assets	(376)	(331)
Purchase of investment securities	(85)	(697)
Proceeds from sales of Investment securities	51	691
Proceeds from withdrawal of investment securities	228	78
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(51)
Payments for sale of businesses	(177)	—
Payments of leasehold and guarantee deposits	(50)	(7)
Proceeds from refund of leasehold and guarantee deposits	7	0
Collection of loans receivable	15	4
Other	(7)	—
Cash flows from investing activities	(440)	(353)

(Unit: 1 million yen)

	2019 Q2 From January 1, 2019 to June 30, 2019	2020 Q2 From January 1, 2020 to June 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	1,500
Proceeds from long-term borrowings	–	2,000
Repayments of long-term borrowings	(650)	(653)
Proceeds from share issuance to non-controlling shareholders	643	1,260
Repayments to non-controlling shareholders	–	(77)
Purchase of treasury shares	–	(1,045)
Purchase of treasury shares of subsidiaries	(12)	(0)
Dividends paid	(434)	(388)
Dividends paid to non-controlling interests	(44)	(90)
Other	(0)	(0)
Cash flows from financing activities	(497)	2,503
Effect of exchange rate change on cash and cash equivalents	(75)	(13)
Net increase (decrease) in cash and cash equivalents	(1,551)	1,392
Cash and cash equivalents at beginning of period	19,598	20,398
Cash and cash equivalents at end of period	18,047	21,791

(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 six months of the current fiscal year, and treasury shares at the end of the second quarter of the current fiscal year was JPY 1,698 million.

③ Information on reporting segments

I. Consolidated financial results for the previous Q2 (From January 1, 2019 to June 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	39,565	2,130	41,696	—	41,696
Intersegment net sales or transfer	2	7	9	(9)	—
Total	39,567	2,138	41,705	(9)	41,696
Profit (loss) of segment *2	1,097	(267)	830	(1,111)	(281)
EBITDA *3	1,367	179	1,546	(947)	598
Interest expenses - Interest income					8
Loss before income taxes					(289)
Income taxes					164
Income taxes-current					140
Income taxes-deferred					23
Loss attributable to non-controlling interests					(99)
Loss attributable to owners of parent					(353)

Notes:

1. The -JPY 1,111 million adjustment to profit (loss) of segment includes -JPY 1,106 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 (Proft (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 438 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 43 million in the Marketing Business during the first six 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 Q2 (From January 1, 2020 to June 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	40,857	469	41,327	−	41,327
Intersegment net sales or transfer	8	5	14	(14)	−
Total	40,866	475	41,341	(14)	41,327
Profit (loss) of segment *2	1,154	604	1,758	(1,179)	579
EBITDA *3	1,377	714	2,091	(1,015)	1,076
Interest expenses - Interest income					10
Profit before income taxes					568
Income taxes					(11)
Income taxes-current					200
Income taxes-deferred					(211)
Loss attributable to non-controlling interests					(15)
Profit attributable to owners of parent					595

Notes:

1. The −JPY 1,179 million adjustment to profit (loss) of segment includes -JPY 1,183 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 (Proft (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.

④ Business combination, etc. : business divestiture

< Sale of subsidiary company shares >

At the meeting of the board of directors held on June 18, 2020, the Company resolved to transfer all of the shares by the Company as its consolidated subsidiary, relaido, Inc. , to CMerTV, Inc. Hereinafter, relaido, Inc. was referred to as “relaido”, and CMerTV, Inc. was referred to as "CMerTV". Subsequently, the Company entered into a share purchase agreement with CMerTV as of the same date and sold all of the shares on June 30, 2020.

1. Outline of the business divestiture

(1) Name of the successor company

CMerTV, Inc.

(2) Name and business details of the subsidiary company to be spun off

Name of subsidiary: relaido, Inc.

Business profile: Video advertising distribution platform business

(3) Main reason for the business divestiture

Relaido, a wholly owned subsidiary of the Marketing Business segment of the Group, developed the video advertisement distribution platform business and promoted the provision and support of video advertisements. Although the video advertising market in Japan was expanding rapidly, the market environment was changing day by day, and the competitive environment was becoming increasingly severe. Therefore, the Group was exploring the possibility of collaborating with partner, which was expected to generate synergies. Under these circumstances, the Company examined various aspects and concluded that creating an environment for the growth of the video business between CMerTV and relaido, which developed the video CM distribution platform business, would lead to the growth and enhancement of competitiveness of both CMerTV and relaido.

(4) Business divestiture date

June 30, 2020

(5) Summary of other transactions, including legal forms

Sale of shares for which cash and other assets are the only consideration received

2. Summary of the accounting treatment implemented

(1) Amount of gain or loss on sale

Loss on sales of investment securities JPY 87 million

(2) Appropriate carrying amount of assets and liabilities concerning the divested business and their main breakdown

As the sale price kept confidential between the parties to this transaction, carrying amount and its major breakdown would not be disclosed.

(3) Accounting treatment

The difference between the sale price and carrying amount in the consolidated accounts of relaido is recognized as loss on sales of investment securities in extraordinary loss.

3. Reportable segments, which included a divested business

The Marketing Business

4. The estimated amount of profit (loss) of the divested business, which was recognized as profit (loss) for the current fiscal year

Net sales : JPY 145 million

Operating loss : JPY 144 million

End.